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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Need For Tighter Controls Over Fuel Purchased By The Postal Service

The United States Postal Service uses nearly 90 million gallons of gasoline and diesel fuel each year. In fiscal year 1980, the cost of this fuel is expected to be \$100 million, and the cost will increase as fuel prices continue to rise.

The Service needs to change the way it controls fuel. GAO identified a number of practices which make the Service's procurement and use of fuel susceptible to fraud, abuse, and waste.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report recommends improvements by the United States Postal Service to reduce its susceptibility to fraud, abuse, and waste in the procurement and use of gasoline and diesel fuel. The report is the result of GAO's review of the Service's procedures and practices for controlling fuel which was initiated because of the large amount of fuel the Service uses and the continuing increases in prices it is being required to pay.

Copies of this report are being sent to the Director, Office of Management and Budget, and the Postmaster General.

A handwritten signature in black ink, appearing to read "Eugene A. Steinhilber".

Comptroller General
of the United States

D I G E S T

The United States Postal Service needs to strengthen and enforce its controls over the nearly 90 million gallons of gasoline and diesel fuel it uses each year. Considering the cost--expected to reach \$100 million in 1980 and to continue to increase--and the decreasing supplies of fuel, the Service needs to act to reduce its susceptibility to fraud, abuse, and waste by initiating and following sound control procedures.

The Service's controls over (1) the handling of bulk fuel receipts and disbursements, (2) purchases of fuel from commercial service stations, and (3) the use of fuel by Service employees are particularly troublesome.

Contrary to Service instructions, employees often do not verify the quantity of bulk fuel received. Although some bulk fuel deliveries are metered, many are not, and dipstick measurements of the amount of fuel in the tanks before and after deliveries are often not made. Postauditing is nearly impossible, because data obtained by postal employees verifying fuel deliveries are not required to be kept and usually are not. In addition, the Service does not require routine testing of any of the 40-50 million gallons of bulk fuel it purchases yearly; therefore, it has no way to determine whether delivered fuel meets contract specifications.

A control technique to account for fuel dispensed from bulk fuel tanks--comparing fuel issues to individual vehicles with pump meter readings--is not always used, and shortages may have gone undetected. GAO's comparison at one location disclosed a 3,711-gallon discrepancy in one 4-week period. GAO also found unlocked bulk fuel tanks.

The Service purchases about half the fuel it uses from commercial service stations. These purchases are recorded on a procurement record form maintained at the service stations, and the forms are totalled and closed out each week. GAO found that at nearly all locations it visited, employees are not required to obtain a receipt for individual purchases; rather, if the procurement record totals are reasonable, charges are accepted with no further verification. Several of the postal supervisors responsible for closing out the procurement record told us that it was difficult to determine the reasonableness of the entries. Additional problems with the procurement records include lack of drivers' initials, unexplained alterations, and pencil entries which could easily be changed.

Postal facilities are not consistent in the way supervisors try to monitor the use of vehicles and fuel. Supervisors establish mileage requirements for each route but monitor actual mileage against the requirement in different ways. GAO could not determine whether fuel is being used for nonpostal activities because insufficient data is maintained.

To reduce the susceptibility to fraud, abuse, and waste in the procurement and use of fuel, we recommend that the Postmaster General

- vigorously enforce procedures for verifying fuel deliveries, including maintaining verification records for independent audit;
- initiate a program to test the quality of fuel received;
- insure that guidelines for bulk tank security are followed at all facilities;
- insure that all fuel dispensed from bulk fuel tanks is accounted for;
- require drivers to obtain receipts from commercial service stations or record fuel

and oil purchases on documents controlled by the Postal Service; and

--obtain better data on the use of fuel by vehicle drivers.

AGENCY COMMENTS AND ACTIONS

The Postal Service accepted the findings of the report. Although the Service agrees to take corrective actions or has initiated actions on four of the recommendations, it disagrees with the recommendations to test the quality of bulk fuel and to obtain receipts for purchases from commercial stations. Postal comments are recognized beginning on page 22 of the report.



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ABBREVIATIONS

GAO	General Accounting Office
MVAS	Motor Vehicle Accounting System
VMF	Vehicle Maintenance Facility

CHAPTER 1

INTRODUCTION

The Postal Service maintains a massive mail processing and delivery system to link together every community in the Nation with every other community. The Service delivers almost 100 billion pieces of mail annually to about 80 million addresses.

Mail is processed and delivered through a network of over 30,000 post offices and about 300 mechanized mail processing centers. These centers and post offices are administered by the Postal Service Headquarters in Washington, D.C., 5 regional offices, and 45 districts offices.

Vehicle maintenance facilities (VMF), operated by postal employees, are located throughout the Nation to maintain the approximately 122,000 vehicles the Service owns to transport and deliver mail. VMFs are also the control point for the fuel used for the Service's vehicles.

FUEL USE BY THE POSTAL SERVICE

The Postal Service bought about 88.6 million gallons of fuel in fiscal year 1979 for use in its vehicles. This is about 4 million fewer gallons than the Service bought in fiscal year 1978 which it attributes largely to conservation efforts.

While consumption of fuel is down slightly, the total cost of fuel to the Service has increased. In fiscal year 1978 the Service spent about \$51 million for fuel. In fiscal year 1979 it spent about \$61 million. A Service official expects fuel costs to be close to \$100 million in 1980.

Fuel purchased includes both leaded and unleaded gasoline and diesel fuel. About half of the fuel is obtained in bulk, and half is obtained from local service stations.

Bulk fuel

In fiscal year 1979, about 43 million gallons of bulk fuel were purchased by the Postal Service. Most was obtained through contracts awarded by the Defense Fuel Supply Center. Some was obtained on the local market where quantities used by vehicles assigned to a postal facility are less than 2,000 gallons per year, or if suppliers are unable to honor Defense Fuel Supply contracts.

