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Transportation/Fuel Fraud and Cost Controls: How To Help Your Organization Prevent and Detect Fraud and Identify Ways to Control Costs

Valla Wilson, CIA, CRMA, CHIAP™

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11:15 am – 12:30

Valla Wilson, CIA , CRMA, CHAIP

- Serves as the Practice Director, Business Risk Assurance and Advisory Services for the Eminere Group, LLC, providing Internal Audit, Compliance, Revenue Cycle, Enterprise Risk Management, Quality Assurance Preparation/Reviews, and other Consulting services primarily in the higher education and healthcare industries.
- Has over 30 years of Internal Audit/Compliance experience including having served as Chief Audit Executive, Chief Compliance ,Chief Privacy Officer and Research Integrity Officer roles at Academic Medical Centers and Health Systems.
- Held other operational and consulting leadership roles with public accounting, higher education, healthcare, fortune 500 and government organizations.
- Was previously an Experienced Manager for Anderson, LLP, providing Internal Audit Co-Sourcing and Risk Consulting services.

Session Objectives

- Describe the various types of campus and academic medical center transport activities and services involving company and personal vehicles **and airplanes.**
- Identify transport and fuel risks and fraud risks, and controls, including best practices for preventing and detecting fraud and opportunities for reducing vehicle transport and fuel costs.
- Review data analytic/ testing procedures for fuel transactions, and vehicle use.

Introduction

- Transportation and fuel do not necessarily get identified as high risks.
- Campus focus is on providing the best services to its students, staff and faculty.
- Departments with vehicles or use personal vehicles to perform its duties are not necessarily thinking about internal controls.
- With the rise of fuel cost and families facing economic crisis there is more temptation to get fuel for vehicles in an improper and illegal way and increase in fraudulent use of credit or fuel cards.
- Shortages in staffing can compromise controls such as segregation of duties.

Poll:

How many of you have performed an internal audit of transportation, fuel card or fuel usage or have any of these areas on your Internal Audit Plan?

- A. Have performed audit of transportation services
- B. Have performed an audit of fuel card/fuel purchases on Pcard
- C. Have performed an audit of the use of fuel on campus
- D. Have it on the current or upcoming Audit Plan year
- E. Have not planned to audit in this area

Transportation Services Overview

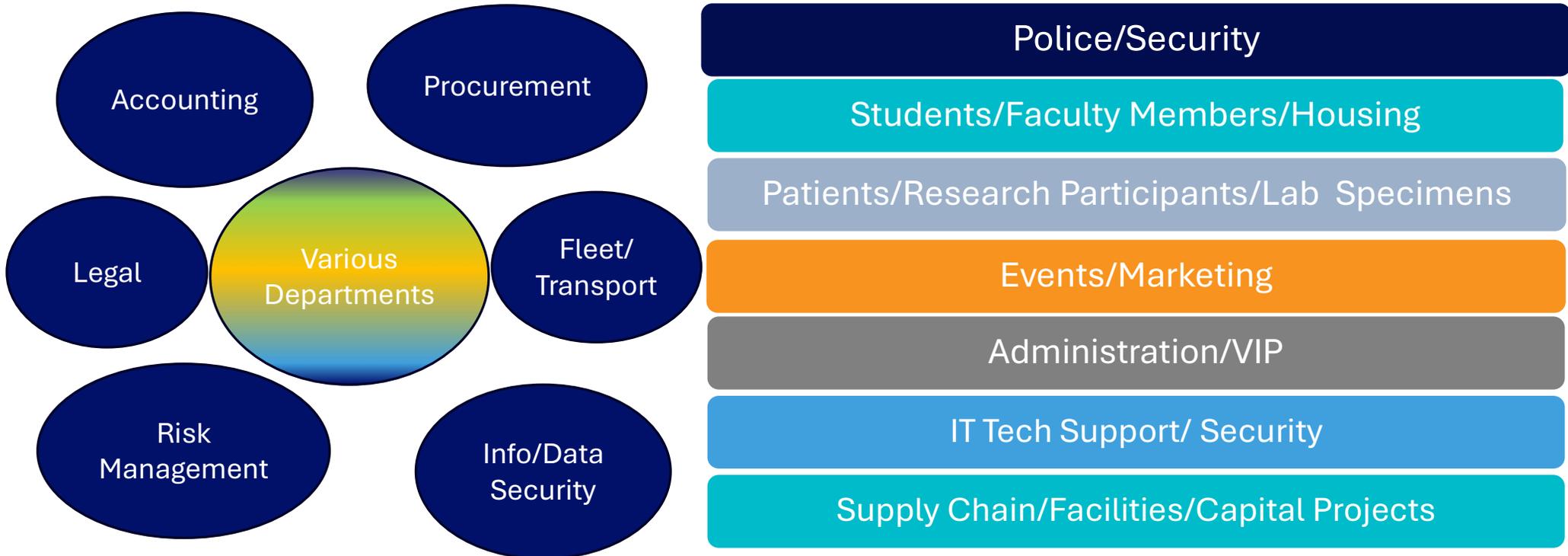
Types of transportation services typically provided on university/college campuses and academic medical centers include:

