



U.S. Department of Agriculture



Office of Inspector General  
Southwest Region

## **Audit Report**

### **Natural Resources Conservation Service Controls Over Vehicle Maintenance Costs**

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Audit Report 10601-7-Te  
June 2006



UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL  
Washington D.C. 20250



June 7, 2006

REPLY TO  
ATTN OF: 10601-7-Te

TO: Bruce Knight  
Chief  
Natural Resources Conservation Service

ATTN: Daniel Runnels  
Director  
Operations Management and Oversight Division

FROM: Robert W. Young /s/  
Assistant Inspector General for Audit

SUBJECT: NRCS Controls Over Vehicle Maintenance Costs

This report presents the results of the subject audit. The Natural Resources Conservation Service's (NRCS) May 9, 2006, written response to the draft report is included as exhibit B. Excerpts from this response, additional information provided by NRCS program staff, and the Office of Inspector General's positions are incorporated into the relevant Findings and Recommendations sections of the report.

Based on the information provided by NRCS, management decisions have been reached for all 10 recommendations in the report. Please follow Departmental and your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer, Director, Planning and Accountability Division. Departmental regulation requires final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Performance and Accountability Report.

We appreciate the courtesies and cooperation extended to our staff during this review.

# **Executive Summary**

## **NRCS Control Over Vehicle Maintenance Costs (Audit Report 10601-7-Te)**

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### **Results in Brief**

To accomplish its mission of helping improve America's natural resources and environment, the Natural Resources Conservation Service (NRCS) maintains the U.S. Department of Agriculture's second largest fleet of motorized vehicles. Each NRCS-owned vehicle is assigned a fleet credit card so that those using the vehicle can charge fuel and maintenance costs. From October 2003 to January 2005, users of NRCS-owned vehicles charged approximately \$10.5 million to fleet credit cards in order to fuel and maintain this fleet. The Office of Inspector General (OIG) initiated this audit to determine if NRCS' controls over these expenses were adequate to ensure that fleet operations were efficient and that charges to fleet credit cards were allowable and appropriate. We found that officials at NRCS' national office were unaware of several significant weaknesses in the agency's internal controls over its fleet operations, and that, due to these weaknesses, \$1.3 of \$10.5 million in fleet maintenance costs was unsupported (see exhibit A).

To arrive at this conclusion, we data mined and analyzed all of NRCS' fleet credit card transactions from October 1, 2003, to January 31, 2005. We then selected and reviewed specific transactions in Texas, California, Arkansas, and Iowa.<sup>1</sup>

We found that officials at NRCS' national office were unaware of weaknesses in their controls over fleet operations, including the use of fleet credit cards without supporting documentation, the failure to resolve fleet credit card system alerts, and the existence of extra fleet credit cards. This occurred because NRCS had not performed management reviews of its fleet operations. We found no evidence of any recent management review, and NRCS officials confirmed that management reviews of fleet operations had never been performed. Officials further explained that they did not believe that fleet operations warranted review, as they had heard of no problems.

Our review, however, identified three problems in NRCS' controls over charges to its fleet credit cards. Although some transactions charged to NRCS fleet credit cards may have been appropriate, NRCS' policy of not requiring users to retain receipts makes it difficult, if not impossible, to determine the propriety of any given transaction.

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<sup>1</sup> See Scope and Methodology.

### Fleet Credit Cards Transactions Unsupported

We found a number of unusual transactions that could not be supported based upon available documentation. This occurred because NRCS does not require users of its vehicles to document the expenditures they charged to fleet credit cards, or to record their use of vehicles. Since they were not required to keep receipts of their expenditures, we found that users did not do so. Users of NRCS-owned vehicles charged:

- \$88,177 above the cost of regular grade fuel when they purchased \$1.2 million in prohibited mid-grade and premium fuels;<sup>2</sup>
- \$947,279 in “null,” “miscellaneous,” and “unassigned” expenses;
- \$101,393 to “pool” credit cards;<sup>3</sup> and
- \$12,914 in transactions on Federal holidays.

In sum, approximately \$1.1 million in unusual transactions was spent without adequate documentation. Fleet credit card users, generally speaking, were unaware of many of the regulations concerning the use of their fleet credit cards, and Local Fleet Program Coordinators (LFPC) did not research these transactions to determine their propriety.

### Fleet Credit Cards Alerts Unresolved

Although the purchase card management system (PCMS) that NRCS uses to monitor fleet credit cards generates alerts when unusual transactions are charged, we found that this system was not functioning as a useful control. Of the 256 PCMS-generated alerts from October 2003 to January 2005, LFPCs did not open, much less resolve, 203 of these alerts. Even when LFPCs did open these alerts, the absence of receipts meant that their review could only be cursory, and could not determine the propriety of the transaction.

LFPCs were not opening and resolving these alerts because, in 2004, as part of streamlining its organization, NRCS eliminated the position of Agency Fleet Program Coordinator (AFPC). AFPCs had been responsible for verifying that PCMS-generated alerts were resolved, but this duty was not reassigned when officials were transferred to other positions. Thus, no one was monitoring LFPCs to verify that they opened and resolved these alerts.

In addition, we found that PCMS offers a number of options for strengthening controls over fleet credit card expenditures. These options include setting authorization limits for each credit card, and software that

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<sup>2</sup> NRCS employees purchased \$1,157,361 in premium and mid-grade during the audit period. The difference between the premium and mid-grade fuel NRCS employees purchased and the regular fuel they should have purchased was \$88,177, based on national price averages for the quantity and type of fuel purchased.

<sup>3</sup> These are special credit cards assigned to a pool of non-vehicular equipment (see Background).

generates exception reports on unusual transactions. LFPCs were not, however, making use of these additional resources.

### Excess Fleet Credit Cards Unassociated with NRCS Vehicles

Although each NRCS fleet credit card should be associated with a particular vehicle, LFPCs nationwide kept 1,769 extra credit cards unassociated with any particular NRCS-owned vehicle. LFPCs explained that they wanted to keep these extra cards on hand due to the inconvenience of ordering new ones. We found that \$161,535 in unsupported purchases was charged to 327 of these extra cards. No documentation was available to support the propriety of these purchases.

We concluded that many of these cards are being used to fuel and maintain vehicles that are not properly listed in the agency's inventory. In the 4 States we visited, 89 extra fleet credit cards were charged a total of \$66,820. When we attempted to reconcile these extra fleet cards to the records of the actual vehicles, we identified 62 vehicles that NRCS owns but were not listed on its inventory because employees did not correctly enter the vehicles' information. A portion of the \$66,820 identified in these States was likely used to fuel and maintain these 62 vehicles. These two interrelated problems—extra fleet credit cards and an inventory that does not accurately list NRCS' vehicles—demonstrate the agency's need to reconcile its inventory to the vehicles it actually owns, as well as its active fleet credit cards to this corrected inventory. Once this dual reconciliation is complete, any additional fleet credit cards should be cancelled.

Based on the results of our data mining analyses, we provided NRCS with lists of questionable fleet maintenance costs by credit card numbers for followup by the agency. Until NRCS improves its controls over fleet operations, the agency cannot be certain it is using its resources effectively or that it is adequately safeguarding its assets. We conclude that NRCS should take steps to strengthen its monitoring of fleet operations by conducting regular management reviews and by improving controls over fleet credit card usage.

