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## HAMILTON COUNTY, TENNESSEE

### INTERNAL AUDIT OFFICE

To: Weston Wamp, County Mayor  
Hamilton County Commissioners  
Audit Committee

From: Chris McCollough, County Auditor

Date: September 25, 2025

Subject: Audit of Hamilton County's Fuel Card Program

We performed an audit of Hamilton County's Fuel Card program for the statement periods January 1, 2024, through December 31, 2024. Our audit included a review of internal controls for the fuel cards, compliance testing of the designed internal controls, and testing of expenditures. The following represents a summary of our audit procedures performed and conclusions reached.

### **BACKGROUND**

Historically, all fuel used by county vehicles or equipment was obtained from eight (8) different Hamilton County fueling locations, with only four (4) of these locations available for use by all departments. Internal gas cards were issued to authorized employees, giving them access to these tanks for county vehicles or equipment. These locations were not always convenient, which resulted in extra mileage and gas usage when driving to them. Additionally, there was a potential for delayed law enforcement responses and emergency services when refueling was required.

As a result, in July 2018, Resolution No. 518-20 was approved between Hamilton County and Mansfield Oil Company of Gainesville, Inc. (Mansfield Oil) to provide the county with fuel cards to purchase petroleum products at retail locations that accept 'Voyager Network Cards'. The county transitioned from Mansfield Oil Company to Wex Inc. in July 2023. The Hamilton County Procurement Department established guidelines and procedures for issuing, using, and monitoring the 'Fuel Card Program' and began utilizing the fuel service in March 2019. This program allowed Hamilton County employees to make authorized fuel purchases at convenience stores for county-owned or leased vehicles and equipment used for official county business.

Employees can only use their fuel card with a valid 'Personal Identification Number' (PIN), which is assigned to each authorized user. Each user must complete training and sign a 'User Agreement Form' to receive a PIN.

The fuel cards are subject to specific transaction parameters to control purchases and prevent potential card abuse. These parameters trigger an 'Exception Report,' which should be reviewed by the assigned fuel card coordinators. These exceptions are listed below:

- Fuelings per day
- Gallons per day
- Off hours
- Exceed tank capacity
- Miles Per Gallon's error
- Odometer discrepancies
- Multiple fuelings
- High-grade fuel purchases
- Out-of-State
- Duplicate charges

Default limits are set at \$1,000 per month, with the following maximum transactions per day:

Vehicles:	Three (3) transactions per day
Small Equipment:	Ten (10) transactions per day
Large Equipment:	Three (3) transactions per day

The following represents a summary of the use of the county's fuel cards during the period January 2024 through December 2024:

Number of PINs issued to employees as of December 31, 2024	<u>1,295</u>
Vehicles	<u>874</u>
Small Equipment	<u>32</u>
Number of fuel card transactions	<u>41,686</u>
January 2024 - Dec 2024 fuel card expenditures	\$ 1,865,204

## **AUDIT OBJECTIVES**

The objectives of the Fuel Card Program tests were to:

- verify whether policies are in practice to provide reasonable assurance that county fuel card purchases are consistently monitored for unauthorized activity and safeguards are in place to restrict usage to employees who meet the guidelines of an authorized user per fuel card policy;
- determine that fuel card transactions meet the allowable criteria under the current policy;
- verify that fuel charges are proper and adequately identified and recorded in the county's financial records; and
- determine whether there is any waste, fraud, and/or abuse in the usage of the Fuel Card Program.

## **AUDIT SCOPE**

The scope of our audit encompasses fuel card activity from January 2024 to December 2024.

## **AUDIT PROCEDURES**

Our audit procedures covered the period from January 2024 to December 2024 and included the following:

- meeting with key personnel to discuss their role in the program;
- review of fuel card policies and procedures;
- review of the Fuel Card User Training manual;
- review of the county's contract with Wex Inc;
- review of internal controls and procurement department procedures for the issuance of vehicle fuel cards and approved county employee PINs; and
- tests of detail transactions of fuel charges to verify that:
  - a) the employee and vehicle were authorized for use by management;
  - b) the amount of gallons purchased for the vehicle did not exceed the capacity of the vehicle;

- c) the type of fuel purchased was the recommended product required by the vehicle manufacturer;
- d) fuel policies were followed by employees, including types of transactions made and follow-up on exceptions reported; and
- e) fuel transactions were properly approved and recorded in the county's general ledger accounting system.

