



Public Synopsis

OIG Report #IG 2012-0056

Fuel Purchase Card Program Review

Department of General Services



**OFFICE OF THE INSPECTOR GENERAL
BALTIMORE CITY**

100 N. Holliday Street, Rm 640
BALTIMORE, MD 21202



Public Synopsis

Synopsis of OIG Report #IG 2012-0056: Fuel Purchase Card Program Review - DGS

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FROM	NAME & TITLE	David N. McClintock – Inspector General <i>DNL</i>	CITY of BALTIMORE MEMO	
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	SUBJECT	Synopsis of OIG Final Report #2012-0056 (DGS)		

TO Hon. President and Members of the City Council
400 City Hall

DATE: 10/22/2012

Please find the Office of Inspector General’s Public Synopsis of Program Review on City fuel purchases made under a contract with Wright Express Financial Services (hereinafter “Wright Express”). While use has varied under this program there have been at times over 700 fuel purchase cards and annual expenditures as high as \$1,168,723.49.

The OIG review considered various aspects of the cards’ usage, including agency use, transaction locations, price per gallon variances, etc. Our review determined that each gallon of fuel purchased through Wright Express costs approximately \$.89 more than fuel pumped at City fueling stations. Further, we have determined that the total program expense through June of 2012 has exceeded the Board of Estimates (hereinafter “BOE”) approved funding level by approximately \$808,658.61.

OIG analysis determined that failure to instill effective control and oversight measures has cost the City as much as an additional \$147,028.84 annually. The cumulative effect of these expenditures amounts to \$918,399.51 over the full six-year period of the current contract. The OIG believes that while there is a need for retail fueling services, such as those acquired through Wright Express, the usage pattern and scale of purchases has exceeded that which is necessary to meet the stated intent of the program.

The Department of Finance and the Department of General Services have both provided written responses to our review. Both responses are included as attachments to this synopsis. We look forward to continuing our partnership to strengthen policy, procedure, and internal oversight protocols.

- This report is available to the public in print or electronic format.
- To obtain a printed copy, please call or write:

Office of Inspector General
100 Holliday Street
Suite 640, City Hall
Baltimore, MD 21202

- Baltimore City employees, citizens, and vendors or contractors doing business with the City should report fraud, waste, and abuse to the fraud hotline. Call 1-800-417-0430 24 hours a day, 7 days a week.

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Public Synopsis

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SUMMARY

The Office of Inspector General (hereinafter “OIG”) initiated a review of fuel purchases completed by employees who have been issued a purchase card under a City wide contract with Wright Express Financial Services (hereinafter “Wright Express”). The purchases questioned and reviewed occurred between 2007 and June of 2012. During this period, program use has varied, but at times included the issuance of over 700 fuel purchase/credit cards and accounted for annual expenses as high as \$1,168,723.49.

The OIG review considered various aspects of the cards’ usage, including agency use, transaction locations, price per gallon variances, etc. Contractual agreements reviewed reflect a base funding level of \$2,000,000 for calendar years 2007 through 2010, with two option years available at additional cost. The two option years have been exercised and extend the most recent contract to the end of 2012, at an additional cost of \$740,000.

The OIG has also determined that the total program expense through June of 2012 has exceeded the Board of Estimates (hereinafter “BOE”) approved funding level by approximately \$808,658.61.

The OIG also determined that each gallon of fuel purchased through Wright Express costs approximately \$.89 more than fuel pumped at City fueling stations. Failure to instill effective control and oversight measures has cost the City as much as \$147,028.84 additionally on an annual basis. The additional expenditures result from significant and largely unnecessary Wright Express transactions occurring within the city limits where the lower cost City fuel is available. The cumulative effect of these expenditures amounts to \$918,399.51 over the full six-year period of the current contract, which will expire on 12/31/2012.

Our review determined that the fuel card program has not been effectively managed by its City users. Further, the City has failed to utilize many of the oversight and control tools provided by the vendor in a significant or meaningful manner. The OIG believes that while there is a need for retail fueling services, such as those acquired through Wright Express, the usage pattern and scale of purchases has exceeded that which is necessary to meet the stated intent of the program.

OIG OBJECTIVES

The purpose of our review was to examine the management oversight and financial impacts of the Wright Express Fuel Credit Card Program, in comparison to the standard fueling process and expenses incurred when fueling at City facilities. The OIG conducted its investigation in

accordance with Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Accounting Principles (GAAP), and City of Baltimore laws and regulations, as applicable to contractual agreements. Any instances of fraud, waste, abuse, or contractual non-compliance will be promptly identified and investigated as necessary. Findings, best practices, and recommendations will be communicated to all parties involved upon completion of this review. The OIG is willing to assist in the development of appropriate corrective action plans as well as suggest business process improvements or additional management controls, if requested.