## **Recommendations In Brief**

NRCS should conduct management reviews of its fleet operations.

NRCS should improve its controls over how it uses fleet credit cards by prohibiting the purchase of premium and mid-range fuels, requiring documentation for credit transactions, resolving PCMS-generated alerts, and setting authorization limits for each credit card.

NRCS should reconcile its vehicle inventory to the vehicles it actually owns, reconcile its fleet credit cards to this corrected inventory, and cancel any excess fleet credit cards.

## **NRCS Response**

In its May 9, 2006, response and subsequent information provided on May 11, 2006, NRCS concurred with the recommendations and provided proposed corrective actions. NRCS agreed to incorporate a review of fleet operations into all future scheduled management reviews and to perform functional reviews for those locations where significant fleet operations problems are identified. (NRCS' written response is included as exhibit B of the report.)

NRCS agreed to direct the applicable field locations to review and document questionable fleet card transactions provided by OIG and issue a National Bulletin to all employees prohibiting them from purchasing premium or mid-grade fuel.

NRCS agreed to issue policy and procedural guidance to State administrative officers and LFPC to require all fleet card users to retain source documentation for all "non-fuel" purchases for 1 year. This guidance requires the LFPCs to develop and distribute a method for documenting the dispatch of vehicles for those locations that do not already have a tracking system in place and evaluate authorization limits of each fleet credit card and reduce to levels in line with actual fleet card usage. LFPCs are required to access PCMS alerts on a monthly basis and certify that they were resolved. The national office Agency Fleet Headquarters Coordinator will annually request the State administrative officers to certify that their assigned LFPCs have resolved the PCMS alerts.

In addition, NRCS agreed to issue guidance to State administrative officers to require their LFPCs to evaluate all fleet credit cards with their assigned locations. This includes having LFPCs certify that each card is assigned to an existing vehicle, not to exceed one card per vehicle, and justify and document the need for any "pool" cards that are maintained within the location.

## **OIG Position**

We accept management decision for all 10 recommendations in the report. NRCS plans to initiate reviews of fleet operations, examine lists of questionable fleet card purchases, issue policies and procedure guidance to State administrative officers and LFPCs to correct noted deficiencies and have the national office Agency Fleet Headquarters Coordinator annually request certification of resolved PCMS alerts from LFPCs. We have explained in the Findings and Recommendations sections of the report the information that NRCS needs to provide to Office of the Chief Financial Officer, Planning and Accountability Division, for final action.

## ***Abbreviations Used in This Report***

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AFPC	Agency Fleet Program Coordinator
LFPC	Local Fleet Program Coordinator
NRCS	Natural Resources Conservation Service
OCFO/PAD	Office of the Chief Financial Officer, Planning and Accountability Division
OIG	Office of Inspector General
PCMS	Purchase Card Management System

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# Background and Objectives

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## Background

The Natural Resources Conservation Service (NRCS) helps citizens conserve, maintain, and improve America's natural resources and environment. In order to perform its mission, NRCS maintains a fleet of cars, trucks, and other equipment at its scientific and engineering facilities, as well as at State and local offices. Each NRCS State office purchases or leases vehicles, and maintains the vehicles located within its geographic boundaries. In fiscal year 2004, that fleet numbered more than 10,000 vehicles nationwide. In order to fuel and maintain this fleet, fleet credit cards are assigned to specific vehicles.<sup>4</sup>

### Responsible Officials

NRCS has appointed a number of coordinators at the national and State offices who are responsible for overseeing its fleet credit cards—an Agency Fleet Headquarters Coordinator, Agency Fleet Program Coordinators (AFPC), and Local Fleet Program Coordinators (LFPC).

- The NRCS Agency Fleet Headquarters Coordinator is responsible for the fleet management program, which includes overseeing fleet credit card usage and coordinating with the Department.
- NRCS' AFPCs are responsible for managing and overseeing the fleet credit card program within their region. AFPCs provide oversight for the fleet program and training and guidance for LFPCs. In 2004, while streamlining its organization, NRCS eliminated its regional offices and reassigned many employees. AFPCs' duties, however, were not reassigned.
- NRCS' LFPCs are responsible for the day-to-day operations of the fleet credit card program in the State offices. LFPCs work directly with fleet credit card users, control the issuance of cards, and monitor their usage.

The Departmental Fleet Program Coordinator is responsible for the implementation and oversight of the fleet credit card program in the U.S. Department of Agriculture. That official is responsible for such tasks as developing fleet policy and procedures, providing training and guidance to Agency Fleet Headquarters Coordinators, and assisting in defining priorities and managing fleet credit cards.

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<sup>4</sup> The vehicles in question include passenger vehicles such as cars, trucks, sport utility vehicles, and vans. Other sorts of motorized equipment, such as chain saws and all-terrain vehicles, are not assigned individual fleet credit cards, but are instead maintained as pool equipment.

## Internal Controls

The purchase card management system (PCMS) is an online relational database management system of U.S. Department of Agriculture—the system is used to record, track, and oversees fleet-based expenditures transacted on fleet credit cards. U.S. Department of Agriculture uses PCMS to manage fleet credit card transactions. In some cases, another kind of credit card may be issued to a pool of motorized equipment rather than to a specific vehicle. These “pool” cards may be used to fuel and maintain a number of different kinds of equipment including chain saws, lawnmowers, all-terrain vehicles, wood choppers, etc. Unlike the fleet credit card, which is issued to a specific vehicle, pool credit cards are assigned to groups of equipment.

In order to provide oversight for fleet and pool credit card usage, NRCS has at its disposal a variety of internal controls—an alert system within PCMS, the Oracle Discoverer query tool, and system authorization limits that may be applied to fleet credit card profiles:

- LFPCs receive alerts from PCMS when a questionable transaction is charged to a fleet credit card. These officials then review and resolve these alerts in order to verify the propriety of the transaction.
- LFPCs also have access to the Oracle Discoverer query tool. This software is used to run reports monitoring fleet credit card accounts and purchases.
- LFPCs may establish certain authorization limits on a card-by-card basis. They may, for instance, limit the transactions per day and the gallons purchasable per transaction. These limits will not prevent transactions from occurring, but LFPCs will receive an alert if these limits are exceeded.

NRCS also performs a number of reviews in order to verify that its programs are functioning as designed. These reviews include management and functional reviews. If a management review uncovers problems, then NRCS conducts a functional review to address that problem.

## **Objective**

The objective of our audit was to determine if prescribed controls over NRCS’ vehicle fuel and maintenance costs were operating effectively to control and monitor such costs.

# **Findings and Recommendations**

## **Section 1. NRCS Needs to Improve Management Oversight**

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### **Finding 1**

#### **NRCS' National Office Unaware of Administrative Deficiencies in Fleet Operations**

Since the NRCS National Office had performed no management reviews of its fleet operations, it was unaware of the problems we identified, including the use of fleet credit cards without supporting documentation, the failure to resolve fleet credit card system alerts, and the existence of extra fleet credit cards (these problems are discussed at length in section 2). This occurred because NRCS has focused on completing program delivery without ensuring that those programs are delivered as efficiently as possible. Consequently, of fleet transactions totaling \$10.4 million, NRCS' national office did not exercise sufficient oversight to detect approximately \$1.3 million in questionable unsupported expenses (see exhibit A).