### **AUDITORS' FINDINGS**

In our opinion, Hamilton County's Fuel Card program appears to be accomplishing its primary objectives of:

- 1) supplementing county-owned fuel tanks by providing a more efficient method for purchasing fuel across Hamilton County and throughout the state,
- 2) providing more cost-effective fuel access for law enforcement and emergency services vehicles/equipment, and
- 3) potential elimination of a portion of county-owned fuel storage tanks

However, our assessment revealed certain conditions that we believe are weaknesses in internal controls and/or operating procedures, for which corrective action should be taken.

### **DISALLOWED PURCHASES (CAR WASH) – REPEAT FINDING**

**Observation** – Per section 4.4 of the Fuel Card Policies and Procedures Guide, fuel cards are only authorized to purchase fuel for county-owned or leased vehicles and equipment for county business purposes. During a fuel card audit of sixty-eight (68) vehicles, seven (7) transactions were found with non-standard descriptions. The transactions were labeled as "General Merchandise." A Sheriff's department employee made six (6) of the "General Merchandise" purchases, and a 911 employee purchased a car wash.

**Recommendation** – Procurement should send an email to all fuel card users and coordinators, reminding them that using fuel cards to make these purchases is prohibited. County employees who use fuel cards to make these purchases should receive a written warning for the violation, which they must sign. The signed warning should be kept with the fuel card administrator and filed with HR.

**Management Response** – On our Fuel PIN Request Form, we will add an additional line for the Fuel Card Users' email address. Also, as Fuel Card Program Administrator, recent training from Wex has been completed on how to block all "General Merchandise" purchases from all fuel cards. We are currently working with Wex to block all "General Merchandise" purchases as allowable

by their system limitations. We will send reminders to Fuel Card Coordinators about the Policy. We will also conduct our Post Audit Coordinator Training.

### **FUEL TYPE POLICY - REPEAT FINDING**

**Observation** – Per the Hamilton County' Fuel Card Policy', only 87 octane and diesel grades are authorized for fuel purchases (unless the manufacturer specifies other grades). During our audit, we observed employees using higher fuel grades for vehicles that did not require mid-grade or premium-grade fuel. Out of a sample of sixty-eight (68) vehicles tested, we found that twenty-two (22) individuals purchased a higher grade fuel than allowed.

**Recommendation** – All fuel card users should be informed that only 87 octane and diesel purchases are allowed, with the exception that 87 octane is not available or the vehicle requires a higher fuel grade. Fuel card coordinators should review exception reports and explain any discrepancies they find. Fuel card users should communicate by email with both their coordinator and the fuel card administrator to explain why they purchased a higher grade of fuel. Employees who use a fuel card to make purchases of higher-grade fuel without a justified explanation should receive a written warning for the violation, which they must sign. The signed warning should be kept with the fuel card administrator and filed with HR.

**Management Response** – Two (2) of the individuals who purchased a higher grade fuel (Unleaded Plus Ethanol 5.7% blend) is a fueling station issue. We have documentation supporting this finding. Each Fuel Card Coordinator has been trained and will be retrained again in our Post Audit Coordinator Training on how to run Exception Reports to track incorrect purchases. Also, as Fuel Card Program Administrator, recent training from Wex has been conducted on running daily reports to track these purchases in order to receive documentation from drivers who purchased higher fuel grades. We will notify these individuals, along with their directors, that these types of purchases will result in future violations.

### **GASOLINE AND DIESEL PURCHASES**

**Observation** – During the Fuel Card Audit, we discovered that thirteen (13) vehicles and equipment had purchases for both gasoline and diesel, despite vehicles requiring only one specific fuel type. These purchases were made by nineteen (19) different employees, raising concerns about potential misuse.

**Recommendation** – Procurement should contact each of the nineteen (19) employees to determine the reason for the discrepancy. Employees who violate the fuel card policy should receive a written warning that they must sign. The written warning should be kept with both the Fuel Card Administrator and HR.

