

AUDIT OF GSA FLEET'S  
LOSS PREVENTION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A060116/F/5/V07002  
FEBRUARY 8, 2007

AUDIT OF GSA FLEET'S  
LOSS PREVENTION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A060116/F/5/V07002

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| REPORT LETTER   | 1           |
| INTRODUCTION  | 2           |
| Background  | 2           |
| Objectives, Scope and Methodology                                     | 2           |
| RESULTS OF AUDIT  | 4           |
| Brief   | 4           |
| Findings and Recommendations  | 4           |
| Finding 1- Improving the Loss Prevention Program                      | 4           |
| Recommendation  | 8           |
| Finding 2- Assuring All Voyager Transactions Are<br>Subject to Review | 9           |
| Recommendation  | 10          |
| Internal Controls   | 10          |
| APPENDICES  |             |
| A. Management's Response to the Draft Report                          | 11          |
| B. Report Distribution  | 12          |



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

---

DATE: February 8, 2007

REPLY TO

ATTN. OF: Regional Inspector General for Auditing  
Great Lakes Region Field Audit Office (JA-5)

SUBJECT: Audit of GSA Fleet's Loss Prevention Program  
Federal Acquisition Service  
Report Number A060116/F/5/V07002

TO: James A. Williams  
Commissioner, Federal Acquisition Service (Q)

This report contains the results of our audit of GSA Fleet's (Fleet) loss prevention program. The audit was conducted to help Fleet with the redesign of its loss prevention program by assessing what loss prevention activities should be centralized, what steps could be added to improve the program, and whether all transactions with its fleet card contractor, Voyager, were available for Fleet's review. We provided recommendations for each of these areas that we believe will help Fleet as it moves forward with its loss prevention program.

We included your response to the draft report as Appendix A.

We hope GSA Fleet's management and staff find the report helpful to their operations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Franklin M. Moy".

Franklin M. Moy  
Audit Manager  
Great Lakes Region (JA-5)



AUDIT OF GSA FLEET'S  
LOSS PREVENTION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A060116/F/5/V07002

**INTRODUCTION**

**Background**

GSA Fleet (Fleet) operates over 200,000 vehicles it provides to most customers under full service leases. Fleet is responsible for fuel and maintenance for the vehicles it furnishes under these agreements. It also supplies a small percentage of vehicles under "dry leases" which place responsibility for fuel and related charges with the customers. For the vehicles under full service agreements, Fleet provides charge cards to purchase fuel, oil and related services, and Fleet pays the charges. Customers are limited to purchases of \$100 per charge on these cards.

Fleet's full service agreements make it unique because leases of this type are not common in the vehicle leasing industry. However, because the charge cards are widely accepted and can easily be used for improper purchases, Fleet must closely monitor the charges.

Both for the convenience of its customers and simplification of its payment procedures, Fleet has migrated more and more vehicle operating payments to the Voyager charge card, the card provided by its current fleet card contractor. In FY 2006 Fleet paid more than 8.7 million purchases totaling approximately \$405 million with the Voyager card. Migration to the fleet card has also allowed Fleet to automate and streamline its operations, and improve its ability to track purchases and vehicle operating costs.

Along with the inherent vulnerability to abuse associated with charge cards, the data Fleet had been utilizing to evaluate Voyager invoices contained some risk because Fleet could not verify all charges were available for review. When Voyager submitted invoices to GSA, it also posted the detailed charges in Fleet Commander, its on-line database accessible to Fleet personnel. Fleet personnel used the Fleet Commander data to evaluate the transactions included in the daily invoices. The weakness with this process was Fleet had no practical way to verify Voyager posted all the transactions it billed.

Because of its increased reliance on charge cards, Fleet requested the audit to help assess whether its loss prevention procedures effectively monitor these transactions.

**Objectives, Scope and Methodology**

The objectives of the audit were to determine:

1. Has Fleet established effective loss prevention procedures?

2. Do the procedures assure all Voyager charges are subject to review?

In order to evaluate the program, we visited Fleet's Central Office and field locations in the Northeast and Caribbean Region (2), the Mid-Atlantic Region (3), the Great Lakes Region (5), the Greater Southwest Region (7), the Pacific Rim Region (9) and the Northwest Artic Region (10), and corresponded with the Heartland Region (6). To prepare for the field visits we downloaded five months of Voyager and Defense Energy Supply Center charges for these regions. We used techniques Fleet had devised as well as additional methods to evaluate the charges, and to determine the effectiveness of these techniques, evaluate whether field personnel were using them, and determine whether additional techniques were needed to identify loss and abuse. The audit fieldwork was conducted from April to September 2006. The audit was conducted in accordance with generally accepted Government auditing standards.