PROGRAM BACKGROUND

The City initially secured Fleet Fuel Credit Card Services via a contract agreement with Wright Express in 1999 (reference BP#99837). The contract also included several option years and carried the contract and services through initiation of the following contract in 2007. The Baltimore City Sheriff Office (hereinafter “BCSO”), Baltimore City Police Department (hereinafter “BCPD”), and Baltimore City Fire Department (hereinafter “BCFD”) were the first departments to utilize the new credit card program, with the aim of reducing/controlling the amounts spent on fuel.¹ Total expense for this first contract period was \$2,320,180.95.

According to the second Request for Proposal released by the City in late 2006, vendor submissions were to include system training and implementation; pricing for the distribution and management of up to 2,500 fuel credit cards; and coverage for an estimated 12,000 annual fuel transactions for approximately 200,000 gallons of fuel per year. The contract was awarded to Wright Express (the only bidder) for the sum of \$2,000,000 after approval by the BOE on May 30, 2007 (reference BP#07006). The initial period of performance was 01/01/2007 through 12/31/2010, with two one-year renewal options available, at the discretion of the City. The first renewal, in the amount of \$370,000, was approved by the BOE on 12/15/2010 and covers the entire 2011 calendar year. The last option year has now been exercised, covering the 2012 calendar year at a cost of \$370,000. At this point, it is unknown if contract extension negotiations are in process or if the service will again go out for bid.

Currently, there are 18 fueling sites operated by the City and located throughout the area offering both gasoline and diesel services. City-owned vehicles may use any of these stations, for fueling during operating hours. Certain facilities have limited operating hours; however, fuel is available 24/7 at the Mid-town fueling site for after-hour operations.

Wright Express fuel cards were issued and assigned to employees within seven participating departments, for purchases to be made when not near a City-owned station. The departments are: BCFD, Department of General Services (hereinafter “DGS”), Mayor’s Office, BCPD, BCSO, and the Department of Public Works (hereinafter “DPW”). Outside of City stations, Wright Express card holders have access to 170 retail stations within Baltimore City; 226 retail stations in the surrounding metro/county areas; and 1,831 retail stations throughout the rest of the state.

¹ The information able to be located on the initial contract periods, those prior to 2007, has not been complete due to transitions in certain financial systems and retention policies. However; the OIG has not been able to locate any evidence of a study, assessment, or analysis that supports a reduction in fuel cost.

The purpose for adopting such a program was to reduce overall fuel costs and usage, while increasing internal management tracking and reporting capabilities. Pre-determined limits on transactions and locations could be implemented by each department to reduce the number of purchases in various ways, as well as providing the lowest available cost options for non-City fueling stations. Using Wright Express' online system, Fleet Managers could use the "Fuel Price Mapping" tool to show current prices for each fuel type (regular or diesel) at all participating retail stations or within a certain zip code. The system also indicates which stations have the lowest prices for the day. Parameters could be assigned at the card level or department levels and included controls such as transactions per day, gallons per transaction, fuel type, and transaction cost. The parameters would have to be communicated to Fleet Management by the Coordinators within each department and include the following controls:

- Cost per transaction,
- Gallons per transaction,
- Price per gallon,
- Day of the week,
- Hours/time of day,
- Fuel type,
- Gallons per month, and
- Number of transactions per day.

In addition, the City intended to have access to data and supporting detail electronically, with the ability to merge this information with existing internal systems. Fleet and Accounting Managers were to benefit from the new service by recognizing expedited payments to vendors and reduced fleet costs. Reporting capabilities set forth in the contract included the following categories for monthly review by City management:

- transaction detail ~ driver and vehicle information,
- exception report ~ based on card restriction parameters,
- financial summaries ~ department totals and year to date costs.

Financial and utilization data were made available under the contract through Wright Express' online database referred to as "WexOnline", which contains all account information and access to the various management controls. The system was configured so that Fleet Management maintained primary access control for the online system, with data being downloaded for distribution to the departments and for ad hoc requests from management.