NRCS requires that management reviews be conducted at the national, regional, and State office levels to determine the operational effectiveness of programs, policies, disciplines, and offices. If a management review reveals serious deficiencies within a specific functional area or discipline at any level of the organization, then NRCS has provisions to conduct more thorough, detailed reviews called functional reviews.<sup>5</sup>

We found, however, no documentation of any management review of fleet operations, and an NRCS management official confirmed that fleet operations had never been the subject of a management review. When we asked NRCS officials why they had not reviewed fleet operations, they stated that they focused more on the delivery of programs and less on overseeing program assets. NRCS officials further explained that they did not believe a review of fleet operations was warranted, as State and field offices had not reported any problems. However, the national office conducts management reviews for the purpose of determining the effectiveness of its programs. Without conducting management reviews, NRCS could not state whether fleet operations were functioning efficiently or not. Waiting to hear of problems from the field will not suffice to ensure that program operations are being managed as efficiently as possible. Although NRCS knew of no problems with fleet operations, our review identified significant problems in the maintenance and operations of the agency's motor pool, as discussed in section 2. Because the ultimate responsibility for field operations belongs to the national office, it is important that the national office conduct regular and timely management

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<sup>5</sup> NRCS *General Manual*, Title 340, part 404, subpart b, dated August 25, 2005.

reviews so that it can state, with a reasonable degree of certainty, whether its programs are functioning efficiently.

When we brought these problems to officials' attention at the NRCS National Office, they agreed that the agency would benefit from performing management reviews of fleet operations, as well as functional reviews as warranted. They also agreed that waiting to hear of problems from the field was not the most effective way of detecting and correcting such problems. Based on the results of our data mining analyses, we provided to NRCS lists of questionable fleet maintenance costs by credit card numbers for followup and review.

By performing these management reviews of fleet operations, NRCS will possess greater assurance that its fleet is being managed efficiently, and that expenses charged to fleet credit cards are proper and allowable. NRCS will thus be able to maximize the quality and quantity of the programs it can deliver.

## **Recommendation 1**

Perform periodic management reviews of fleet operations.

### **NRCS Response**

NRCS agreed that review of fleet operations will be incorporated into all future scheduled management reviews. Per our subsequent discussions with NRCS program staff, the first management review is expected to be conducted in August 2006 at the Kansas State NRCS Office.

### **OIG Position**

We accept the management decision for Recommendation 1. For final action, NRCS needs to provide OCFO/PAD a copy of the management review report on the Kansas State NRCS Office.

## **Recommendation 2**

If management reviews of fleet operations indicate problems, conduct functional reviews to correct those problems, including verifying that corrective actions are taken.

### **NRCS Response**

NRCS agreed that if significant fleet operations problems are identified during a scheduled management review, the Chief of NRCS will direct a functional review of fleet operations for that location which shall include

directing corrective actions and requiring reporting to track progress. Per our subsequent discussions with NRCS program staff, the first management review is expected to be conducted in August 2006 at the Kansas State NRCS Office.

### **OIG Position**

We accept the management decision for Recommendation 2. For final action, NRCS needs to provide OCFO/PAD a copy of the management review to be performed at the Kansas State NRCS Office and any functional reviews to be completed as a result of significant fleet operations problems discovered during the management review.

### **Recommendation 3**

Follow up and review the lists of questionable fleet maintenance costs by credit card numbers, and provide the results of your review to OIG.

### **NRCS Response**

NRCS agreed to direct the involved locations where questionable fleet maintenance costs were identified to review and document their questionable fleet card transactions. The request directing the four locations to conduct this review will be issued by April 30, 2006, and will be available for OIG no later than May 31, 2006.

### **OIG Position**

We accept the management decision for Recommendation 3. For final action, NRCS needs to provide OCFO/PAD a copy of the review to be conducted on the list of questionable fleet maintenance costs by credit card numbers.

## **Section 2. NRCS Needs to Improve Controls Over Fleet Operations**

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Because the NRCS National Office had not conducted management reviews of fleet operations, it was unaware that State offices were not always managing their fleets as efficiently as possible. We identified three problems with how NRCS conducted its fleet operations:

- More than \$1.1 million in questionable unsupported fuel and maintenance costs were charged to NRCS' fleet credit cards, including \$88,177 in excess costs used to purchase premium and mid-grade fuels, without any documentation for these expenses.<sup>6</sup>
- LFPCs did not open, much less resolve, 203 of 256 alerts that PCMS generated from October 2003 to January 2005. These alerts are designed to help LFPCs identify unusual expenses and research their propriety.
- LFPCs kept on hand 1,769 excess fleet credit cards unassociated with any particular vehicle—327 of these cards were nonetheless charged \$161,535 for fuel, without any documentation for these expenses.

NRCS' policy of not requiring users to maintain receipts for expenses charged to their fleet credit cards made determining the propriety of these transactions difficult, if not impossible. By strengthening its controls over how these cards are used (and by conducting regular management reviews of fleet operations as described in Finding 1), OIG maintains that NRCS can improve the overall efficiency of its fleet of vehicles and equipment. Such controls would also minimize the potential for employee misuse.

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### **Finding 2**

#### **NRCS Needs to Improve Controls Preventing the Unsupported Use of Fleet Credit Cards**

We found that more than \$1.1 million in unsupported fuel and maintenance costs was charged to fleet credit cards. This occurred because NRCS management did not require users to retain receipts for purchases or to document vehicle use. Without such documentation, NRCS staff found themselves unable to determine or to reconcile the propriety of many fleet credit card expenses. As a result, NRCS lacks reasonable assurance that its fleet is being used for allowable purposes and is being used efficiently and effectively.

Internal controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

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<sup>6</sup> See footnote 9.

Such controls should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.<sup>7</sup>

We found, however, that NRCS' controls were not adequate to detect and verify transactions amounting to more than \$1.1 million in unsupported expenses.

Premium and Mid-grade Fuel Purchases Unsupported

Although NRCS did not own any vehicles requiring premium or mid-grade fuels, we found that users were purchasing these fuels. State office LFPCs, however, did not question these transactions—they explained that they did not know that the purchase of certain fuels was prohibited. We also confirmed that card users were unaware of this prohibition. Because users of NRCS vehicles did not know that these fuels were prohibited, they charged approximately \$1.2 million in premium and mid-grade fuels to fleet credit cards.<sup>8</sup> These charges exceeded the price they would have paid for regular fuel by \$88,177.<sup>9</sup>

Departmental regulations stipulate that employees may not use premium or mid-grade gasoline in any motor vehicle owned or leased by the Government unless the vehicle specifically requires premium or mid-grade gasoline.<sup>10</sup>

OIG identified all fuel purchases charged to NRCS' fleet credit cards from October 2003 to January 2005. We then isolated all premium and mid-grade fuel purchases from the total fuel purchases made during this period.<sup>11</sup> By totaling the charges to fleet credit cards for premium and mid-grade fuels, we identified approximately \$1.2 million in prohibited premium and mid-grade fuel purchases (see table 1 below).

**Table 1: Unsupported Fuel Purchases**

	Mid-grade Fuel	Premium Fuel	TOTAL
Arkansas	\$ 7,308	\$ 6,800	\$ 14,108
California	\$ 23,463	\$ 12,644	\$ 36,107
Iowa	n/a <sup>12</sup>	\$ 90,804	\$ 90,804
Texas	\$ 33,374	\$ 24,092	\$ 57,466
<b>NATIONWIDE</b>	<b>\$693,145<sup>13</sup></b>	<b>\$464,216</b>	<b>\$1,157,361</b>

<sup>7</sup> Office of Management and Budget, *Circular A-123*, dated June 21, 1995.