- Van/Shuttle service within campus and to off campus sites
- Buses for events within campus locations and off campus
 - Athletic and academic programs
 - Faculty/student transports to multiple off-site campuses
- Alternative transports (golf carts)
- Special transports (VIP movements)
- Airport and other key transports
- Research and lab specimen transports
- Other



Transportation Services Overview

Often decentralized with multiple departments, systems, processes



Poll:

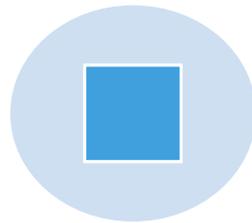
Does your campus use fuel cards, regular purchase card or have fuel pumps on campus?

- A. Use purchase cards to purchase fuel
- B. Use fuel cards to purchase fuel
- C. Use fuel cards and have fuel pumps on campus
- D. Fuel pumps are limited to diesel fuel

Transportation Involves Various Risk Areas



FINANCIAL



STRATEGIC RISKS



COMPLIANCE/
REGULATORY RISKS



REPUTATIONAL
RISKS



SAFETY/SECURITY
RISKS



ENVIRONMENTAL
SAFETY RISKS



OPERATIONAL
RISKS



HUMAN
RESOURCES
RISKS



IT/CYBER
SECURITY RISKS

Transportation Services Overall Risks

- Lack of understanding of the risks and internal controls that need to be put in place
- Liability and insurance concerns
- Safety, improper use and reputational issues
- Federal, state and local regulatory compliance issues
 - Environmental
 - Vehicle safety
- Operational inefficiencies or ineffective management
- Ineffective Inventory and asset management
- Lack of vehicle preventive maintenance and repairs
- **Unauthorized or fraudulent use of transportation resources and fraudulent fuel purchases or fuel pump use**

Additional Air Transportation Key Risk Areas



Financial

high operating costs such as fuel, insurance, maintenance, pilot salaries



Strategic

resources misaligned with priorities, donor pressure



Ethical/Compliance

personal use, ownership, tax implications



Reputational

public perception and transparency

Fuel Fraud Cases

- **Southern University (LA)** — A facilities employee was arrested for allegedly **using a *state* fuel card to buy gas for personal vehicles** (dozens of transactions flagged by auditors).
- **University of Georgia** — UGA Police daily log recorded the **fraudulent use of a UGA fuel card** at an out-of-state location.

Other Fuel Fraud Cases

Criminals outfitted a minivan with a trap door, parked over the stations underground fuel tank.