The contracts between the Defense Fuel Supply Center and suppliers are indefinite quantity type contracts. As such, the local postal facility need only place orders against the contract in the quantity needed at the time desired. While the contracts make the Service responsible for the quality and quantity of fuel delivered, evidence of nonconformance is to be reported to the Defense Fuel Supply Center.

Fuel is delivered by tanker trucks to the 600-plus postal facilities having bulk fuel tanks. Although there are instances where fuel is metered into the Service's storage tank, most fuel is simply dumped; i.e., all fuel in the tanker is drained into the storage tank without being metered. Three of the larger facilities we visited-- Dallas, San Francisco, and Oakland--each purchased about 600,000 gallons each year. With the capacity of tank trucks ranging from 5,000 to 10,000 gallons, large facilities are receiving one or two deliveries a week.

Purchases of fuel from commercial service stations

In fiscal year 1979, about 45.5 million gallons of gasoline and diesel fuel were purchased from commercial service stations across the Nation by the Postal Service. Fuel is purchased from these stations either because vehicle drivers do not have easy access to bulk storage facilities or because the Service does not wish to deplete its bulk supplies.

In most instances the Service has an agreement with specific service stations to provide fuel and minor repairs. The Service has been able to obtain discounts from some stations because of the volume purchased, but these discounts are quickly diminishing because of short fuel supplies.

FRAUD IN THE GOVERNMENT

As discussed in our September 19, 1978, report to the Congress entitled "Federal Agencies Can, and Should, Do More to Combat Fraud in Government Programs" (GGD-78-62) no one knows the actual extent of fraud and related white collar crimes against the Government. This is because many, maybe most, crimes go unreported. It is especially true for fraud, since it is usually hidden or disguised.

The report states that the Government is susceptible to fraud because it is a major distributor of funds and its spending is so diverse. Management controls are intended to prevent fraud and abuse. Agency personnel who administer

programs or activities generally have no explicit responsibility to control fraud other than ensure adherence to management controls and report suspicious circumstances. Agency auditors and investigators are an additional control over fraud.

CHAPTER 2

WEAK CONTROLS OVER FUEL USED BY THE POSTAL SERVICE MAKE IT SUSCEPTIBLE TO FRAUD, ABUSE, AND WASTE

Postal Service vehicles have been using about 90 million gallons of fuel each year. In fiscal year 1978 the Service paid about \$51 million a year for fuel. This amount increased to about \$61 million in fiscal year 1979 and is expected to be close to \$100 million in 1980. Because of the amount of fuel used, the Service needs to implement better controls over fuel as prices increase and availability decreases. We identified weaknesses in the Service's method for obtaining, maintaining and dispensing fuel that make it susceptible to malfeasance. We found weaknesses in the

- acceptance of bulk fuel deliveries,
- security of bulk tanks,
- method of accounting for fuel to vehicles,
- method of accounting for purchases from local service stations, and
- method of accounting for fuel usage by vehicle drivers.

BULK FUEL RECEIPTS NOT ADEQUATELY VERIFIED

The Postal Service may be paying for fuel not received because the procedures for verifying fuel deliveries are not always followed. In addition, postauditing is almost impossible because data obtained by postal employees verifying fuel deliveries are not kept. In the past, comparing quantities on hand to fuel pump readings provided some help in determining if fuel was missing, but this comparison has been stopped at some locations in favor of a computerized fuel control system that is usually incorrect and is rarely relied on.

Postal Service procedures state that bulk fuel deliveries are to be verified by dipstick readings if meters or other means of verification are not available. Dipstick readings are taken using a long pole marked off in quarter inches. A gallons-per-inch conversion chart is available for each tank for determining the number of gallons in the tank. Postal personnel at local facilities are supposed to determine the

number of gallons in the tank before and after deliveries are made and find the difference to verify the amount of fuel delivered. Service officials told us, however, that dipstick measurements were not always accurate because volume changes when temperatures change.

Other means for verifying deliveries include meter readings on the delivery trucks or metered delivery tickets. While meter readings on the delivery truck would probably be the most accurate method for verifying the amount of fuel delivered if those meters were accurately calibrated, some trucks do not have meters. On trucks that do have meters, drivers do not want to spend the time metering fuel because it takes about twice as long to dump the fuel. One supplier has notified the Service that if drivers are required to meter fuel, service charges would be assessed to cover the additional time.

Metered delivery tickets are used by some suppliers to show the fuel delivered. These tickets are stamped at the fuel tank farm showing meter readings before and after fuel is put in the tank truck. The truck is then sealed. All fuel is then dumped at the Postal storage tank, and the Service personnel accept the meter readings as proof of quantity delivered.

The Oakland VMF was the only facility we visited where records of dipstick readings were kept on a regular basis. An Oakland VMF official stated that if the dipstick readings were not recorded on the copy of the invoice maintained at the VMF, most likely readings were not taken. We reviewed 53 delivery invoices for fuel delivered to the Oakland VMF and found dipstick readings were recorded for 44 deliveries. Therefore, deliveries apparently were not verified for nine of the deliveries.

At another VMF--San Francisco--officials also told us that in those instances where dipstick readings were not on the invoices, readings probably were not taken. They told us that gas pump attendants assigned to the night shift are particularly negligent in taking dipstick readings. Our review of 76 invoices showed that 50 deliveries were probably not verified.

We visited several other locations to check delivery procedures, including Dallas, Kansas City, Shawnee Mission, Prince Georges, and Merrifield VMFs, as well as several facilities having bulk storage tanks in the vicinity of each VMF. With one exception, officials at the facilities we visited told us they used dipstick measurements to verify fuel deliveries, yet none kept records showing the measure-

ments or the conversions. The officials told us that the dipstick readings were recorded on scrap paper which was discarded once deliveries were verified as correct.