ASSESSMENT AND EVALUATION ~ SCOPE AND METHODOLOGY

The Wright Express program inquiry covers all costs incurred from the initial 2007 contract award (BP#07006) to present, with a period of performance of January 2007 through June 30, 2012 (last invoice collected by OIG for examination). As detailed data was not available for substantial portions of the previous contract (BP#99837), analysis will be limited to the application of relationships, formulas, and other data developed through assessment of the available data from the current contract. Source documentation used for our review was verified through physical examination and reconciliation. Originals were provided by the Finance

Department, Fleet Management, and Wright Express upon request, with photo copies made for our records. Additionally, financial reporting, record keeping practices, and contract compliance were all assessed during the OIG review process. In some cases employee interviews were utilized to clarify processes and previous actions. Specific documents analyzed for this review include (but are not limited to) the following:

- City’s Request for Proposal
- Wright Express Proposal Submission
- Signed Contractual Agreements
- Wright Express Monthly Invoices (and supporting documentation)
- City’s Payment Records
- Fuel Credit Card Utilization Information (as provided by all parties)
- City’s Regular Fuel Purchases and Prices (as provided by Fleet Management)
- Relevant Correspondence (memos, emails, etc.).
- City’s Administrative Manual - 303-1, 303-3, and 309-1

Although the City has utilized Wright Express’ services since 1999, our focus of the review will be the current contract. The previous contract documentation was maintained in a financial management system that was superseded by the current CitiBuy system in 2006. The conversion process resulted in limited access to full account detail. In addition, readers should be aware that the City’s financial records retention period of seven years has passed for substantial portions of data from the previous contract period.

ASSESSMENT AND EVALUATION ~ DATA ANALYSIS

Cost Overrun, Invoicing and Payments

In reviewing the circumstances that contributed to the non-BOE approved cost overrun, the OIG considered the processes used to input and manage the Wright Express account. As noted previously, the Wright Express contract was initially approved by the BOE on 05/30/ 2007 with a limit of \$2,000,000.

The Department of Finance appropriately separates the process of purchasing and acquisition from that of making payments on the City’s financial obligations. The purchasing component is the responsibility of the Bureau of Purchases (hereinafter “Purchases”) while the payables component is the responsibility of the Bureau of Accounting and Payroll Services (hereinafter “BAPS”). Further, and significant to the process, is that Purchases utilizes the CitiBuy management system while BAPS utilizes the City Dynamics management system.

These two systems are designed to exchange basic account parameters such as management and performance requirements, funding levels, and billing procedures for a given contract. As such, the standard process is that Purchases designates relevant account parameters when inputting the “purchasing requisitions” into the CitiBuy system which are then viewable by BAPS. It was noted that both systems were implemented approximately two years into the current Wright

Express Contract period.² However, the OIG’s review of the system shows that Purchases’ initial set-up for this contract was incomplete. No funding levels were entered into the system, and therefore no “caps” or limits were observed by BAPS, allowing payments to be made beyond the BOE-approved expense levels.

Considering the payment process procedurally, the OIG observed the process used for payment during the period of performance as follows: Invoices are received monthly from Wright Express, in electronic (WexOnline) and hardcopy formats, and are due within 26 days of the billing date. Each invoice shows department name; previous payments received and balance; current period retail fuel charges, as well as any additional adjustments; and credits or fees applied to the account. The supporting documentation from Wright Express for the relevant period is electronically sent to Fleet Management for review and analysis, with just the hardcopy invoice sent to the Department of Finances’ BAPS Division for payment.

According to the City Accounting Manager with BAPS, all charges are paid using a DGS fuel card inventory balance sheet account, with the departments being individually responsible for reimbursement to DGS via journal entry. Payments to Wright Express are made monthly via ACH payments and include any miscellaneous charges and late fees assessed. Corrections and/or credits are usually reflected in a subsequent invoice, shown as adjustments to the new monthly balance.

During discussions with the City Accounting Manager, it was clear that their priority was ensuring the invoices were paid in a timely manner to avoid interruptions in service, which may cause access problems with emergency personnel/functions. Further, it was indicated that the departments were responsible for monitoring their spending if no appropriations were outlined in the financial system.

It is apparent to the OIG that Fleet Management did make conscious efforts to recover funds paid for other departments via the journal entry process but failed to review actual program expense related to approved funding. End-user detail, including the department’s expense, was communicated to each Fleet Coordinator, but cumulative costs were never examined.

Available funds for the base contract and option year 1 were completely expended prior to the end dates of their respective terms, creating an overrun for the program. To date, option year 2 is still within the approved funding range. The net effect is \$808,658.61 of cost in excess of the amounts approved by the BOE.

Volume Rebate

The OIG has questioned Wright Express on rebates and discounts to the City, as agreed to in the current contractual agreement. As defined by the Scope of Work requirements outlined in the Request for Proposal and stated in the vendor’s response, the City may qualify for volume and payment timing rebates, contingent upon prompt payment of invoices. Volume rebates reimburse .15% of all monthly retail purchases, if payment to Wright Express is received within 26 days of

² City Dynamics and CitiBuy were both implemented in 2009.