At a California school district, criminals relieved a district of 2,000 gallons of diesel fuel worth \$13,000

Inappropriate Vehicle Use Risks

- Non-business use without approvals
- Vehicles operated by unauthorized individuals
- No trip logs or vehicle use documentation
- Legal and liability concerns
 - Drivers with suspended or invalid licenses
 - Drivers not covered by insurance
 - Car inappropriately used or in bad location
 - Lack of security increasing risk of theft
 - Inappropriate/dangerous items in vehicle
 - Additional unauthorized passengers
 - Vehicle outside of coverage or authorized areas

Fuel Cards Overview

- Fuel Cards are generally used to purchase fuel for fleet vehicles and other vehicles used for business operations/transport.
 - Police/Security/Safety
 - Facilities vehicles
 - Couriers
 - Student/faculty transports
 - Patient/Research participant transports
 - Specimens/documents/money transfers
 - Supply chain/warehouse operations
 - Capital projects and construction
 - Marketing/media activities



On-campus Fuel Overview and Fraud Risks

- **On campus fuel include:**
 - Fuel tanks located/stored on campus
 - Fuel is dispensed at a central location or various points
 - Fueling stations located on campus
- **Fuel Pump Dispense Fraudulent Use Risks**
 - Fuel theft, fraud, or misuse
 - Fuel dispensed for personal vehicles outside of business requirements
 - Lack of documentation, inadequate vehicle/fuel usage tracking, manual logs prone to manipulation or error
 - Lack of access controls on campus fuel pumps
 - No reconciliation of fuel issued vs mileage
 - Lack of policies, enforcement or training
 - Limited oversight by central departments



Common Fuel Card Fraud Themes/Red Flags

- Personal fuel purchases disguised as business use
- Purchases other than fuel (snacks, lottery tickets, tobacco, etc.)
- Card Sharing between employees
- Split Transactions to bypass limits
- False transactions
- Fuel purchases during off-hours or weekends
- Multiple fuel purchases in short time spans
- Fuel types inconsistent with assigned vehicles
- Incomplete or missing mileage logs

Fuel Card Key Internal Controls

- Clear policies and procedures for management of fuel cards
- Centralized issuance & assignment
- Spending limits and restrictions
- Regular reconciliation and exception reporting
- Assign cards to specific vehicles or employees
- Set transaction limits and restrictions
- Require receipt uploads and mileage entries
- Review reports monthly for anomalies
- Continuous monitoring/auditing procedures
- Require mileage input at gas station pumps

Controls for Campus Fuel Pumps

- Access via PIN or card reader
- Vehicle and mileage logs tied to each transaction
- Video surveillance and physical pump locks
- Limiting pump lock access
- Reconciliation of gallons pumped vs. usage logs
- Reviewing usage by pin and users
- Changing pass codes when employees terminate or transfer roles
- Policies for PIN, card readers and use of fuel pumps

Key Fuel Card Data Analytics – Fraud Detection/ Prevention & Cost Controls

Data Sources

- Fuel card transaction data (vendor/exported reports)
- Vehicle logs (mileage, fuel tank capacity)
- Employee or driver assignments/schedules
- Fuel card limit settings
- **Fuel type mismatch analysis:** Flag diesel purchases for gasoline vehicles, or vice versa.
- **Over-fueling detection:** Compare transaction volume to vehicle tank capacity (e.g., 25 gallons purchased for a 15-gallon tank).

Key procedures

- **Transaction frequency analysis:** Identify high-frequency transactions per card or driver — may indicate misuse or unauthorized use.
- **Time-of-day and day-of-week analysis:** Look for purchases during non-working hours, weekends, or holidays.
- **Geolocation consistency (if available):** Match fuel location to vehicle route data or GPS logs to spot anomalies.
- **Split transaction detection:** Find multiple small purchases within minutes, used to bypass per-transaction limits.