## **RESULTS OF AUDIT**

### **Brief**

Fleet was in the process of establishing a national loss prevention program that should enhance its ability to detect misuse and abuse and correct a number of the weaknesses we noted. The decentralized program that was operating at the time of our audit was applied unevenly, the detection criteria the field locations used for identifying suspect charges varied, and the criteria identified high numbers of valid transactions (or false positives) along with improper ones, weakening the program's effectiveness.

Fleet also established a database to record Voyager charges and ensure they were subject to review. The database greatly enhanced Fleet's ability to monitor transactions and track expenditures, but the process for ensuring the database was complete needed strengthening.

### **Findings and Recommendations**

#### **Finding 1 – Improving the Loss Prevention Program**

Fleet's loss prevention program was implemented unevenly and with varying degrees of success when it was carried out with little central coordination. The centrally coordinated loss prevention program Fleet was developing should overcome many of these shortcomings. However, Fleet needs more effective methods for detecting wasteful and abusive purchases to ensure they identify and place emphasis on the vehicles truly driving up Fleet's operating costs, and to ensure the program's overall effectiveness and employees' willingness to implement it. We believe Fleet can more effectively detect waste and abuse by:

- Replacing many of the current reports of questionable charges with listings based on:
  - Each vehicle's per mile operating cost compared to the norm for the vehicle's class,
  - Each vehicle's mileage per gallon of fuel compared to the norm for the vehicle's class,
  - Retaining a very limited number of the most significant current criteria for identifying questionable charges;
- Continuing its development of a centrally coordinated loss prevention program;
- Assigning to a single office the responsibility for running and distributing the critical questionable charges listings;
- Including cognizant field personnel in the resolution of questionable charges; and
- Developing a means of recording resolution action, including a means of showing per mile costs and fuel consumption rates determined acceptable for vehicles operating below the norm for a class (this should be done to prevent the

vehicles needlessly reappearing on subsequent exception listings when operating within the approved subnormal range).

Limiting efforts to high cost vehicles. We found two key components of Fleet's Loss Prevention Program were Fleet Commander, described above, and the Fleet Organizational Support System (FLOSS). FLOSS is an Access program developed in-house for combining data from multiple sources. It is used to analyze Voyager charges in one-month groupings to detect questionable charges and to perform a number of other helpful functions. Some of the questionable charges FLOSS can be used to generate are the following:

- Food purchases
  - Premium fuel purchases
  - High cost fuel (see note)
  - Fuel type mismatches
  - Fills beyond fuel tank capacity
  - Full service fuel purchases
  - High cost car washes (see note)
  - Too many car washes
  - Miscellaneous and tax
  - "Other", "none", and "towing" purchases
  - High dollar purchases (see note)
  - Off-hours purchases
  - Non-powered vehicle purchases
  - Refunds/credits
  - Purchases against tags not in FMS
- (Note: These queries require the user to set dollar thresholds.)

It can also be used to calculate fuel consumption, but we were told the results are frequently not accurate, in part because of the short time period covered by the data. The volume of transactions Fleet is now processing, and the number of questionable charges the current detection criteria generate has created a need to refine the process. The following tables show the results of applying three of the criteria (the unleaded plus and unleaded super both fall under the premium fuel purchases) to the June and August 2006 Voyager charges, and highlight this need:

| <b>JUNE 2006 VOYAGER PURCHASES</b> |                   |                          |                     |                                |
|------------------------------------|-------------------|--------------------------|---------------------|--------------------------------|
| Description                        | Number of Records | Portion of Total Records | Net Purchase Amount | Portion of Total Net Purchases |
| Food Purchases                     | 1,030             | 0.13%                    | \$ 7,916            | 0.02%                          |
| Unleaded Plus Purchases            | 23,663            | 2.96%                    | 965,894             | 2.46%                          |
| Unleaded Super Purchases           | 12,274            | 1.54%                    | 486,514             | 1.24%                          |
| Overfills of 1/2 gal. or More      | 3,762             | 0.47%                    | 271,949             | .69%                           |
| June Totals:                       | 798,554           |                          | \$39,317,826        |                                |

| <b>AUGUST 2006 VOYAGER PURCHASES</b> |                   |                          |                     |                                |
|--------------------------------------|-------------------|--------------------------|---------------------|--------------------------------|
| Description                          | Number of Records | Portion of Total Records | Net Purchase Amount | Portion of Total Net Purchases |
| Food Purchases                       | 1,114             | 0.13%                    | \$ 8,884            | 0.02%                          |
| Unleaded Plus Purchases              | 24,096            | 2.90%                    | 975,609             | 2.29%                          |
| Unleaded Super Purchases             | 11,396            | 1.37%                    | 463,340             | 1.09%                          |
| Overfills of 1/2 gal. or More        | 3,934             | 0.47%                    | 317,350             | .75%                           |
| August Totals:                       | 832,191           |                          | \$42,510,473        |                                |

Although the listings of questionable charges represent small percentages of the total transactions, they are relatively large numbers requiring significant effort to review. And these are only a few of the detection criteria for identifying questionable charges needing further review.