At the one facility that was an exception, the employees had no means of determining how much fuel was in the bulk tanks, and they did not take dipstick readings because they had no conversion chart. An official told us that the situation had existed for about 2 years. He said the tank was replaced just after installation, and the conversion chart for the new tank was never provided. During our review we were told that a new conversion chart was located and provided to the facility. Without being able to take accurate dipstick readings and because the fuel was not being metered when delivered, the facility had little control over the amount of fuel it was receiving.

Taking measurements of fuel at delivery is the best way to verify that fuel ordered and paid for is actually received. However, a comparison of physical inventories (obtained from dipstick readings) and the fuel issued according to the pump meter would go a long way toward identifying shortages resulting from leakage, short deliveries, or theft from the tank.

These comparisons were not required with the advent of the Motor Vehicle Accounting System (MVAS), which was designed to provide, among other things, accumulated data on deliveries to storage tanks and disbursements to individual vehicles for a 4-week period. At the end of that period a physical inventory of fuel on hand is taken. The computer then produces reports showing the balance of fuel that should be available and the fuel actually available.

Although this system does not identify which particular delivery may have been short or whether fuel was lost or stolen, it could be an indicator of problems. However, the system produces inaccurate data which cannot be relied

on by officials at the local facilities. Differences for some of the facilities we visited are shown below.

<u>Location</u>	<u>4 week period ending</u>	<u>Fuel supply per</u>		
		<u>MVAS</u>	<u>Physical inventory</u> (Gallons)	<u>Difference</u>
San Fran- cisco VMF	3/23/79	9,152	4,203	4,949
	4/20/79	15,261	5,347	9,914
	5/18/79	22,363	12,935	9,428
	6/15/79	19,787	7,358	12,429
Oakland VMF	3/23/79	69,585	18,749	50,836
	4/20/79	76,727	16,650	60,077
	5/18/79	42,889	21,203	21,686
	6/15/79	37,972	23,706	14,266
Dallas VMF	3/23/79	46,702	48,229	1,527
	4/20/79	41,926	49,552	7,626
	5/18/79	44,282	50,920	6,638

Postal officials told us that these differences were caused by problems with inputting errors and with the computer system. Because there are about 1.1 million fuel related transactions each 4-week period, the opportunity for VMF employee error on required transaction cards is great. Additionally, we have been told that the mechanical optical scanning process caused errors, and also that fuel purchases were not always entered into the system.

We were told that the Service is working to solve the MVAS problems. It has replaced the optical scanner and plans to obtain fuel purchases information directly from vender invoices. Until the inputting and computer system problems are corrected, many facilities will not have accurate data to control fuel.

Quality of fuel not checked

Fuel can become contaminated from foreign matter or other fuels and not have the actual octane rating contracted for. While the Service contracts for a specific quality of fuel through the Defense Fuel Supply Center, as well as in the open market, it does not routinely check the 40 to 45 million gallons of bulk fuel it receives each year to insure it is getting the quality of fuel it is paying for, i.e., free from contamination and proper octane rating.

The Institute of Internal Auditors discusses the quality of bulk supplies in its publication "Internal Controls Against Fraud and Waste." It states that to insure adequate control when commodities are purchased on a continuing basis and the person receiving the supplies is unable to check the specifications, there should be an independent laboratory analysis of the supplies on a test-check basis.

The Postal Service accepts the fuel standards set by the Defense Fuel Supply Center. Standards for fuel quality are established at the Service's headquarters in Washington, D.C. A Service official told us that the experience field personnel have with the fuel being used serves as a check on quality. Poor vehicle performance from several local postal facilities indicates that the Service may need to increase the quality of fuel it purchases.

Fuel requirements are discussed each year with the Defense Fuel Supply Center where contracts for the desired fuel are eventually generated. A Defense Fuel Supply Center official told us that once the contracts are let, the agency receiving the fuel is responsible for insuring its quality. We were told that if there is evidence of poor fuel quality the matter should be brought to the Center's attention.

None of the seven VMFs we visited had the fuel they received tested to insure it met the requirements of the contract between the Defense Fuel Supply Center and the suppliers. In most instances officials at the VMFs knew nothing of the specification of the contracts. All accepted the fuel delivered without question.

A headquarters official told us that problems with the quality of fuel were to be brought to headquarters attention by employees in the field. He said the complaint would be turned over to the Defense Fuel Supply Center for action. The official could not remember any instances of poor quality over the last couple of years.

Being provided with fuel that is below contract specifications results in waste to the Service in terms of paying for a product it is not receiving and in terms of poor vehicle performance which may go unnoticed. In addition, using improper fuel in vehicles can ruin catalytic converters and adversely effect the environment.

WEAK SECURITY OVER FUEL IN BULK TANKS

We observed weak security of bulk fuel tanks at several of the facilities we visited. While we found no evidence

that fuel had been stolen, poor security is contrary to postal regulations, and available records were not always complete enough to rule out theft.

Postal regulations require that all fuel storage tanks be equipped with suitable filler cap locking devices. These regulations are obviously aimed at preventing unauthorized access to the bulk fuel.

At the San Francisco VMF we found one diesel and four unleaded gasoline storage tanks unlocked on three separate occasions. Postal employees knew the filler caps were to be locked but claimed that deliveries were expected. Because deliveries were expected several times a week and delivery times were not always honored by the supplier, the rationale that deliveries are expected could always be used. Not only were tanks unlocked but one locking device was broken and had been that way for several months. After our review began the device was fixed but later broken again. Also, two of the filler cap devices could be unscrewed completely off the neck of the storage tank rendering any locks that may be in place noneffective.

While the storage tanks at the San Francisco VMF are enclosed in a fenced-in area, access to the area is unrestricted. In addition, the tanks are located near vacant property and are not clearly visible to postal personnel at all times.

We found unlocked gas caps at seven other locations. At one of the facilities--Dallas VMF--an official told us that the storage tanks were always unlocked. He told us that the fence and the security guard were a deterrent to unauthorized access to the bulk tank, but we observed that the guard was not always present.