**Management Response** – Fuel Card Coordinators will be reminded to run an Exception Report to keep track of drivers purchasing both diesel and gasoline. We will cover this topic in our Post Audit Coordinator Training. We will make sure vehicles that have a fuel tank attached have a

separate fuel card specifically for the tank. We will issue nineteen (19) violations to the employees provided.

### **MISSING DOCUMENTATION – REPEAT FINDING**

**Observation** – During the testing of active vehicles and metered equipment, none of the nine (9) vehicles/metered equipment had WEX Fuel Card Request Forms on file. Procurement is currently in the process of getting new signed request forms for each of the nine (9) vehicles.

**Recommendation** – Procurement should review its files to verify that all the policy-required documentation is being maintained.

**Management Response** – The previous administrator did not provide departments with the proper documentation during the transition from Mansfield to Wex. Therefore, not all vehicles had current documentation. As of the date of this report, procurement staff have obtained the proper forms for all fuel cards and fuel card user PINs. This issue is not expected to be a repeat finding going forward. This topic will be covered in our Post Audit Coordinator Training.

### **INACCURATE MILEAGE WHEN PURCHASING FUEL - REPEAT FINDING**

**Observation** – Employees are required to enter their PIN and the vehicle's odometer reading when purchasing fuel. Our test work of sixty-eight (68) vehicles revealed that nine (9) vehicles had inconsistent mileage.

**Recommendation** – The Policies and Procedures Guide should require coordinators to note inconsistencies. There are exception reports in the 'Fuel Card Program' that monitor inconsistent odometer readings and MPG. Fuel card coordinators should review these reports and question employees about any inconsistencies, noting their responses. If the errors continue without a valid explanation, the employee should receive a written violation that they must sign. The written warning should be kept with the fuel card administrator and filed in the HR records.

**Management Response** – Fuel Card Coordinators will be reminded to run an Exception Report for mileage. We will cover this topic in our Post Audit Coordinator Training. Procurement is in works with Human Resources for training for drivers to be covered through NeoGov. Drivers will be required to watch this training before a fuel PIN is issued, with some exceptions.

### **Additional Recommendations for Program Improvement**

The following recommendations do not relate to findings discovered during the audit. However, we believe they should be considered to enhance controls and increase the effectiveness of the Fuel Card program.

## **BORROWED VEHICLE LOGS**

**Observation** – During the P-Card and Fuel Card audits, we discovered that an employee used their P-Card to purchase fuel for a county vehicle. The individual had borrowed the vehicle from the highway department, which maintains a handwritten vehicle log. The highway department confirmed that the employee had borrowed the vehicle and likely used the P-Card for fuel because they did not have a Fuel Card PIN. However, according to the P-Card Policy, P-Cards are not authorized for fuel purchases. This situation highlights a procedural gap: employees without a valid Fuel Card PIN should not be allowed to check out county vehicles.

**Recommendation** – Employees should not be allowed to check out county vehicles unless they have an active Fuel Card PIN. This requirement should be verified at the time of checkout. The highway department should transition from using a handwritten vehicle log to a digital system that accurately tracks vehicle usage, PIN status, and user details. Additionally, the highway department must regularly share its vehicle log with the procurement department, which oversees the county fleet, to ensure oversight and accountability. The county should also reinforce the P-Card Policy through employee training and regular reminders, clearly stating that P-Cards are not to be used for fuel purchases unless it is for a rental car.

**Management Response** – A Fleet Committee has been formed along with the Highway Department. We will discuss this matter with them to coordinate a system to ensure employees are issued a fuel PIN to purchase fuel and not use their P-card. We will also cover this topic in our Post Audit Coordinator Training.

We appreciate the help of Shanele Collins, the procurement department, who assisted us during our audit. If you have any questions regarding this report, please contact Austin Durall, Audit Manager, at 209-6211 or me at 209-6212.

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Chris McCollough, County Auditor

### Staff Assigned to Audit

Austin Durall, Audit Manager

J.C. Clonts, Staff Auditor

Cc: Claire McVay, Chief of Staff  
David Roddy, Chief Operating Officer  
Lee Brouner, Chief Financial Officer  
Vonda Patrick, Deputy Chief Financial Officer  
Jerald Carpenter, Director of Procurement & Fleet Management  
Shanele Collins, Fuel Card Administrator