<sup>8</sup> Iowa, Michigan, Minnesota, and Wisconsin sell mid-grade fuel that is mixed with ethanol to create gasohol. Because gasohol is an alternative fuel promoted by NRCS State offices, we considered purchases of gasohol acceptable and excluded \$159,049 (\$852,194 - \$693,145) as supported.

<sup>9</sup> The difference between the premium and mid-grade fuel NRCS employees purchased and the regular fuel they should have purchased was \$88,177, based on national price averages for the quantity and type of fuel purchased.

<sup>10</sup> Agricultural Property Management Regulations, chapter 110-34, "Motor Equipment Management," (b) not dated.

<sup>11</sup> Although NRCS generally lacked documentation for fleet credit card purchases, its system does identify the type and grade purchased, which allowed us to identify these expenditures even though we had no receipts.

<sup>12</sup> Users in Iowa were charging for gasohol (see footnote 6).

<sup>13</sup> \$159,049 was excluded from the mid-grade fuels for authorized ethanol blend.

We then performed field reviews in Texas, California, Iowa, and Arkansas to verify that the data identified by our data mining was correct, but found no documentation at these offices to support the purchases of these higher octane fuels. Furthermore, when we queried LFPCs at the NRCS State offices, they were not aware that such purchases of higher octane fuel were prohibited unless specifically required. Thus, they did not question users who charged these fuels to their cards or inform these users of the Department's prohibition. We also confirmed that card users were themselves unaware of this prohibition.

Because the users of NRCS' fleet credit cards should have purchased regular grade fuel instead of premium or mid-grade fuel, we reduced the price they paid for premium or mid-grade fuel by the price they would have paid for regular fuel, based on national price averages for the quantity and type of fuel purchased. We concluded that the charges to NRCS' fleet credit cards for prohibited premium and mid-grade fuels exceeded regular fuel costs by \$88,177.<sup>14</sup>

#### "Null," "Miscellaneous," and "Unassigned" Expenditures Unsupported

We found that LFPCs could not determine the propriety of "null," "miscellaneous," and "unassigned" transactions charged to fleet credit cards because NRCS does not require users to retain receipts for their purchases. As a result, users charged \$947,279 in unidentifiable expenses to their fleet credit cards.

According to Departmental regulations, property records for accountable personal property (such as automobiles) shall, at a minimum, contain source documentation for repair and maintenance.<sup>15</sup> OIG maintains that this regulation applies to all maintenance expenses NRCS fleet credit card users might reasonably charge to their cards. However, NRCS did not incorporate these Departmental guidelines into its regulations. Management officials stated that, as part of their effort to streamline their administrative tasks and reduce the amount of paperwork, they decided not to require users to maintain receipts for transactions.

OIG identified all non-fuel transactions charged to NRCS' fleet credit cards from October 2003 to January 2005. On the system, each transaction is categorized within fields such as "fuel," or "non-fuel"; within the second category are sub-categories such as "null," "miscellaneous," and "unassigned." After isolating and totaling all "null," "miscellaneous," and "unassigned" transactions, we found that \$947,279 had been charged to those sub-categories (see table 2 below).

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<sup>14</sup> See footnote 9.

<sup>15</sup> Agriculture Property Management Regulations 104-51.104, Property Records, September 1997.

**Table 2: Unsupported “Null,” “Miscellaneous,” and “Unassigned” Charges**

	<b>Null</b>	<b>Miscellaneous</b>	<b>Unassigned</b>	<b>TOTAL</b>
Arkansas	\$ 7,528	\$ 8,535	\$ 4,299	\$ 20,362
California	\$ 21,515	\$ 24,366	\$ 9,034	\$ 54,915
Iowa	\$ 20,093	\$ 33,727	\$ 9,775	\$ 63,595
Texas	\$ 24,646	\$ 26,801	\$ 10,165	\$ 61,612
<b>NATIONWIDE</b>	<b>\$318,583</b>	<b>\$448,706</b>	<b>\$179,991</b>	<b>\$947,279</b>

Without further documentation we could not determine the exact character of these expenditures. We performed field reviews in Texas, California, Iowa, and Arkansas to verify that the data identified by our data mining was correct, but found that no documentation was maintained in these offices to establish the propriety of these transactions. We asked LFPCs if they knew exactly how these expenses contributed to maintaining NRCS’ fleet, but they did not know what goods or services had been purchased. Even though the sub-categories of “null,” “miscellaneous,” and “unassigned” are clearly marked in PCMS, the LFPCs we talked to had neither totaled nor researched these unsupported expenses. They also had not used the data management tools available to them to make reports on these expenses (see Finding 3).

We concluded that the \$947,279 charged to NRCS’ fleet credit cards for “null,” “miscellaneous,” and “unassigned” transactions was unsupported.

#### Fleet Pool Credit Card Charges Unsupported

We could not determine the propriety of transactions charged to pool credit cards—cards used to maintain a group of assorted equipment other than vehicles. This occurred because the agency did not require users to retain source documentation concerning who made the purchase or for what purpose the purchase was made. As a result, NRCS could not account for \$101,393 charged to pool credit cards.

NRCS State offices maintain pool credit cards in order to fuel and maintain assorted equipment, such as snowmobiles, all-terrain vehicles, chainsaws, lawnmowers, or other tools.<sup>16</sup> Such pool cards are not associated with any particular piece of equipment, should not be used to fuel automobiles, and should not be used to replace lost, missing, or unusable fleet credit cards. In addition, because pool cards are at greater risk of misuse than cards associated with a vehicle, the number of pool credit cards should be kept to a minimum.

<sup>16</sup> Departmental Regulation 5400-6, dated February 28, 2002.

OIG identified all fuel and non-fuel purchases charged to NRCS' pool credit cards from October 2003 to January 2005—we isolated a total of \$101,393 (see table 3 below).

**Table 3: Unsupported Pool Credit Card Charges**

	<b>Charges to Pool Credit Cards</b>
Arkansas	\$ 4,520
California	\$ 8,195
Iowa	\$ 3,795
Texas	\$ 3,000
<b>NATIONWIDE</b>	<b>\$101,393</b>

We performed field reviews in Texas, California, Iowa, and Arkansas to verify that the data identified by our data mining was correct, but found that the propriety of these transactions could not be ascertained because NRCS does not require users to retain receipts for pool credit card purchases. When we asked LFPCs about these purchases, they stated that they sometimes used pool cards to maintain vehicles if an ordinary fleet credit card was lost or became unusable.

While performing these field reviews, we learned, for instance, that a pool card was used on October 22, 2004, for purchases of “null” and “unassigned” items.<sup>17</sup> This purchase came to \$494. Without documentation, we could not determine what items were purchased, who purchased them, or what piece of equipment these purchases were intended to maintain. Another pool card was used on three separate occasions in fiscal year 2004 to purchase \$1,296 in fuel. Without documentation, we could not determine who purchased the fuel, what equipment was being fueled, or why such large amounts of fuel were purchased.

We concluded that the \$101,393 charged to pool credit cards was unsupported.