Again, strong controls over the dispensing of fuel could be used to identify any shortages that might occur because of theft from the bulk tanks. The security over bulk tanks is critical, however, because, as will be discussed in the next section, the Service does not maintain tight control over the dispensing of fuel.

LACK OF PROPER ACCOUNTABILITY FOR DISPENSED FUEL

Postal Service employees are required to record fuel issues to individual vehicles each time fuel is obtained from bulk storage. This information, along with pump meter

readings, can be used to account for fuel; but this control technique was not being used at several of the facilities we visited.

Dallas VMF

When we began our review in May 1979, the Dallas VMF lacked control over fuel issues. Employees did not reconcile daily issues of fuel to pump readings, nor could they explain shortages of fuel shown in the Motor Vehicle Accounting System they were relying on for control.

Postal Service's fleet maintenance manual requires facilities having bulk fuel to use Form 4574 (Daily Record of Gasoline, Diesel Fuel and Motor Oil Issued). Form 4574 provides space for recording fuel issues to individual vehicles and provides for a daily reconciliation between the fuel issued and the issues per pump readings.

The Dallas VMF was not using Form 4574 when our review began, and it was not making daily reconciliations. Rather it was requiring drivers to record the amount of fuel taken on a vehicle gas card ^{1/} which was then entered into the computerized Motor Vehicle Accounting System. Pump readings were taken at the end of each accounting period but the Dallas VMF made no comparison between the issues per driver and issues per pump to identify shortages.

We compared the two for the period April 21 to May 18, 1979, and found the use of 3,711 gallons unaccounted for. The pump meter recorded that 50,646 gallons had been issued. Gas cards showed 46,935 gallons had been issued.

Although Service officials gave several reasons for the difference between the pump readings and gas card data--drivers' failure to record issues, errors in recording data, and misplaced gas cards--they cannot account for the difference. Further, because they were not making reconciliations, they did not realize how much fuel was unaccounted for. They told us that the Motor Vehicle Accounting System should provide the data they needed to control fuel and that they stopped using the Form 4574 when the accounting system was implemented.

^{1/}Gas Card (Form SOU-414-662) is used by drivers to record fuel obtained for individual vehicles.

Southern Region officials were concerned about the lack of control of fuel issues in Dallas when we brought it to their attention in June 1979. They instructed all VMFs in the Southern Region to use the Form 4574. The instructions stated that issues should be reconciled with pump meters on a daily basis.

San Francisco VMF

The San Francisco VMF lacks good control over fuel issues because it does not perform daily reconciliations between pump readings and the total of individual issues to vehicles. The VMF uses the prescribed Form 4574 to record pump readings at the beginning and end of each shift. It also records each fuel issue to vehicles, but it does not add the individual issues and compare them to the pump readings.

A postal official told us that while the fleet maintenance manual requires that pump readings and individual issues be recorded, it does not require the two to be compared. He also told us that minor differences could be caused by inadvertent failure to record fuel issued to some vehicles.

We totaled the issues and compared them to the pump readings for the period May 19, 1979, to June 15, 1979, and found 430 gallons were unaccounted for. Although this is small compared to the total fuel used by the San Francisco VMF (44,630 gallons), it shows that shortages can go undetected because the facility does not use this reconciliation as a control technique.

Oakland VMF

The Oakland VMF lacks good controls over fuel issues because it does not perform daily reconciliations between pump readings and the total of individual issues to vehicles. The VMF uses the prescribed Form 4574 to record pump readings at the beginning and end of each day. It also records individual fuel issues to vehicles, but it does not reconcile the two to determine whether shortages have occurred. Reconciling the pump readings to the total issues to vehicles for the period May 19, 1979, to June 15, 1979, showed a shortage of 1,069 gallons.

Merrifield, Virginia, VMF

The control of bulk fuel issues at the Merrifield facility was better than several of the other VMFs we visited because employees were recording the data as required and reconciling it. However, the reconciliations were made over a 3-day period rather than a 1-day period which makes pinpointing reasons for shortages more difficult.

The control over bulk fuel at some of the other facilities in the vicinity of Merrifield seemed questionable, however. At a few of the facilities, drivers supplied data as required on the Form 4574s and initialed for the receipt of fuel and oil, but supervisors copied the data over on a clean Form 4574s. The clean form was either sent to the Merrifield VMF or maintained at the facility for its own records. Whichever the case, the information provided by drivers was destroyed. Neatness was the reason given for this practice.

In some instances all entries on the final copy showed the drivers' initials as copied over and in other instances no initials were shown. We were told that reconciliation between pump readings and daily issues were often made on the draft Form 4574 and not presented on the final copy. Ironically, when the reconciliations were presented, they were nearly perfect in that issues per drivers equaled issues per pump. This usually did not occur at other facilities where Form 4574s were not copied over.

LACK OF PROPER CONTROLS OVER COMMERCIALY OBTAINED FUEL, OIL, AND REPAIRS

The Postal Service relies on records maintained at commercial service stations to determine the amount owed the stations for fuel, oil, and minor repairs. Following this procedure subjects the Service unnecessarily to the possibility of fraud and abuse. The Service further subjects itself to fraud and abuse by not insuring that prescribed record-keeping procedures be followed when purchases are made from commercial service stations.

Procedures for obtaining fuel, oil, and minor repairs from service stations

In instances where it is uneconomical to rely on bulk storage for a ready supply of fuel, vehicle drivers obtain fuel from commercial service stations. Fuel and oil obtained

by vehicle drivers are to be recorded on PS Form 4567-A (Commercial Service Station Procurement Record) which is provided to service stations by the local post office. Minor repairs such as fixing flat tires and replacing light bulbs may also be obtained and recorded on the PS Form 4567-A.

The form provides space for the vehicle identification number, the amount and costs of fuel purchased, any minor repairs obtained, and the initials of the postal employee making the purchase. Instructions for the form state that

- all entries must be in ink,
- each purchase must be initialed by postal employees, and
- accuracy and reasonableness of quantities and costs must be attested to by a postal supervisor.

