



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 5, 2018

Mr. Basil Seggos
Commissioner
NYS Department of Environmental Conservation
625 Broadway
Albany, NY 12233

Re: Report 2017-BSE7-01

Dear Commissioner Seggos:

As part of our continuous examination¹ of credit card transactions, our Office visited the Department of Environmental Conservation (DEC) to examine select WEX Bank (WEX) fuel card transactions during the period September 8, 2016 through March 15, 2017. The objective of our examination was to determine whether DEC's use of fuel cards complied with the Office of General Services' (OGS) Fuel Card Services Contract Guidelines (Guidelines), the State Vehicle Use Policy (State Use Policy), and DEC's Policies and Procedures (DEC Policies). DEC has approximately 2,800 active WEX cards and established 10 unique personal identification numbers (PINs) for the regional and central offices. Last year, DEC made 75,000 WEX card purchases totaling \$3 million.

We found DEC's use of WEX cards does not comply with the Guidelines, the State Use Policy, or DEC Policies, and DEC does not have sufficient controls in place to ensure all fuel purchases are appropriate. DEC officials have not implemented the recommendation from our Office's report 2006-BSE-11-006 issued on May 16, 2008 to assign unique PINs to individual employees, consistent with the Guidelines. Instead, officials allow employees to share one PIN that DEC assigned in each of its regions throughout the State. Additionally, DEC employees do not always maintain complete, accurate fuel logs to support fuel purchases, as required by the State Use Policy and DEC Policies.

Consequently, officials are unable to associate fuel card transactions with an employee, determine the appropriateness of fuel purchases or effectively monitor purchases to prevent, detect, and address WEX card misuse. We note that other agencies such as the Office of Parks, Recreation and Historic Preservation, and the Department of Transportation, which have similar travel needs, assign PINs to individual employees thereby giving them a better chance of detecting misuse.

We reviewed 24 high-risk WEX card transactions and supporting documents for fuel purchases made during the period September 8, 2016 through March 15, 2017. These included transactions: (i) where

¹ We performed our examination in accordance with the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8(1) and (7), and Article VII, Section 111 of the State Finance Law.

the same WEX card was used multiple times within minutes of each transaction, (ii) during overnight hours, and (iii) where the quantity of fuel purchased exceeded the fuel tank capacity of the vehicle. In one instance, the fuel log contained no entry for the purchase of 60 gallons of fuel for a vehicle with a 38-gallon fuel tank capacity.

We discussed the WEX card transactions we examined with DEC officials. While they offered verbal explanations for some of the transactions, they could not provide sufficient, appropriate evidence to substantiate the expenses were for legitimate business purposes since staff share PINs and logs were incomplete and/or inaccurate. Without unique PINs and appropriate oversight to ensure fuel logs are accurate and complete, DEC will continue to face increased risk that employees may misappropriate fuel for personal purposes without detection.

We shared a draft report with DEC officials and considered their comments (Attachment A) in preparing this final report. DEC officials agreed with our recommendations and stated that they have begun taking steps to (i) implement a unique PIN system, (ii) improve the accuracy and timeliness of fuel logs, and (iii) improve supervisory review and oversight of fuel logs. Officials also reported a recent internal audit of WEX card use as well as the plan to re-audit WEX cards this coming year.

Recommendations

- 1) *Issue unique PINs to all employees who purchase fuel.*
- 2) *Ensure DEC employees complete fuel logs accurately and timely.*
- 3) *Ensure DEC supervisors review, approve, and monitor fuel logs on a regular basis and follow up as appropriate.*
- 4) *Have your Internal Audit Office audit Department-wide use of the WEX card.*

We thank the management and staff of the Department of Environmental Conservation for the courtesies and cooperation extended to our auditors. Since your response to the draft report is in agreement with this report, there is no need for a further response unless you feel otherwise. If you choose to provide a response, we would appreciate receiving it by April 5, 2018.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A

cc: F. Michael Meriam, Bureau Chief, Transportation Services, Division of Operations
Ann Lapinski, Director, Office of Internal Audit and Investigation

OFFICE OF INTERNAL AUDIT & INVESTIGATION

New York State Department of Environmental Conservation
625 Broadway, 10th Floor, Albany, New York 12233-1060
Phone: (518) 402-8184 • Fax: (518) 486-9957
www.dec.ny.gov

February 12, 2018

Mr. Bernard McHugh
Director of State Expenditures
New York State Office of the State Comptroller
110 State Street
Albany, New York 12236

RE: Draft Report BSE7-2017-01

Dear Mr. McHugh:

This is in response to your letter of January 10, 2018 with respect to the above matter. Your letter indicated that the Department of Environmental Conservation (DEC) is not in compliance with State guidelines and polices with respect to the use of WEX credit cards. Your Draft Report contained 4 recommendations. Below is a list of those recommendations along with DEC's response:

- 1) *Issue unique PINs to all employees who purchase fuel.*

Response: As you are aware, On January 29, 2018, OGS Commissioner RoAnn Destito issued a memorandum to all New York State Agency Heads and Commissioners announcing the award of a new contract for State government fuel use to WEX, Inc. As part of improved program security, employees will receive and will be required to use a unique, randomly generated, six-digit PIN number for all fuel transactions. Because it is unclear when this part of the new contract will be implemented, DEC has taken steps to start implementing a PIN number system as soon as it is reasonably possible for us to do so. We have been in contact with WEX about the data necessary to establish PINs for DEC employees and are exploring the ways that we can provide that data. We are planning to have the data available to provide to WEX by approximately March 30, 2018. Full implementation of the PIN system will follow.

- 2) *Ensure DEC employees complete fuel logs accurately and timely.*

Response: In order to improve the accuracy of our Monthly Vehicle Usage Report and provide more accountability for the proper completion of these reports (which require fuel purchases to be recorded), we are working on a new system for DEC Regional Offices to scan Monthly Vehicle Usage Reports onto a computer drive so that the Bureau of Transportation Services and the Office of Internal Audit and Investigation have greater access to the reports. This will provide both offices with the opportunity to review logs for completion and accuracy and be sure that supervisors have properly reviewed the reports, as required by our vehicle policy. We expect to start a pilot of this program by March 30, 2018.

All skid tanks filled by DEC employees are filled using a supervisor fuel card. My office conducted an audit of supervisor fuel card use in 2012. DEC has taken a number of steps to increase compliance with this requirement. We are in the process of finalizing a follow-up to that audit and will have additional recommendations to ensure compliance with the requirement to maintain accurate logs of supervisor fuel card purchases.

In addition, most skid tanks have a fuel use record contained on the tank itself. With only one or two exceptions, those tanks are owned and fueled by employees in the Division of Operations. The Assistant Director of Operations and the Director of the Bureau of Transportation Services will work with the Regional Operations' Supervisors to make sure that staff are aware of the importance of maintaining the logs on the tanks.

- 3) *Ensure DEC supervisors review, approve and monitor fuel logs on a regular basis and follow-up as appropriate.*

Response: In addition to the response above, DEC will be sending a memo out agency-wide to all DEC staff reminding them of their responsibility to properly complete the Monthly Vehicle Usage Report and reminding supervisors of their responsibility to review the entire report for accuracy and completion.

- 4) *Have your Internal Audit Office audit Department-wide use of the WEX card.*

Response: The Office of Internal Audit has already conducted an audit and follow-up of supervisor fuel card use. Our office will include an audit of all WEX card use in our FY 18-19 audit plan.

Sincerely,



Ann Lapinski
Director
Office of Internal Audit & Investigation