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the billing date. In addition, timing rebates reimburse .20% of all monthly retail purchases if the payment is received within ten calendar days of the billing date.

The OIG was unable to identify the disbursement of rebates from Wright Express during our account reconciliation efforts. Based upon our calculations, Wright Express has not reimbursed the City as required in an amount of at least \$1,035.03. This issue was brought to the attention of Wright Express on 07/13/2012; however, as of the writing of this report, the OIG has not received a response on this issue.

Expense Analysis ~ Total Contract

The initial contract with Wright Express covered the period of 1999 through 12/31/2006. Actual charges for this period totaled \$2,320,180.95 for all seven participating departments. The BCFD and BCPD account for 90.28% of this total, with \$626,653.68 and \$1,467,975.50 in costs, respectively. All other departments combined account for less than 10% of expense under the initial contract.³

The current contract covers 01/01/2007 to 12/31/2012, including both exercised option years, with total funding in the amount of \$2,740,000. Reconciled invoices total approximately \$3,548,658.61 through 06/30/2012, and include actual utilization, late fees and miscellaneous charges assessed to the departments. “Table 1 Expense Summary” below summarizes each department’s annual expense and percentage contribution of the contract’s total cost. Volume/utilization data will be shown in a separate section, along with the price per gallon information.

	2007	2008	2009	2010	2011	2012	CTD	
Police	\$ 713,017.08	\$ 811,233.69	\$ 79,059.82	\$ 68,661.54	\$ 74,732.15	\$ 33,469.60	\$ 1,780,173.88	50.16%
Fire	\$ 297,157.42	\$ 304,039.37	\$ 188,166.44	\$ 275,533.91	\$ 404,990.72	\$ 51,616.65	\$ 1,521,504.51	42.88%
Solid Waste	\$ 31,908.36	\$ 38,405.19	\$ 40,688.73	\$ 24,618.95	\$ 32,506.79	\$ 20,967.99	\$ 189,096.01	5.33%
Gen Svcs	\$ 3,707.22	\$ 5,911.80	\$ 3,672.77	\$ 2,472.50	\$ 6,113.35	\$ 3,625.48	\$ 25,503.12	0.72%
Sheriff	\$ 12,914.85	\$ 6,479.48	\$ 1,742.34	\$ 671.01	\$ 53.97	\$ -	\$ 21,861.65	0.62%
Water	\$ 1,869.89	\$ 2,305.22	\$ 1,863.94	\$ 1,915.67	\$ 1,070.42	\$ 61.20	\$ 9,086.34	0.26%
Mayor's Office	\$ 436.52	\$ 348.74	\$ 526.84	\$ 121.00	\$ -	\$ -	\$ 1,433.10	0.04%
	\$ 1,061,011.34	\$ 1,168,723.49	\$ 315,720.88	\$ 373,994.58	\$ 519,467.40	\$ 109,740.92	\$ 3,548,658.61	100%

As indicated by the summary above, the BCPD represents half (50.16%) of the total expense for the contract period to date, at \$1,780,173.88. The department includes several sensitive investigative staff positions, whose data has been excluded from compliance calculations presented in this document. The second highest utilization percentage reflected is for the BCFD,

³ Charges documented for this period were obtained from the vendor’s account reconciliation. In addition, the original contract details, parameters, and transaction-level detail are unavailable for this timeframe, so our analysis is based solely on documented expenses.

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with 42.88% of total expense, with \$1,521,504.51 in costs. All positions will be included in our compliance calculations. Together, these two departments represent the largest utilization, with 93.04% of total expense.

The remaining departments (DPW, DGS, BCSO, and the Mayor’s Office) all combine for the remaining 6.96% of total expense, in the amount of \$246,980.22. (All transactions to be included in our compliance calculations noted within this document.)

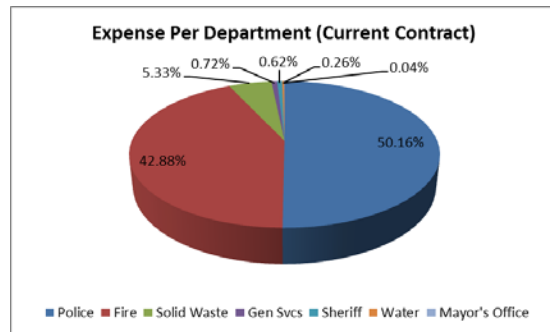
Contrasting the two contract periods reveals significant increases in utilization and expense when comparing the initial contract (BP #99837) implemented in 1999 to the follow-on contract (BP #07006) implemented in 2007.