The PS Form 4567-A is closed out each week by local postmasters or designated supervisors. They use credit cards to make payments and send the completed Form 4567-A which they have certified as correct, along with a tissue copy of the credit card transaction to the responsible VMF. Personnel at the VMF accumulate the tissue copies from all post offices under its control and send them to the responsible postal payment center. At the payment centers a liability is set up for each oil company in the amount of the tissue copies. Any invoice received from the oil companies not exceeding that liability is paid.

Lack of receipt document

The Postal Service's procedures for purchasing fuel, oil, and minor repairs from commercial service stations do not require that a receipt document be obtained. With only a few exceptions, at all the locations we visited purchases were made following these procedures. We were told by several of the supervisors that it is difficult to determine the reasonableness of the entries on the Form 4567-A, unless entries were way out of line. We observed, and were told by a few supervisors that they merely total the entries without concern for the reasonableness of the specific charges. Most supervisors told us they generally evaluated the reasonableness of the totals; i.e., if the post office usually charges \$600 to \$700 a week and the total charge did not exceed that amount, the charges were accepted.

At one location where the drivers obtained receipts for minor repairs included on Form 4567-As, the supervisor had

better control of commercial service station purchases. The supervisor told us he was able to add up all the receipt documents received from drivers and know how much the service station charge should be. At another location a supervisor required drivers to obtain receipts for fuel and oil purchases, but did nothing with the receipts. He told us he was convinced that it acted as a deterrent to station employees from attempting to alter Form 4567-As. He added that he could trace questionable entries to his receipt documents.

We noted two instances, where the Postal Inspection Service found fraudulent activity relating to the use of Form 4567-As. In one instance, the commercial service station manager and attendants merely altered the Form 4567-As to show that drivers obtained more fuel than they actually received or that it cost more than the pump showed. The service station employees sometimes obtained the driver's initials before the fill-up was completed and entered erroneous amounts when drivers left the premises.

The other Postal Inspection Service case was similar. A commercial service station owner was charged and convicted for making changes on the Form 4567-A. In this case the postal inspector cited, as a contributing factor, gross negligence of the postal supervisor who reviewed and signed the Form 4567-A.

In both these cases, receipt documents obtained by drivers at the time of the purchase might have prevented the crimes. As it was, a postal employee in the first case noticed that more fuel was being purchased for some vehicles than the vehicles' tanks held. In the second case, an employee at the service station implicated the owner for his wrongdoings.

Prescribed recordkeeping procedures not followed

The Postal Service requires entries on Form 4567-As to be in ink and initialed by the drivers, and supervisors are to verify the accuracy and reasonableness of the entries. Many of the Form 4567-As we reviewed did not follow these prescribed requirements, making entries on the forms, and therefore payments to service stations, questionable. In addition, we noted several instances where alterations were made to forms without indications as to who made the alterations. Had receipt documents been obtained and provided to supervisors as support for purchases, as previously discussed, this problem would not be as critical.

On 30 PS Form 4567-As in the Dallas area for fuel purchases during the week ending April 27, 1979, the following discrepancies were identified:

	<u>Number of 4567-As</u>	<u>Number of occurrences</u>
Pencil entries	4	19
Alterations without initials of driver and/or station attendant	20	60
Purchases not initialed	8	21
Unexplained variance in prices	10	14
Addition errors	2	2
No signature by supervisor	1	1

A cursory examination of other PS Form 4567-As in the Dallas area for other weeks disclosed additional instances of the above problems, plus one other problem. We identified three purchases of fuel that exceeded the capacity of the vehicle the fuel was obtained for. A postal official explained that the fuel was put in cans for use in other vehicles, but all fuel was charged to one vehicle. We could not verify this.

Our review of Form 4567-As in the San Francisco, Oakland, and Kansas City areas did not disclose the magnitude of problems we identified in the Dallas area. However, we did find one post office--Hayward, California--where Form 4567-As were not being signed, dated, or totaled according to instructions. In addition, we found several alterations to the figures on Form 4567-As in the area served by the Kansas City, Missouri, VMF but could not determine whether they were legitimate errors changed by the driver or changes made by the station attendants to obtain more Postal Service funds. Whichever the case, they were not initialed by the driver and attendant.

In the area served by the Merrifield, Virginia, VMF, we found numerous crossouts on Form 4567-As. In addition, two situations make control of commercial purchases more questionable than at the other locations we visited. Some

of the Form 4567-As completed at commercial service stations were copied over by the postal supervisor certifying to its accuracy and the original forms were not maintained. In most instances the drivers' initials were entered for the drivers, and in the remaining instances the initials were simply left off. Neatness was the reason given for copying the forms over when we questioned the practice. VMF officials agree that it provides no audit trail and told us in January 1980 that the practice had been stopped.

At one of the post offices associated with Merrifield, a postal supervisor certifies the commercial service station purchases at his brother's service station. The postmaster agreed that this practice may be conflict of interest but continued to permit it. In August 1979 we made a formal inquiry at the Postal Service headquarters about the acceptability of this situation. We were told that an investigation of the matter had been completed in January 1980 which concluded that there was no evidence of criminal wrongdoing. The investigation did not, however, question the acceptability of allowing Service employees to certify payments to close relatives.

In the area served by the Prince Georges County VMF, we found instances of unsigned and altered Form 4567-As similar to those found at other locations. Also, we were told about a questionable transaction where a driver had problems with the operation of his vehicle and was told to take the vehicle to the nearest service station to have it repaired. A postal supervisor accepted and paid for the repairs with his own money. He then took the paid receipt to a second service station and entered the amount paid for the repair on the Form 4567-A. The service station gave the supervisor a personal check for the amount of the repair and the supervisor certified the Form 4567-A as if the repairs had been done at the second service station.

