



EXECUTIVE SUMMARY
Government of Guam Gas Fleet Card Program
Report No. 12-07, December 2012

In the first audit of the Government of Guam (GovGuam) Gas Fleet Card Program, we found that (1) nearly 50% of GovGuam agencies do not reconcile fuel billings to actual fuel receipts in order to ensure accuracy of payment; (2) GovGuam paid an average of \$0.25 more per gallon of regular fuel and \$0.05 more per gallon of diesel fuel in fiscal year (FY) 2011 as compared to GovGuam agencies that procure fuel on their own; resulting in lost savings of \$144 thousand (K) in FY 2011, (3) GovGuam purchased \$10,739 of unauthorized premium fuel; and (4) the University of Guam (UOG) has an undocumented contract with its current fuel vendor that has been in place for an undetermined period of time, therefore we question \$174K in fuel purchased between FY 2010 and 2011. These conditions occurred because no one at the Department of Administration (DOA), the General Services Agency (GSA), or any of the agencies is fully monitoring and analyzing fuel purchases.

We also found that GovGuam consumed 2.8 million (M) gallons of fuel between FY 2009 and 2011, amounting to \$8.7M in fuel purchases, or an annual average of \$2.9M. While total GovGuam fuel costs over the last three years have increased by 37%, or \$908,696 from \$2.5M in 2009 to \$2.8M in 2010 to \$3.4M in FY 2011, fuel consumption declined by 18% from 951,138 gallons in FY 2009 to 923,733 in 2010 to 878,823 gallons in 2011.

Fuel Purchases Should Be Reconciled

DOA relies on the participating agencies to ensure the accuracy of fuel charges, but this was not communicated to the agencies. DOA's Accounts Payable Division is responsible for the accounting and payment for fuel purchases of all executive line agencies, and twelve autonomous agencies including: Port Authority of Guam, Department of Education (DOE), and Guam International Airport Authority (GIAA).

We found that majority of the line agencies do not reconcile fuel billings to actual fuel purchase receipts because DOA directly charges line agencies for monthly fuel purchases through the AS400 system. Of the top five agencies, the Department of Public Works (DPW), the largest consumer of fuel, was the only one that reconciles fuel billings from DOA to actual receipts. DPW should be applauded for doing this basic reconciliation. In contrast, because the autonomous agencies receive a monthly invoice from DOA and have to write a check to the Treasurer of Guam, they reconcile fuel billings to actual receipts on a monthly basis.

GovGuam Should Monitor Monthly Fuel Prices

Although GovGuam receives a discount for unit price per gallon compared to market price, it appears it pays more per gallon when compared to the Guam Power Authority (GPA), which procures fuel on its own. In FY 2011, GovGuam paid an average of \$0.25 more per gallon of regular fuel compared to GPA. Because GovGuam paid \$3.48 for regular fuel versus the \$3.23 GPA paid, there was a lost savings of \$126K. With regards to diesel fuel, GovGuam paid an average of \$0.05 more per gallon compared to GPA. Because GovGuam paid \$3.42 for diesel fuel versus the \$3.37 GPA paid in FY 2011, there was a lost savings of \$18K. Altogether, GovGuam's lost savings for regular and diesel fuel was \$144K.

The Guam Waterworks Authority (GWA) also procures fuel on its own, and also had lost savings of \$21K because GWA paid an average of \$3.49 versus the \$3.23 paid by GPA for unleaded fuel. Likewise GWA paid an average of \$3.60 while GPA paid \$3.37 for diesel fuel, which led to lost savings of \$2K. Total lost savings for GWA was \$23K.

GPA generally receives the lowest unit price per gallon of both regular and diesel fuel because it has an in-house engineer who continuously monitors fuel prices based on industry standards, and ensures the accuracy of fuel prices charged to GPA. While DOA, GSA, and GWA may not have the same fuel expertise in house, they should seek assistance and coordinate with GPA on how to monitor fuel prices.

DOA charges an administrative fee to all GovGuam agencies that participate in the Gas Fleet Card Program which is deposited into the GSA Revolving Fund. The administrative fee is in addition to the vendor's charges, and is calculated at 10% of vendor's fuel charges.

In addition, we could not determine the rationale for the evaluation and selection of fuel vendors for GovGuam. In reviewing GSA's Invitation for Bid (IFB), specifically, we found that while there is a methodology to determine the unit price for gallons; there was no documentation in the procurement file as to the rationale of how the awarded vendors were selected. We attempted to meet with the two fuel vendors to ascertain how fuel price is calculated and charged to GovGuam. However, only a response letter was received from the secondary fuel vendor. The primary fuel vendor did not provide a response to our inquiry and refused to meet with OPA.

UOG Should Issue an IFB for Procurement of Fuel

While GPA and GWA issued IFBs for the procurement and have documented contracts for fuel purchases, UOG did not provide evidence that it underwent the procurement process. It currently has an undocumented contract with its current fuel vendor that has been in place for an undetermined period of time, and therefore we question all fuel purchases between FY 2009 and 2011. In addition, the lack of procurement has caused UOG to pay the highest unit price per gallon of fuel compared to the other agencies. UOG paid on average \$3.80 for regular fuel and \$4.24 for diesel fuel in FY 2011. Because UOG was paying \$0.57 more for unleaded and \$0.87 more for diesel fuel compared to GPA, there was a lost savings of \$14K for unleaded and \$2K for diesel fuel.

Premium Fuel Should Not Be Purchased

While GovGuam is only allowed to purchase regular and diesel fuel, we found that 15,904 gallons of premium fuel was purchased between FY 2009 to 2011 which amounted to \$52,498.

- FY 2009: 3,395.51 gallons or \$9,260
- FY 2010: 5,632.39 gallons or \$17,499
- FY 2011: 6,876.39 gallons or \$25,739

Majority of the agencies noted that these premium fuel purchases were due to an oversight, and several of them have taken corrective action to prevent the unauthorized purchases of premium fuel. However, there were also several agencies that stated their agency is authorized to purchase premium fuel. GPD was the only agency confirmed to receive authorization for premium fuel charges, however, we could not determine if all their premium fuel charges were

valid. Removing all GPD premium fuel charges would leave total questioned costs for premium fuel purchases at \$10,739.

Recommendations

In a time of rising costs and minimized budgets, GovGuam agencies should be more mindful of fuel costs. We found GovGuam did not procure the lowest annual fuel costs resulting in lost savings totaling \$144K. GovGuam should implement more stringent controls over fuel purchases to mitigate the risk for abuse and fraud. We recommend the following: (1) All agencies conduct monthly reconciliation of fuel billings to actual receipts to ensure accuracy of fuel charges; (2) DOA, GSA, GWA, and UOG coordinate with GPA in providing assistance on monitoring fuel prices; (3) DOA and GSA require all agencies to re-evaluate and assess the need to purchase premium fuel and work with fuel vendors to improve controls to prevent unauthorized premium fuel purchases; and (4) UOG comply with procurement regulations and issue an IFB for fuel immediately.



Doris Flores Brooks, CPA, CGFM
Public Auditor