
Department of General Administration (GA)

Agency: 150

Audit Report: 6538

Finding Number: 001

Finding: The Department of General Administration's Motor Pool Division does not have adequate internal controls in place to ensure gasoline purchased is for authorized purposes.

Resolution: The Department asserts that its existing system of internal controls complies with all state requirements as outlined in the *State Administrative and Accounting Manual (SAAM)* and is adequate to provide reasonable assurance that gasoline purchases are for authorized purposes. However, in consideration of the auditor's recommendation, the Department conducted a new fuel management risk assessment and completed research on "best practices" to determine whether any supplemental gasoline purchase controls are warranted.

From the detailed fuel management risk assessment, the Department concluded that, given the low risk exposure from any potential state employee fraud, existing controls are adequate to deter, limit and detect losses. It was determined that the risk of potential misappropriation of fuel has a "medium" level of probability, and that probability applies to a very small percentage of employees. Thus, the overall risk exposure is considered to be low.

The Department also conducted an informal survey of a number of state government motor pools to determine if they utilize miles-per-gallon (MPG) monitoring as a gasoline purchasing control. Those responding to the survey indicated that they utilize controls similar to those that the Department utilizes. Only one motor pool surveyed supplemented these controls with limited MPG monitoring on a periodic basis. Based on the results of the survey and an informal discussion with a leading industry expert, the Department concluded that MPG monitoring is not considered a "best practice."

However, as a result of the risk assessment, the Department determined that a limited application of the auditor's recommended gasoline consumption or MPG monitoring might cost-effectively improve the probability of identifying potential misappropriations that could be small but recurring.

The Department conducted a pilot program of limited MPG monitoring of vehicles for Fiscal Year 2006. The pilot program was substantially completed by October 31, 2006. Sample vehicles selected for testing had significant deviations from expected MPG levels, all of which were fully explained through this review. There were no indications of fraud identified by this review, just as was true in the Fiscal Year 2005 auditor's report. The auditors expended significant resources in their current audit to search for gasoline fraud and again found no indication of fraud. Although it is always possible that a fraud could occur, the Department believes that the results of these three reviews further validate that it has properly assessed the risk as "low".

Status of Audit Resolution

December 2006

The Department will consider the auditor's evaluation of this MPG monitoring pilot program before determining if, or how, this supplemental method of gasoline purchase control will be used in the future.

Contact:

Brian Bazard
Department of General Administration
PO Box 41032
Olympia WA 98504-1032
(360) 438-8237
bbazard@ga.wa.gov