While the net effect of this action seems harmless, it is unacceptable for two reasons. First, postal employees should not obtain reimbursements from service stations for entries the employee makes on the Form 4567-A. Second, there is no audit trail for this type transaction. We only know about it because the individual involved volunteered the information. We cannot tell whether this is a generally accepted practice at the post office or elsewhere because the available records show such purchases as a legitimate purchase from the second service station.

USE OF VEHICLES AND FUEL
NOT PROPERLY MONITORED

The Postal Service could reduce its susceptibility to unauthorized use of vehicles and theft of fuel from vehicles if it gathered data on vehicle mileage each time the vehicle obtains fuel. Although we could not determine how much fuel is being used for nonpostal activities, the Service does not know either.

In an audit report on vehicle utilization dated October 1978, the Inspection Service criticized the Postal Service for its method of identifying and correcting route deviations at postal facilities in the Eastern Region. The Inspection Service stated that supervisors were to compare authorized versus actual/average daily route miles and investigate deviations of more than .2 miles. On routes selected for review, it found possible deviations ranging from 2 miles to 22 miles on 38 of the 80 routes.

The Inspection Service concluded that review of daily mileage provides controls of motorized city delivery routes and ultimately increases carrier productivity. It also stated that unauthorized mileage increases fuel consumption, which results in unnecessary costs.

There seems to be no consistency among facilities we visited in the way the Service's supervisors try to monitor the use of vehicles and fuel. The supervisors establish mileage requirements for each route, but monitor actual mileage used against the requirement in different ways.

In the past Form 4570 (Vehicle Time Record) was required for each vehicle. The forms required drivers to record their destination or delivery route in addition to the odometer reading when vehicles were taken from and returned to the post office or VMF. It also required the time to be recorded.

Postal supervisors reviewed these cards periodically for obvious mileage inequities. Although it did not consider fuel consumption, it did provide control of the vehicles and hence helped control fuel use.

We found that this method was still being used at some locations and not at others. A supervisor at the San Francisco VMF told us that the Form 4570s were discontinued when the MVAS became operational, thus he had nothing to use for evaluating the use of vehicles.

The Kansas City VMF also was not using the Form 4570. During our review, however, the Kansas City Postmaster reinstated the use of Form 4570 stating that vigorous controls of miles driven is of the utmost importance. In Dallas the use of Form 4570s was reemphasized for stations and branches in February 1979. In addition to the information required by the form, the branch managers were to require drivers to record fuel purchases on the Form 4570s.

Although the Service does not require mileage to be recorded each time a vehicle obtains fuel, we were able to make a fuel use to mileage comparison at one location-- Shawnee Mission, Kansas. This was possible because fuel was obtained for the vehicles just before they were parked for the night and the Form 4570s were being maintained.

We found substantial fluctuations in the use of fuel for the five 5-ton trucks we reviewed over a 12-day period. One vehicle used 351 gallons of fuel in the 12 days and averaged 5 miles per gallon but ranged from 3.6 to 8.9 miles per gallon. The miles per gallon on another vehicle using 522 gallons of fuel ranged from 2.9 to 5.4.

The fleet manager told us that these fluctuations indicated that gasoline had been siphoned from the vehicles while they were parked over-night and on weekends. The vehicles are parked in the last row of an unfenced lot.

Monitoring fuel consumption became part of the Motor Vehicle Accounting System, but not from the standpoint of unauthorized use of the vehicle or theft of the fuel. The system required data for each 4-week period on the number of miles driven and the fuel dispensed to the vehicle. With this data, supervisors could monitor the miles per gallon for each vehicle.

Because data on each vehicle would be too voluminous (being issued once every 4 weeks on 122,000 vehicles) the Service produces exception reports. The reports only show those 5-ton vehicles that get less than 4 or more than 20 miles per gallon, 1-ton vehicles that get less than 5 or more than 20 miles per gallon, and 1/4-ton vehicles that get less than 6 or more than 20 miles per gallon.

Because the data does not show fluctuations in the miles per gallon on a fill-up to fill-up basis, it falls short of providing managers with information needed to determine whether fuel is being used for unauthorized purposes. At the Merrifield VMF, 5-ton vehicles use an average of 506 gallons of fuel per 4-week period to travel an average of 2767, miles or 5.47 miles per gallon. Any

individual vehicle that obtains 5.47 miles per gallon could use an additional 200 gallons every 4-week period and still not be reported to the fleet manager on the exception report. Vehicles obtaining higher miles per gallon could use even more.

CONCLUSIONS

The Service spent about \$51 million for gasoline and diesel fuel in fiscal year 1978 to keep its fleet of about 122,000 vehicles moving. The cost increased to \$61 million in fiscal year 1979 and may be about \$100 million in fiscal year 1980. Considering the amount of fuel used (88.6 million gallons in fiscal year 1979) and the expectation that fuel costs will continue to rise, the Service needs strong controls over the method it uses to obtain, maintain, and dispense fuel. Specific weaknesses in the Service's control system and our recommendations for improvements follow.

Bulk fuel receipts

The Postal Service has been purchasing between 40-45 million gallons of bulk fuel each year. It may be paying for some fuel not received because the procedures for verifying fuel deliveries are not always followed. Also, records of deliveries verified by the receiving employee are often not maintained, preventing independent verification of deliveries.

The Postal Service should vigorously enforce its procedures for verifying fuel deliveries. In those instances where delivery trucks are equipped with meters the fuel should be metered. If additional costs are involved, the Service should continue to rely on dipstick readings to assure accuracy, but it should consider having the fuel metered periodically.

Whether the fuel is metered or not the Service should be obtaining accurate dipstick readings before and after delivery. This is now required by the Service, but it is often not followed. In addition, conversions from dipstick readings to gallons should be recorded, and all data should be maintained to develop a history of fuel deliveries and to allow for independent audit of deliveries. Shortages should be explained. Having the fuel metered from the delivery truck on a periodic basis would provide the Service with a double check of the accuracy of dipstick readings and would probably act as a deterrent to suppliers who presently might feel they can deliver less than the amount contracted for without detection.