#### Charges on Federal Holidays Unsupported

We could not determine the propriety of charges applied to NRCS fleet credit cards on Federal holidays. This occurred because the agency does not require users to maintain source documentation for these expenses, nor does it maintain a log or dispatch record for the use of Federal vehicles. As a result, \$12,914 in purchases was charged to NRCS' fleet credit cards on Federal holidays without supporting documentation.

<sup>17</sup> Because these items were classified as “null” or “unassigned” in the database, they were unidentifiable (see previous section).

Regulations state that fleet credit cards are for official Government business use only—under no circumstances should the card be used for personal purchases or as identification for personal purchases.<sup>18</sup>

Because NRCS employees, as Federal employees, receive Federal holidays, NRCS officials stated that their fleet credit cards should not have not been charged on those holidays unless there was a special and well-documented reason.

OIG identified the universe of fuel and non-fuel purchases charged to NRCS' fleet credit cards on Federal holidays from October 2003 to January 2005—we identified a total of \$12,914 (see table 4 below).

**Table 4: Unsupported Charges on Federal Holidays**

	<b>Charges on Federal Holidays</b>
Arkansas	\$ 224
California	\$ 693
Iowa	\$ 848
Texas	\$ 953
<b>NATIONWIDE</b>	<b>\$12,914</b>

We then performed field reviews in Texas, California, Iowa, and Arkansas to verify that the data identified by our data mining was correct, but found that no documentation was maintained to support the propriety of these transactions, nor did the agency maintain dispatch records for vehicle use. When we asked LFPCs about these charges, they stated that they did not know why fleet credit cards might be charged on a Federal holiday. Even though the listing of these charges is readily accessible in PCMS, LFPCs had not tallied or researched this information.

We concluded that the \$12,914 charged to NRCS fleet credit cards on Federal holidays was unsupported.

When we brought these issues to the attention of officials at the NRCS National Office, we learned that they were unaware of these problems (see Finding 1). They agreed, however, that the issues we had identified needed to be addressed. The national office agreed to require those using NRCS fleet credit cards to maintain receipts and to sign dispatch logs. Officials also agreed that NRCS employees are not permitted to purchase mid-grade and premium fuels except in the case of an emergency. These emergency or unusual purchases should be documented. In addition, officials agreed that the pool credit card should only be used in accordance with Departmental

<sup>18</sup> Departmental Regulation 5400-6, dated February 28, 2002.

regulations. NRCS agreed to issue notices regarding appropriate fleet and pool credit card usage, as well as prohibitions on premium and mid-grade fuels and requirements to maintain receipts and dispatch logs.

NRCS can improve its controls over fleet credit card expenditures by requiring users to retain source documentation for transactions charged to fleet and pool credit cards, and by maintaining vehicle dispatch records showing who is using a particular vehicle at any given moment. Such documentation will increase the agency's accountability and allow NRCS to verify and reconcile expenditures (see Finding 3).

#### **Recommendation 4**

Immediately issue a notice to relevant State and field offices prohibiting fleet credit card users from purchasing premium or mid-grade fuel.

#### **NRCS Response**

NRCS agreed to issue a National Bulletin to all NRCS employees prohibiting them from purchasing premium or mid-grade fuel with the fleet credit card. This National Bulletin will be issued no later than May 5, 2006.

#### **OIG Position**

We accept the management decision for Recommendation 4. For final action, NRCS needs to provide OCFO/PAD a copy of the National Bulletin to State and field offices prohibiting fleet credit card users from purchasing premium or mid-grade fuel.

#### **Recommendation 5**

Develop and implement policies and procedures requiring that State and field office employees retain source documentation (i.e., receipts) for fleet credit card transactions.

#### **NRCS Response**

NRCS agreed to issue policy and procedural guidance that requires all fleet card users to retain source documentation for all "non-fuel" purchases for one year. This guidance will be issued to State administrative officers and LFPCs by May 19, 2006, and will require fleet card user compliance by June 30, 2006.

### **OIG Position**

We accept the management decision for Recommendation 5. For final action, NRCS needs to provide OCFO/PAD a copy of the policy issued to State administrative officers and LFPC that requires all fleet card users to retain source documentation for all “non-fuel” purchases for 1 year.

### **Recommendation 6**

Develop and implement policies and procedures requiring dispatch records for vehicle use, including use on Federal holidays.

### **NRCS Response**

NRCS agreed to issue a directive to all State administrative officers and LFPCs that directs them to develop and distribute a method for documenting the dispatch of vehicles for those locations that do not already have a tracking system in place. This guidance will be issued by May 19, 2006, and will require compliance by June 30, 2006.

### **OIG Position**

We accept the management decision for Recommendation 6. For final action, NRCS needs to provide OCFO/PAD a copy of the directive to State administrative officers and LFPCs that requires the development of a method for documenting the dispatch of vehicles for those locations that do not already have a tracking system in place.

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### Finding 3

### NRCS Needs to Resolve Fleet Credit Card System Alerts

Nationwide, LFPCs did not open, much less resolve, 203 of the 256 PCMS-generated alerts for the period from October 2003 to January 2005. Of the 203 unopened alerts we identified, 45 were more than a year old. Moreover, even when LFPCs did open and resolve PCMS-generated alerts, they did so without supporting documentation, because NRCS did not require users to retain source documents for transactions charged to their fleet credit cards (see Finding 2). This occurred because, when NRCS eliminated its regional offices, it reassigned officials who had been charged with overseeing fleet credit card use, including monitoring the resolution of PCMS-generated alerts, but did not reassign these officials' duties. As a result, no one was responsible for verifying that these alerts were resolved. NRCS was thus unaware of the fleet credit card system's vulnerability to waste and abuse.

The alert system is a subsystem within PCMS that NRCS uses to identify transactions requiring additional review. For instance, if a user attempts to use a fleet credit card at an inappropriate vendor—e.g., a liquor or check-cashing store—the alert system notifies LFPCs of this potentially inappropriate transaction.<sup>19</sup> As part of their day-to-day activities, LFPCs should open the message, determine if the transaction is appropriate, and then resolve the alert. Before NRCS eliminated its regional offices, these alerts also were sent to regional officials known as AFPCs. AFPCs were charged with overseeing the resolution of these alerts, and dealing with alerts that had not been resolved for more than 30 days.<sup>20</sup>

OIG identified all alert messages generated from October 2003 to January 2005 and the total number of resolved and unresolved alert messages nationwide. We also surveyed<sup>21</sup> LFPCs nationwide on the performance of specific control activities, including how they resolved PCMS-generated alerts. We learned that LFPCs did not resolve 203 of 256, or 79 percent, of PCMS-generated alerts. When performing field visits in Texas, California, Iowa, and Arkansas, OIG verified the results of our data mining with the LFPCs. When we asked LFPCs at these four State offices why they had not resolved these alerts, one replied that she did not know these alerts existed; two said they verified the transactions without source documentation; and one said that resolving these alert messages was not a priority.

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<sup>19</sup> Other alerts were randomly generated for purposes of statistical sampling.

<sup>20</sup> Departmental Regulation 5400-6, dated February 28, 2002.

<sup>21</sup> We sent a written questionnaire to all 61 LFPCs, and received responses from all 61.

Moreover, even when LFPCs did open the alerts, there was no evidence to demonstrate that they did more than mark the alert as “read.”<sup>22</sup> Since NRCS did not require fleet credit card users to retain documentation for card transactions, LFPCs did not have adequate resources to determine the propriety of many transactions (see Finding 2). In many instances, then, LFPCs were marking these alerts as “read” when they lacked the evidence needed to resolve the transaction.