We also found little consistency between regions, and often within regions, on which listings of questionable charges were generated and used, and on the thresholds for the listings. For instance, we found some offices focused on stopping the purchase of premium fuel, while others did not because they found it too time consuming and unproductive. The same was true for high cost car washes and too many car washes, and the number and dollar amounts allowed varied both within and between regions. For the listing often considered most useful, "fills beyond fuel tank capacity," thresholds for acceptance ranged from zero to 5 gallons beyond the stated tank capacity.

Fleet personnel also expressed general frustration with charges shown as food purchases because so many proved to be erroneous due to coding errors at the point of sale. Our own use of the criteria used to develop questionable charges reports, but covering longer spans of time led us to conclude that even those exception listings most likely to identify invalid purchases included high numbers of valid purchases.

Although identification of small improper purchases, such as food transactions coded correctly, does make customers aware Fleet is monitoring purchases, questioning them about valid transactions does not foster good customer relations. Further, the volume of purchases Fleet is experiencing along with its attempts to accomplish more with fewer



personnel necessitates an efficient process that places emphasis where losses are the greatest.

We believe this can be done most effectively by focusing on the vehicles operating outside the normal range of cost for the vehicle class. The Voyager billing database Fleet now has in place makes this possible to a much greater extent than in the past, and when Fleet completes its development of a database of DESC charges even more accurate calculations of vehicle operating costs will be possible.

The major objection raised to relying on costs per mile and miles per gallon was an inability to get accurate mileage calculations due both to customers inaccurately reporting mileages, and to analysis being done on charges covering time frames that were too short. The complaint about the accuracy of mileage reporting was similar to a complaint we frequently encountered about transactions showing fills beyond tank capacity-the tank capacities shown in Fleet's computer system were incorrect.

We believe Fleet can greatly improve the accuracy of crucial data elements by focusing on a limited number of criteria for identifying questionable charges. Customers contacted about apparent high fuel consumption or high per mile costs caused by their inaccurate mileage reporting can be expected to improve their reporting to avoid further questioning. And if Fleet places emphasis on tank overfills as another of a limited number of areas of focus, we believe it can expect the accuracy of the tank capacities its employees load into the computer system to improve greatly.

Along with placing more emphasis on customers reporting mileage accurately, the accuracy of fuel consumption calculations and per mile costs can be greatly improved by using longer spans of time, such as rolling six or twelve month periods, as the basis for calculations. The databases Fleet has established now make this possible.

Generating listings of questionable charges. Loss prevention was one of numerous Fleet Management Center (FMC) and Fleet Service Representative (FSR) responsibilities, and understanding how to generate listings of questionable charges varied, along with beliefs in which listings were most important. Fleet is designating individuals to focus more fully on loss prevention in the centrally coordinated loss prevention program it is creating. These individuals will be in a position to critically examine which listings of questionable charges are most important. We believe the best way to ensure consistency in these listings and to allow field personnel to effectively focus their efforts, is to assign a single office responsibility for running and distributing the listings of questionable charges.

Resolution of questionable charges. Development and execution of a system to identify vehicles operating outside the norm for their class can best be done centrally, but evaluation of why the vehicles are operating outside the norm can best be done locally. The FSRs and FMC managers are the individuals with first hand knowledge of their customers' needs and circumstances. They need to be involved in the determination of

why vehicles are operating outside the norm both to ensure good customer relations and accurate determination of the causes.

Recording resolution of questionable charges. The number of transactions Fleet handles necessitates a means of recording evaluation decisions in an easily accessible format and location. Fleet also needs a means of recording acceptable operating ranges for vehicles legitimately operating outside the norm for their class to prevent their being needlessly included in subsequent exception listings. These needs will probably require the addition of a field or fields to the Vehicle File in Fleet's computer system, but we have no recommendation in this regard. The team currently developing the national loss prevention program is in the best position to determine where and how the information should be recorded.

Dry leases. One way to alleviate some of the difficulties inherent in Fleet's issuance of charge cards to its customers would be establishment of more dry leases. However, we did not review this area in any depth. Consequently, we do not have a sense of customers' receptiveness to dry leases, how Fleet would handle maintenance and repair payments if it retained responsibility for these areas, nor other problems inherent in managing dry leases. Further, Fleet's management stated overall customer costs are higher for dry leases than for Fleet's standard lease.