In addition to possibly paying for fuel not delivered, the Service may be paying for fuel which does not meet quality specifications, because the Service does not test any of the 40 to 45 million gallons of bulk fuel it receives each year. Accepting fuel that is below specifications results in waste to the Service in terms of poor vehicle performance which may go unnoticed. In addition, using improper fuel in vehicles can ruin catalytic converters and adversely affect the environment. To protect itself against paying for poor quality fuel the Service should initiate a program to test the quality of fuel received. Periodically, samples should be sent to the Defense Fuel Supply Center for analysis.

Security of bulk tanks

Contrary to Service procedures, weak security existed at several of the facilities we visited. Bulk tanks were not always locked as required, and in two instances the filler cap devices could be unscrewed off the storage tank making any locks that may be in place noneffective.

The Postal Service should take steps to insure that all facilities having bulk storage tanks follow postal regulations requiring bulk tanks to be securely locked. In those instances where fuel deliveries are expected, locks should not be removed until the delivery truck arrives. Also, action should be taken to preclude locking devices from being unscrewed.

Fuel dispensed to vehicles

Postal Service employees are required to record fuel issues to individual vehicles each time fuel is obtained from bulk storage. This information, along with pump meter readings, can be used to account for fuel; but this control technique is not always used. One facility we visited using in excess of 600,000 gallons a year abandoned this technique in favor of a computerized accounting system, which it knew produced unreliable and inaccurate data. Several other facilities obtained the data but did not use it for control purposes.

The Postal Service should insure that all fuel obtained from bulk storage tanks is recorded by those taking the fuel. In addition it should require that, at a minimum, daily reconciliations be made between pump readings and issues to vehicles. At larger facilities reconciliations for each shift may be appropriate. In no instance should a postal

facility be allowed to rely on the computerized vehicle control system for the information until the system is proven to be trustworthy.

Purchases from commercial service stations

The Service purchases between 45-50 million gallons of fuel from commercial service stations each year. In addition, the Service purchases oil and minor repairs from such stations. It may be paying for some fuel, oil, and minor repairs it never receives because it relies on records maintained at the commercial service stations to determine the amount owed the stations. Employees obtain no receipts for purchases that supervisors, who use credit cards to pay the stations, can use to insure accuracy of the account.

In addition Service requirements for recording purchases on the records maintained by the commercial service stations are not always followed. Such requirements include entries in ink, initials of the Service employee making the purchase, and certification by Service supervisors verifying the accuracy and reasonableness of the entries on the form. Also, alterations are being made to the data recorded without verification by the employee making the purchase. To provide for stronger controls of purchases made at commercial service stations, the Postal Service should require Service employees to obtain receipts from the service station or record fuel and oil purchases on documents controlled by the Postal Service.

Monitoring fuel use

The Service could reduce its susceptibility to unauthorized use of vehicles (hence unauthorized use of fuel) and theft of fuel from vehicles if it gathered data on vehicle mileage each time the vehicle driver obtains fuel. Although we could not determine how much fuel is being used for nonpostal activities because sufficient data is not maintained, the Service, likewise, does not know.

Therefore, the Service should obtain better data on the use of fuel by vehicles. Better data should include recording odometer readings when vehicles obtain fuel so that fuel usage can be obtained for each fill up. This would allow postal supervisors to monitor the fuel usage of each driver.

RECOMMENDATIONS

To reduce the susceptibility to fraud, abuse, and waste in the procurement and use of fuel, we recommend that the Postmaster General

- vigorously enforce procedures for verifying fuel deliveries, including maintaining verification records for independent audit;
- initiate a program to test the quality of fuel received;
- insure that guidelines for bulk tank security are followed at all facilities;
- insure that all fuel dispensed from bulk fuel tanks is accounted for;
- require drivers to obtain receipts from commercial service stations or record fuel and oil purchases on documents controlled by the Postal Service; and
- obtain better data on the use of fuel by vehicle drivers.

AGENCY COMMENTS AND OUR EVALUATION

The Postal Service accepts the report's findings and concurs with the recommendations for

- vigorous enforcement of Postal Service procedures for verifying fuel deliveries, including maintaining verification records for independent audit;
- insuring that guidelines for bulk fuel tank security are followed;
- insuring that all fuel dispensed from bulk fuel tanks is accounted for; and
- obtaining better data on the use of fuel by vehicle drivers.

The Postal Service will advise field managers of our findings and instruct them to take corrective action. It is installing a new system to better control bulk fuel receipts and is acquiring new equipment to better monitor the use of 13,000 of its vehicles beginning in June 1980.

The Postal Service disagrees with the recommendation to initiate a program to test the quality of bulk fuel received. It does not believe that the testing program recommended is really needed or would be cost effective. The Service relies on vehicle performance to assess quality. It contends that unleaded fuels are at the edge of octane rating, and any reduction in octane rating by dishonest distributors would show up immediately.

Considering the quantity of bulk fuel purchased (40-45 million gallons annually), we are not convinced that the Service can afford to let the quality go unchecked, especially with the price exceeding \$1 per gallon. The Service is responsible for the quality of bulk fuel it receives whether purchased through the Defense Fuel Supply Center or on the open market. Neither its VMF personnel who physically receive deliveries nor its drivers who use the fuel can assess the quality of the fuel or even identify it as leaded or unleaded.

With no practical means for assessing the quality of individual deliveries, we believe the Service should employ accepted internal control practices. The Institute of Internal Auditors states that to insure adequate control when commodities are purchased on a continuing basis, and the person receiving the supplies is unable to check the specifications, there should be an independent laboratory analysis of the supplies on a test check basis.

The Postal Service also disagrees with the recommendation that vehicle drivers obtain receipts or record fuel and oil purchases on documents controlled by the Postal Service when fuel is purchased at commercial service stations. The Service stated, however, that it intends to see to it that supervisors who are responsible for assessing the reasonableness of purchases from commercial service stations improve their performance in the area of controlling fuel.