- In the Iowa State Office, the LFPC opened and marked as “read” PCMS-generated alert messages; however, the State conservationist and acting State administrative officer explained that employees were not required to keep supporting documentation for transactions.
- In the Arkansas State Office, the LFPC opened and marked as “read” PCMS-generated alert messages; however, the LFPC noted that there was no documentation to verify these transactions.
- In the California State Office, the LFPC opened and marked as “read” 10 of 20 alerts, but stated that documentation is generally not provided to corroborate transactions. The LFPC used phone calls, e-mails, or personal judgment about employees’ character to respond to PCMS-generated alerts.

Of the 256 PCMS-generated alerts nationwide, 203 were not opened and 53 were opened and marked as “read” without supporting documentation. Before NRCS eliminated its regional offices, AFPCs would have been responsible for ensuring that these alert messages were opened and resolved. Since NRCS has not reassigned AFPCs’ duties, however, no one was verifying that LFPCs completed this work. OIG concluded that the system was not functioning as an effective tool for monitoring fleet credit card transactions. In order to make this control more effective, NRCS should require users to retain supporting documentation and establish procedures for resolving these alerts based upon that documentation (see Finding 2).

NRCS could improve this system to more effectively oversee these transactions, as PCMS offers a number of options for strengthening control over these cards. For instance, we found that LFPCs did not establish authorization limits on new credit card profiles. When creating new profiles, LFPCs can choose to limit the number of daily transactions or the dollar value that can be charged to that card. PCMS will then generate an alert message if an employee exceeds these limits. Many other parameters might be implemented to improve oversight of fleet credit cards. At present, the parameters in the profile have been left at their default settings. This allows users to purchase \$999.99 per transaction with up to 99 transactions per day.

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<sup>22</sup> On PCMS’ alert message screen, new alerts are marked as “unread,” or “u,” until LFPCs open them and mark them as “read,” or “r.”

The agency should determine more reasonable authorization limits for users, depending on various factors such as vehicle capacity and workload. Establishing reasonable authorization limits should prove a useful tool for preventing the abuse of these cards.

At these default settings, PCMS was generating relatively few alerts over the 15-month period of our review. On average, each of the 61 LFPCs was receiving 1 alert every 4 months. Of the 383,678 charges transacted on fleet credit cards over this 15-month period, LFPCs were expected to follow up and review just 256 alerts. Setting more reasonable authorization limits should enable LFPCs to review more unusual transactions and have greater control over how fleet credit cards are used.

PCMS also provides other tools for monitoring charges to fleet credit cards. We found that 46 of 61 LFPCs (75 percent) were not using the Discoverer data query tool, a software program that allows LFPCs to run reports summarizing fleet credit card accounts and purchases. If LFPCs were to run reports using Discoverer, NRCS would have a powerful tool for monitoring fleet credit card transactions. (OIG found the Discoverer helpful in generating reports used for our audit, and especially in analyzing the data presented in Findings 2 and 3.) When we asked LFPCs why they did not use the Discoverer tool, they said that they had not been trained to do so.

When we presented our findings to NRCS, officials at the national office agreed that LFPCs were charged with resolving PCMS-generated alert messages and using the Discoverer data query tool to oversee fleet credit cards. We asked NRCS officials why LFPCs were not aware of their responsibility to resolve these alert messages. Officials explained that they had dissolved their regional offices without considering what effect that action would have on NRCS' internal control structure. Eliminating these offices meant that the position of AFPC no longer existed, but AFPCs' oversight responsibilities were not reassigned, either to the State office or the national office. Officials at the NRCS National Office agreed to issue a notice reminding LFPCs to resolve alerts immediately and require the State administrative officers to certify that the task was completed, since the Agency Fleet Headquarters Coordinator stated that she could not, by herself, follow up on all of the alert messages. National officials stated that they would devote additional resources to improving oversight of fleet credit cards. Officials also agreed that establishing reasonable authorization limits on fleet credit cards was an appropriate action.

## **Recommendation 7**

Issue a notice to State offices and LFPCs to access and resolve alerts in PCMS, and to certify to the State office administrative officers when this task is complete.

### **NRCS Response**

NRCS agreed to issue notice to State administrative officers and LFPCs that requires LFPCs to access PCMS alerts no less than monthly. The notice will require monthly certification to the State administrative officers that all alerts have been resolved. This notice will be issued to State administrative officers and LFPCs by May 19, 2006, and will require LFPC compliance by June 30, 2006.

### **OIG Position**

We accept the management decision for Recommendation 7. For final action, NRCS needs to provide OCFO/PAD a copy of the notice issued to State administrative officers and LFPCs that requires the PCMS alerts to be accessed by the LFPCs no less than monthly.

## **Recommendation 8**

Include as part of the required duties of each State office administrative officer the responsibility of ensuring that LFPCs follow up and resolve PCMS-generated alerts, and that each State office administrative officer certifies to the national office's Agency Fleet Headquarters Coordinator that the reports have been resolved.

### **NRCS Response**

NRCS agreed to direct the national office Agency Fleet Headquarters Coordinator to annually request State administrative officers to certify that their assigned LFPCs have resolved, not less than monthly, all PCMS-generated alerts regarding the fleet credit cards. This notice will be issued to State administrative officers and LFPCs by May 19, 2006, and will require LFPC compliance by June 30, 2006.

### **OIG Position**

We accept the management decision for Recommendation 8. For final action, NRCS needs to provide OCFO/PAD a copy of the notice requiring the State administrative officers to certify to the national office Agency Fleet Headquarters Coordinator that their assigned LFPCs have resolved, not less than monthly, all PCMS-generated alerts regarding the fleet credit cards.

## **Recommendation 9**

Require that LFPCs establish reasonable authorization limits for each fleet credit card.

### **NRCS Response**

NRCS agreed to issue guidance to State administrative officers and LFPCs that requires the authorization limits of each fleet credit card to be evaluated and reduced to levels in line with actual fleet card usage. This guidance will be issued to State administrative officers and LFPCs by May 19, 2006, and will require review and adjustment of each card by September 15, 2006.

### **OIG Position**

We accept the management decision for Recommendation 9. For final action, NRCS needs to provide OCFO/PAD a copy of the guidance issued to the State administrative officers and LFPCs that requires the authorization limits of each fleet credit card to be evaluated and reduced to levels in line with actual fleet card usage.

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**Finding 4****NRCS Needs to Reconcile Fleet Credit Cards with Vehicles**

We found that LFPCs maintained 1,769 extra fleet credit cards unassociated with any particular NRCS vehicle. This occurred because State officials and LFPCs wanted to keep extra cards on hand and were not reconciling existing fleet credit cards to the vehicles in their inventory. Nationwide, 327 of these cards were nonetheless charged \$161,535 for fuel.

Regulations require that agencies issue only one fleet credit card for fuel and maintenance expenses for each motor vehicle.<sup>23</sup>

By comparing the number of active fleet credit cards with the vehicles in NRCS' PROP inventory that were associated with those cards, we found that the agency had 1,769 excess fleet credit cards nationwide. Although PROP listed 10,154 vehicles associated with fleet credit cards, the agency maintained 11,923 active cards.<sup>24</sup> Thus, 1,769 cards were maintained in excess of NRCS' immediate needs and could not be associated with any vehicle in the agency's inventory. From October 2003 through January 2005, we found that 327 of these 1,769 extra fleet credit cards were used to purchase \$161,535 in fuel.