### Recommendation

We recommend to the Commissioner, Federal Acquisition Service, that GSA Fleet:

- 1.A Continue development of a centrally coordinated loss prevention program that includes:
  - a. Identification of, and focus on, the most critical loss and abuse detection methods;
  - b. Cognizant field personnel in the resolution of questionable transactions; and
  - c. An effective method for tracking and recording resolution activity.

### Management's Response

The Commissioner, Federal Acquisition Service, concurred with the finding and recommendation in his response to the draft report. A copy of his response is provided in Appendix A.

## Finding 2 – Assuring All Voyager Transactions Are Subject to Review

Fleet has established a database to record Voyager billed transactions to assure they are subject to review, that also greatly improves Fleet's ability to track vehicle operating costs. However, the reconciliation process Fleet established to ensure the database contains all the transactions listed in the Voyager invoices should be strengthened.

Fleet established the Voyager billing detailed transactions file in its computer system shortly before we completed our audit. The file consists of daily billing records Voyager sends directly to Fleet's systems department. It contains additional data fields that are not in the invoice file sent to the GSA finance office, but which Fleet finds useful for its analysis of transactions. Fleet considered having the invoice format changed to include the data, but found doing so would have been costly and time consuming. Fleet found having Voyager send an electronic copy of the file from which each invoice is derived directly to Fleet was a more cost effective alternative.

We reviewed the Voyager billing file and found that any transactions with license plate numbers that did not match existing numbers in Fleet's computer system were rejected and not included in the database. The rejected transactions were posted as errors to regional on-line reports in print format that could not easily be downloaded and analyzed. To overcome this weakness, Fleet added a second file to its computer system to list the rejected, or error transactions. This consolidated the rejected transactions in one location in a format that can easily be downloaded and analyzed.

A potential weakness with listing the transactions in two files is that many of the transactions in the error file prove to be valid transactions for new vehicles in the process of being brought into the system or delayed bills for vehicles retired from use. If the Voyager billing file is used in the future as a basis for determining total operating costs for vehicles, it will not include the vehicles in the error file. Some means will be needed to add the information for the valid transactions to the billing file information. We have no formal recommendations regarding the newly established files, but believe Fleet should keep this potential problem in mind as it moves forward.

A reconciliation process was established to ensure the files Fleet receives mirror the invoices. The reconciliation is on total net purchase amount only. It is not an overly strong reconciliation process, but may suffice as an interim procedure. If the process can be changed to include record count as well dollar total, the process would provide greater assurance the file mirrors the invoice. At a minimum, when the current contract expires Fleet should either revise the specifications for the invoice format to include sufficient data to use the detail records from the invoice for its reviews, or develop a stronger reconciliation process to provide greater assurance the files mirror each other.

## Recommendation

We recommend to the Commissioner, Federal Acquisition Service that GSA Fleet:

- 2.A Strengthen its procedures for assuring all Voyager charges are subject to review.

## Management's Response

The Commissioner, Federal Acquisition Service, concurred with the finding and recommendation in his response to the draft report. A copy of his response is provided in Appendix A.

## Internal Controls

Control weaknesses noted during the audit have been addressed in the report.

AUDIT OF GSA FLEET'S  
LOSS PREVENTION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A060116/F/5/V07002

**MANAGEMENT'S RESPONSE TO THE DRAFT REPORT**



GSA Federal Acquisition Service

JAN 24 2007

MEMORANDUM FOR ANDREW PATCHAN  
ASSISTANT INSPECTOR GENERAL FOR AUDITING (JA)

FROM: JAMES A. WILLIAMS *James A. Williams*  
COMMISSIONER  
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: OIG Draft Report: Audit of GSA Fleet's Loss Prevention Program,  
Federal Acquisition Service (A060116/F/5)

I concur with the recommendations in the above report, which GSA Fleet is already working to implement. I will provide you with appropriate action plans when the final report is issued.

Please let me know if you have any questions. Your staff may contact Cathy Fick at (703) 605-5452 or [catherine.fick@gsa.gov](mailto:catherine.fick@gsa.gov) for additional information.

cc: David K. Stone (JA-5)

U.S. General Services Administration  
2200 Crystal Drive  
Arlington, VA 20406-0003  
[www.gsa.gov](http://www.gsa.gov)

**APPENDIX B**

AUDIT OF GSA FLEET'S  
LOSS PREVENTION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A060116/F/5/V07002

REPORT DISTRIBUTION

|  | <u>Copies</u> |
|--|---------------|
| Commissioner, Federal Acquisition Service (Q)                                    | 3             |
| Assistant Commissioner, Office of Travel, Motor Vehicles, and Card Services (QM) | 1             |
| Director, GSA Fleet (FFF)  | 1             |
| Assistant Inspector General for Auditing (JA)                                    | 3             |
| Audit Follow-up and Evaluation Branch (BECA)                                     | 1             |