In disagreeing with the recommendation, the Service stated that requiring drivers to wait for receipts will increase nonproductive time; will add more office time to check receipts, trace missing receipts, and reconcile differences; and will not prevent collusion between drivers

and station owners. The Service also stated that it has tried many approaches to controlling fuel purchases over the years and believes the present system strikes a reasonable balance between controls and the cost of controlling.

Obtaining receipts for items purchased is an accepted business practice and the purchase of fuel, oil, and minor repairs from commercial service stations should be no exception. Granted, having drivers record the purchase on Form 4567-As does provide some control, but that control is lost when the commercial station is allowed to maintain the records the Service relies on to make payments. We still believe that receipts should be obtained.

The Service is concerned about the cost of obtaining receipts in terms of time spent by drivers waiting. If the waiting time becomes a factor, the alternative presented--having drivers record purchases on documents controlled by the Postal Service--should be used.

With regard to increased office time, we are not convinced that more time would be required or that increased time would not be worth the effort. Time spent under the current method of assessing the reasonableness of the entries on the Form 4567-As as supervisors visit the commercial service stations may be reduced, and time spent reconciling differences may reduce the total cost of fuel.

We recognize that the added paperwork does not prevent collusion, but under the present system for controlling fuel and oil purchases, collusion is not a necessary prerequisite for malfeasance. We continue to believe that this needs to be corrected.

With regard to the Service's statement that many other approaches for controlling purchases from commercial service stations have been tried over the years, we feel that the time for added controls is now, considering that the prices at the stations are about \$1.20 to \$1.30 a gallon. The present system for using Form 4567-As has been in existence since at least 1970 when fuel prices were a third of what they are today.

CHAPTER 3

SCOPE OF REVIEW

Important as detection of fraud, abuse, and waste is, detection was not our primary concern during this review. Our prime concern was directed toward evaluating the Postal Service's control systems over fuel to prevent fraud and abuse, make it more difficult, and decrease the likelihood of waste.

We directed our review to how postal facilities buy, maintain, and dispense gasoline and diesel fuel at VMFs and local post offices having bulk fuel tanks and how fuel is obtained from commercial service stations. We were also concerned with how the Service controls the use of fuel. In conducting our review we

- studied the Service's control system policies, procedures, reports, and studies;
- gathered operational data and observed operations at several large and geographically dispersed postal facilities--the primary ones were VMFs and post offices located in or near Merrifield, Virginia; Prince Georges County, Maryland; Kansas City, Missouri; Dallas, Texas; San Francisco, California; as well as the vehicle maintenance facility in Oakland, California; and
- discussed the Service's control system with Service regional and headquarters officials.



THE POSTMASTER GENERAL
Washington, DC 20260

May 23, 1980

Dear Mr. Voss:

This refers to your proposed report to the Congress entitled "Need for Tighter Control Over Fuel Purchased by the Postal Service."

The report discusses weaknesses in fuel controls found at several of the installations visited by your auditors and makes six recommendations.

We accept the report's findings regarding these installations and our comments on the reports recommendations are as follows:

Vigorous enforcement of Postal Service procedures for verifying fuel deliveries including maintaining verification records for independent audit.

Insuring that guidelines for bulk tank security are followed at all facilities.

Insuring that all fuel dispensed from bulk fuel tanks is accounted for.

Obtaining better data on the use of fuel by vehicle drivers.

Concur.

We will advise appropriate field managers of GAO's findings and instruct them to take immediate corrective action if Postal Service procedures and guidelines are not being followed at their installations. Our Inspection Service will follow up in the course of their audits to see that such action has been taken.

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We are installing a new system which will establish a fuel and oil receipts register, reinforce current instructions regarding receipt verification and report purchases to our Postal Data Center by certified delivery ticket. The errors that were occurring in our Motor Vehicle Accounting System have been isolated and are being corrected through the use of a better scanner and better control over the input data.

We are acquiring 13,000 tachographs to monitor vehicle use and beginning in June 1980 our vehicle use report, which is available by individual vehicle, will include a miles per gallon figure. Thus, this report will show for each vehicle the hours per day, miles per day, miles per gallon and cost per mile, by accounting period and year to date. This data will give managers adequate data to control vehicle usage and fuel usage.

Initiating a program to test the quality of fuels received.

The unleaded fuels we use are at the edge of the octane rating and any reduction in octane rating by a dishonest distributor would show up immediately in poor performance. In the few isolated cases where we have received suspect fuels, we have availed ourselves of the testing service of the Defense Fuel Supply Center and the problem was quickly corrected. We do not believe that the testing program the report recommends is really needed or would be cost effective.

Requiring drivers to obtain receipts from commercial service stations or record fuel and oil purchases on documents controlled by the Postal Service.

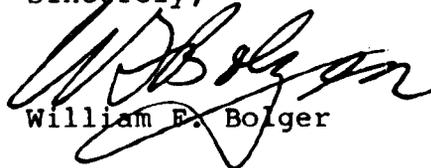
Requiring drivers to wait while a commercial service station attendant completes a receipt, in addition to the paperwork already required, will increase the non-productive waiting time for every purchase. More office time will also be needed to check receipts against bills, trace missing receipts, and reconcile differences. Even so, this added paperwork will not prevent collusion between a dishonest driver and a dishonest station owner.

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Over the years, the Service has tried many approaches to controlling fuel purchases, including the one the report recommends. We believe our present system strikes a reasonable balance between controls and the cost of controlling. If local supervisors do their jobs, the present system is adequate. If not, additional paperwork will not help. We intend to see to it that supervisors do improve their performance in the area of controlling fuel.

We appreciate your affording us an opportunity to comment on this report.

Sincerely,

A handwritten signature in dark ink, appearing to read 'W. E. Bolger', written in a cursive style.

William E. Bolger

Mr. Allen R. Voss, Director
General Government Division
U.S. General Accounting Office
Washington, D.C. 20548

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