In the States we visited, we sought explanations for extra fleet credit cards and for fuel charged on those cards. We learned that Texas, Arkansas, and California maintained a total of 251 extra fleet credit cards, 89 of which were charged \$66,820 (see table 5 below).

**Table 5: Excess Fleet Credit Cards**

<b>States Visited</b>	<b>Extra Fleet Credit Cards</b>	<b>Extra Fleet Credit Cards with Charges</b>	<b>Expenditures Charged to Extra Cards</b>
Arkansas	70	1	\$ 1,573
California	50	20	\$11,209
Iowa <sup>25</sup>	---	---	---
Texas	131	68	\$54,038
<b>TOTAL</b>	<b>251</b>	<b>89</b>	<b>\$66,820</b>

<sup>23</sup> Departmental Regulation 5400-6, dated February 28, 2002.

<sup>24</sup> As of March 2, 2005, this sum does not include duplicate cards.

<sup>25</sup> Iowa had no excess fleet credit cards, but it was using cards associated with one vehicle to fuel other vehicles.

Given the lack of documentation for fleet credit card expenditures described in Finding 2, we were unable to determine the propriety of these transactions, namely, who charged these expenses and what vehicles were fueled. When we spoke to LFPCs in these States about why they maintained extra fleet credit cards, they explained that it took 3 days for a new card to be issued and that they preferred to have extra cards on hand in case another card was lost, stolen, or became unusable.

Though OIG understands that acquiring new fleet credit cards can sometimes be inconvenient, maintaining extra cards with little or no control over how they are used is not an acceptable solution and violates Departmental regulations.

When we discussed this problem with officials at the NRCS National Office, they did not realize there were so many extra cards. Officials believed that any extra cards had been cancelled months previously; they stated that LFPCs should not be maintaining extra cards, and agreed that any extra cards should be immediately cancelled.

OIG maintains that some of these extra fleet credit cards are, in fact, associated with NRCS vehicles that have not been correctly listed in the agency's PROP inventory database. We found that NRCS has not reconciled PROP to the number of vehicles the agency actually owned. In the 4 States we visited, we identified 62 vehicles that were associated with fleet credit cards but were not listed on PROP—these cards thus appeared to be excess, but were not. This occurred because those responsible for maintaining PROP either entered data into PROP incorrectly or improperly deleted data; therefore, record of these vehicles did not show up on the PROP inventory database. When we asked LFPCs why the data in PROP was not correct, they stated that they did not know how to resolve these data entry errors.

We conclude that NRCS should take immediate action to comply with Departmental regulations and cancel cards not associated with particular NRCS vehicles. NRCS should regularly reconcile existing fleet credit cards with its vehicle inventory in order to ensure that there are no extra cards. As part of reconciling these extra fleet credit cards, NRCS should take steps to ensure that PROP accurately represents the vehicles it actually owns.

## **Recommendation 10**

Issue a notice to State offices to (1) reconcile fleet credit cards to vehicles owned; (2) reconcile the PROP inventory and provide training as necessary; (3) cancel cards not expressly linked to a vehicle; (4) provide certified documentation of the reconciliation and handling of extra fleet credit cards to the State administrative officer; and (5) maintain, in the future, only one fleet credit card per vehicle.

### **NRCS Response**

NRCS agreed to issue guidance to State administrative officers that they must require their LFPCs to evaluate all fleet credit cards within their assigned locations. This guidance will also require State administrative officers to have LFPCs certify that each card is assigned to an existing vehicle, not to exceed one card per vehicle. Any identified cards that have already been assigned vehicle license plate numbers and activate in fleet PCMS will be stored together in a locked area and will not be used for purchases until assigned to an actual vehicle. It will instruct State administrative officers and LFPCs to only order a quantity of cards in advance for the number of new vehicles that will be delivered within 30 days.

This guidance will also require State administrative officers to ensure that LFPCs justify and document the need for any "pool" cards that are maintained within the locations. It will be issued to State administrative officers and LFPCs by May 19, 2006, and will require review and adjustment of each card by September 15, 2006.

### **OIG Position**

We accept the management decision for Recommendation 10. For final action, NRCS needs to provide OCFO/PAD a copy of the guidance issued to State administrative officers that requires their LFPCs to evaluate all fleet credit cards within their assigned locations and to perform the procedures as stated in the agency response above.

## ***Scope and Methodology***

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Our audit covered NRCS' management and application controls over fleet credit card transactions for both fuel and non-fuel purchases from October 1, 2003, to January 31, 2005, at NRCS' national, State and field offices. Fieldwork commenced on February 23, 2005, at the NRCS National Office in Washington, D.C.

In order to identify potential internal control weakness in the oversight of fleet credit cards, we performed data mining and analysis of all NRCS fleet credit card transactions from October 1, 2003 to January 31, 2005. Our data mining identified 340,703 fuel transactions and 42,975 non-fuel transactions totaling \$10,481,000, which we then analyzed for anomalies and improprieties. Nationwide we identified \$464,216 in premium fuels and \$852,194 in mid-grade fuels charged to the fleet credit card from October 2003 to January 2005.

Based on our data mining, we judgmentally selected Texas, Iowa, Arkansas, and California for further review and verification of our results. The four States visited accounted for 19.5 percent of the total universe of fuel transactions and 21.6 percent of non-fuel transactions. The results of this analysis identified Texas as having \$33,374 in mid-grade and \$24,092 in premium fuel charged to fleet credit cards from October 2003 to January 2005. The results of the data analysis also identified Iowa as having the greatest dollar amount of both mid-range fuel and premium fuel nationwide (\$123,647 and \$90,804 respectively). Arkansas was selected because it had relatively low mid-range and premium fuel purchases compared to national totals (\$7,308 and \$6,800 respectively). We selected California because it had the greatest number of alternative fueling stations nationwide; we identified \$23,463 in mid-grade and \$12,644 in premium fuels charged to California fleet credit cards from October 2003 to January 2005.

At the NRCS National Office, we conducted interviews to assess the office's oversight of fleet operations, specifically vehicle fuel and maintenance costs. We obtained information as to the methodology of the reviews conducted during, and in the years prior to, the audit period. This included the types of internal reviews the national office staff performed and how they monitored State and field office fleet operations and complied with Departmental regulations. The same issues were discussed with field office personnel. At the State offices we verified our data mining results, identified and interviewed the staff responsible for fleet credit card oversight, evaluated available documentation to support the use and charges against fleet credit cards, and evaluated the effectiveness of fleet credit card internal controls. In

addition, we gathered available documentation to support any internal reviews and compensating controls.

We performed fieldwork at the NRCS National Office and the Office of Procurement and Property Management in Washington, D.C.; the Iowa State NRCS Office in Des Moines, Iowa; the Texas State NRCS Office in Temple, Texas; the Arkansas State NRCS Office in Little Rock, Arkansas; and the California State NRCS Office in Davis, California. To follow up on some receipts we had received, we visited the NRCS district conservation office and a vendor in Llano, Texas, and the NRCS area office in San Angelo, Texas.

We performed a survey of all 61 LFPCs by sending them a written questionnaire to solicit information about how they implemented NRCS' internal controls over fleet credit card expenditures for the period October 2003 to January 2005. All 61 LFPCs responded to our questionnaire.