On Campus Fuel Pumps Data Analytics

- **Data Sources:**
 - Pump access logs or system exports (if digital)
 - Manual fuel logs
 - Vehicle mileage and usage logs
 - Fuel procurement, inventory and replenishment records
- **Key Analytics:**
 - **Pump usage per vehicle vs. mileage traveled:** Calculate fuel efficiency (MPG) and flag outliers.
 - **Compare pump fuel dispensed vs. inventory levels:** Reconcile beginning fuel levels, fuel added, and fuel dispensed. Investigate unexplained shrinkage.
 - **User access log analysis:** Identify frequent or unusual users, such as those refueling multiple departments or vehicles.
 - **Missing log entries / incomplete fields:** Detect gaps in manual logs—these oft signal non-compliance or possible fraud.

What to Do About Key Red Flags/Exceptions

- Do further analysis as a deeper dives(trends, areas, other)
- Coordinate with key stakeholders for next steps to include:
 - Investigation
 - Detailed audit testing
 - Obtain additional data
 - Conduct interviews
- Determine frequency of repeat analysis and additional monitoring procedures needed.
- Other???

Fuel Card Fraud-Detective Controls Monitoring Examples



1. Transaction Monitoring

Daily/weekly exception report
Geofence check



2. Vehicle/Driver Match

Vehicle ID + odometer reading



3. Consumption Analytics

Fuel economy benchmarks by vehicle type (e.g., vans vs. pickups).



4. Cardholder Behavior Reports



5. Reconciliations & Audit Trail

Monthly reconciliation reports
Periodic audits



6. Vendor/Location Review

Non-local or high risk gas stations
Gas stations away from common travel/close to home

Audit Recommendations/Best Practices

- Evaluate overall governance including policies and coordination for transportation and fueling of vehicles
- Conduct periodic audits of fuel card and vehicle use
- Implement data analytics on fuel purchases
- Obtain 3rd party data when possible
- Review policies and procedures and ensure staff training
- Recommend centralized oversight where possible
- Coordinate to conduct continuous auditing/monitoring (i.e., trending).
- Assist with establishing performance metrics/dashboards
- More....

Cost Controls

- Look at ways that fuel may be purchased and where fuel purchases could be hidden: Gift cards, corporate cards, invoice billing, field purchase orders, petty cash.
- Ensuring proper controls are in place for effectively managing the use of vehicles, trucks, buses and other forms of transportation including airplanes will also help to control costs.
- Careful planning and coordination of transportation and vehicle usage can keep costs down.
- Procurement of vehicles need to take into consideration, lower costs for fuel consumption.
- Performing the data analytics as part of continuous monitoring efforts keeps focus on the costs for transportation and fuel.
- Consistent monitoring of budget to actual expenditures will be incentive to managers of the areas to look at ways to keep costs under control.
- Holding areas accountable who exceed budgeted costs.

What Are Ways you Monitor or Audit At Your Institutions?

- Share your practices and also any outcomes or recommendations?
- Are you now considering performing audits or coordinating with the areas for continuous auditing/monitoring activities?

Q & A



Contact Information

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Who We Are

The Eminere Group LLC is an international premium assurance and advisory firm providing IT Governance, Risk Management, Security, Business Risk, Internal Audit and Revenue Cycle Services.

Business Risk Assurance and Advisory Services - We provide a range of services to support the needs of Internal Audit and Compliance Departments by delivering valuable auditing and consulting services such as:

- Internal Audit Services (Co-sourcing/Outsourcing, Continuous Monitoring, QAR Preparation/Reviews,)
- Enterprise Risk Management Services/Risk Assessments and Consulting
- Internal Audit/Compliance Leadership Support (Project management, Investigations & Training)
- Compliance Program Services (Auditing, Consulting, Monitoring, Program Effectiveness Reviews)

Revenue Cycle Services - Our team delivers audit and consulting services across the entire health system revenue cycle. Auditing and Consulting Services include:

- Front-End Revenue Cycle & Patient Access
- Complete Charge Capture & Reconciliation
- Advanced-Data Analytics & Revenue Performance Analysis
- Billing & Collections Optimization
- Professional /Hospital/Facility-Based Coding and Clinical Documentation
- Physician & Staff Training Services