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, the audit included such tests of program and accounting records as considered necessary to meet the audit objective.

# Exhibit A – Summary of Monetary Results

Finding	Description	Amount	Category
2	Premium and Mid-grade Fuel Purchases Unsupported	\$88,177	Unsupported Costs/Loans, No Recovery
2	Null, Miscellaneous, Unassigned Expenditures Unsupported	\$ 947,279	Unsupported Costs/Loans, No Recovery
2	Fleet Pool Credit Card Charges Unsupported	\$ 101,393	Unsupported Costs/Loans, No Recovery
2	Charges on Federal Holidays Unsupported	\$ 12,914	Unsupported Costs/Loans, No Recovery
4	NRCS Needs to Reconcile Fleet Credit Cards with Vehicles	<sup>26</sup> \$ 136,039	Unsupported Costs/Loans, No Recovery
	<b>TOTAL</b>	<b>\$1,285,802</b>	

<sup>26</sup> \$136,039 in charges on excess cards = \$161,535 (total fuel purchases on excess cards) - \$25,496 (premium and mid-grade purchases that were duplicated in Finding 2).

# Exhibit B – NRCS Response

Exhibit B – Page 1 of 4

United States Department of Agriculture



Natural Resources Conservation Service  
P.O. Box 2890  
Washington, D.C. 20013

MAY 09 2006

SUBJECT: Office of the Inspector General Audit 10601-7-TE,  
Controls Over Motor Vehicle Maintenance Costs

TO: Robert W. Young  
Assistant Inspector General for Audit  
United States Department of Agriculture  
Office of the Inspector General  
Washington D.C. 20250

This memorandum transmits the Natural Resources Conservation Service's (NRCS) response to the Office of the Inspector General's (OIG) draft report, OIG 10601-7-TE Controls Over Vehicle Maintenance Costs. This report provides valuable information that will help NRCS improve management and internal controls over its fleet operations.

## NRCS Needs to Improve Management Oversight

### OIG Recommendation 1.

Perform periodic reviews of fleet operations.

### NRCS Response:

NRCS agrees that review of fleet operations will be incorporated into all future scheduled management reviews.

### OIG Recommendation 2.

If management reviews of fleet operations indicate problems, conduct functional reviews to correct those problems, including verifying that corrective actions are taken.

### NRCS Response:

NRCS agrees that if significant fleet operations problems are identified during a scheduled management review, the Chief of NRCS will direct a functional review of fleet operations for that location which shall include directing corrective actions and requiring reporting to track progress.

The Natural Resources Conservation Service provides leadership in a partnership effort to help people conserve, maintain, and improve our natural resources and environment.

An Equal Opportunity Provider and Employer

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OIG Recommendation 3.

Follow up and review the lists of questionable fleet maintenance costs by credit card numbers, and provide the results of your review to OIG.

NRCS Response:

NRCS agrees to direct the involved locations where questionable fleet maintenance costs were identified to review and document their questionable fleet card transactions. The request directing the four locations to conduct this review will be issued by April 30, 2006, and will be available for OIG no later than May 31, 2006.

**NRCS Needs to Improve Controls Over Fleet Operations**

OIG Recommendation 4.

Immediately issue a notice to relevant State and field offices prohibiting fleet credit card users from purchasing premium or mid-grade fuel.

NRCS Response:

NRCS agrees to issue a National Bulletin to all NRCS employees prohibiting them from purchasing premium or mid-grade fuel with the fleet credit card. This National Bulletin will be issued no later than May 5, 2006.

OIG Recommendation 5.

Develop and implement policies and procedures requiring that State and field office employees retain source documentation (i.e., receipts) for fleet credit card transactions.

NRCS Response:

NRCS agrees to issue policy and procedural guidance that requires all fleet card users to retain source documentation for all “non-fuel” purchases for one year. This guidance will be issued to State administrative officers and Local Fleet Program Coordinators (LFPC) by May 19, 2006, and will require fleet card user compliance by June 30, 2006.

OIG Recommendation 6.

Develop and implement policies and procedures requiring dispatch records for vehicle use, including use on Federal holidays.

Page 3

NRCS Response:

NRCS agrees to issue a directive to all State administrative officers and LFPCs that directs them to develop and distribute a method for documenting the dispatch of vehicles for those locations that do not already have a tracking system in place. This guidance will be issued by May 19, 2006, and will require compliance within NRCS locations by June 30, 2006.

OIG Recommendation 7.

Issue a notice to State offices and LFPC to access and resolve alerts in PCMS, and to certify to the State office administrative officers when this task is complete.

NRCS Response:

NRCS agrees to issue notice to State administrative officers and LFPCs that requires LFPCs to access PCMS alerts no less than monthly. The notice will require monthly certification to the State administrative officers that all alerts have been resolved. This notice will be issued to State administrative officers and LFPCs by May 19, 2006, and will require LFPC compliance by June 30, 2006.

OIG Recommendation 8.

Include as a part of the assigned duties of each State office administrative officer the responsibility of ensuring that LFPCs follow up and resolve PCMS-generated alerts, and that each State office administrative officer certifies to the national office's Agency Fleet Headquarters Coordinator that the reports have been resolved.

NRCS Response:

NRCS agrees to direct the National Office Agency Fleet Headquarters Coordinator to annually request State administrative officers to certify that their assigned LFPCs have resolved, not less than monthly, all PCMS-generated alerts regarding the fleet credit cards. This notice will be issued to State administrative officers and LFPCs by May 19, 2006, and will require LFPC compliance by June 30, 2006.

OIG Recommendation 9.

Require that LFPCs establish reasonable authorization limits for each fleet credit card.

NRCS Response:

NRCS agrees to issue guidance to State administrative officers and LFPCs that requires the authorization limits of each fleet credit card to be evaluated and reduced to levels in

Page 4

line with actual fleet card usage. This guidance will be issued to State administrative officers and LFPCs by May 19, 2006, and will require review and adjustment of each card by September 15, 2006.

OIG Recommendation 10.

Issue notice to State offices to (1) reconcile fleet credit cards to vehicles owned; (2) reconcile the PROP inventory and provide training as necessary; (3) cancel cards not expressly linked to a vehicle; (4) provide certified documentation of the reconciliation and handling of extra fleet credit cards to the State administrative officer; and (5) maintain, in the future, only one fleet credit card per vehicle.

NRCS Response:

NRCS agrees to issue guidance to State administrative officers that they must require their LFPCs to evaluate all fleet credit cards within their assigned locations. This guidance will also require State administrative officers to have LFPCs certify that each card is assigned to an existing vehicle, not to exceed one card per vehicle. Any identified cards that have already been assigned vehicle license plate numbers and activated in fleet PCMS will be stored together in a locked area and will not be used for purchases until assigned to an actual vehicle. It will instruct State administrative officers and LFPCs to only order a quantity of cards in advance for the number of new vehicles that will be delivered within 30 days.

This guidance will also require State administrative officers to ensure that LFPCs justify and document the need for any “pool” cards that are maintained within the location. It will be issued to State administrative officers and LFPCs by May 19, 2006, and will require review and adjustment of each card by September 15, 2006.

If you have questions or need further assistance, please contact Daniel Runnels, Director, Operations Management and Oversight Division, at (202) 720-9135.

  
BRUCE I. KNIGHT  
Chief