As shown in Table #2 the City, through June 2012, has expended \$1,228,477.66 more than the total expenses incurred under the initial contract period. The majority of the costs incurred reflect similar usage weighting across departments. The BCPD and BCFD combined account for over 90% of total usage with all other departments combining for the remaining 9.72% of total expense. Chart #1 displays the usage data for the current contract period.

TABLE 2: CONTRACT EXPENSE COMPARISON

	Expense BP #99837	Expense BP #07006	% Increase
Police	\$ 1,467,975.50	\$ 1,780,173.88	21.27%
Fire	\$ 626,653.68	\$ 1,521,504.51	142.80%
Solid Waste	\$ 1,572.76	\$ 189,096.01	11923.20%
Gen Svcs	\$ 5,552.12	\$ 25,503.12	359.34%
Sheriff	\$ 213,495.65	\$ 21,861.65	-89.76%
Water	\$ 3,714.77	\$ 9,086.34	144.60%
Mayor's Office	\$ 1,216.47	\$ 1,433.10	17.81%
	\$ 2,320,180.95	\$ 3,548,658.61	\$ 1,228,477.66

It is also recognized that fuel prices are constantly in flux and that additional expenses do not correlate directly to increased gallons acquired. Although according to the US Energy Information Administration, the average East Coast fuel price during the initial contract period gasoline averaged \$1.80 per gallon as compared with \$1.77 during the current contract period, representing a decrease of \$.03 per gallon; diesel fuel increased from an average of \$3.11 per gallon during the initial period to \$3.31 per gallon during the current contract period.⁴



Volume Purchase Analysis ~ Recent 18 Months

⁴ See <http://www.eia.gov/petroleum/gasdiesel/> for further. Data used was obtained from East Coast price history for mid-grade gasoline and diesel, respectively. Initial contract period data covered 07/1999 through 12/2006, while the data used for the current contract period covered 01/2007 through 08/2012.

Our volume analysis for Wright Express is founded on the most recent 18 months of detailed data, calendar year 2011 through June of 2012. The OIG did request additional data from Wright Express to extend our analysis beyond the stated 18 months; however, the vendor's research fee quote in the amount of \$27,000 was determined excessive for our purposes.

Over the last 18 months, Wright Express has billed the City for approximately 166,899.10 gallons of fuel, at an average cost of \$3.78 per gallon (regular gasoline and diesel) for a total expense of \$629,208.32. For the same time period, the City's average price per gallon for fuel supplied at City-owned stations is \$2.89 per gallon (regular gasoline and diesel), \$0.89 (23.54%) cheaper per gallon than retail costs charged via the Wright Express fuel credit cards.

Applying this per gallon savings in the most simplistic sense equates to an additional expense of \$146,869.92 above the cost for fueling at City facilities over the 18-month period examined in detail. Applying the savings percentage of 23.54% to the total contract cost to date (\$3,548,658.61) shows additional expenses incurred of **\$835,354.24** above the cost of fueling at City-owned stations.

Transaction Proximity Analysis ~ Recent 12 Months

The OIG reviewed the department's utilization data for the past 12 months, with results reflecting significant misuse of the program. During the last 12 months (06/2011 to 06/2012), there were approximately 6,141 transactions made using Wright Express fuel credit cards. Approximately 65 of the transactions were conducted outside of the Baltimore City limits and were seemingly in accordance with the program's intended use.⁵ The remaining 6,076 transactions occurred within the City's limits.

Of this total, there were 2,000 transactions performed at retail stations within one mile of a City-owned station. Therefore, 32.92% of Wright Express transactions occurring over the past year could likely have been completed at a City-owned and operated facility at a significantly reduced price per gallon. While we understand that some circumstances, particularly those that are emergent, investigative, or after hours, may warrant out-of-network fueling, the majority of transactions within one mile of a City-owned station represent the most easily preventable excess expenditures.

Close proximity fueling such as this has definitively increased the expenses under this program. Proper department and agency oversight and controls of the usage under this program can significantly reduce costs. Specific department contributions to close proximity transactions are:

- BCFD with 950 transactions (47.50% of total);
- DPW (Solid Waste ~ Marine Terminal) with 569 transactions (28.45 % of total);
- BCPD with 460 transactions (23% of total); and

⁵ Although it is feasible for those operating vehicles within a certain proximity (perhaps two or three miles) around the city to reenter the city in order to fuel at City-owned facilities, the number of these transactions represented such an insignificant component that we chose to use city boundaries as a bright line.

- DGS with 21 transactions (1.05% of total).

Although the OIG recognizes that there are unique situations that drive some of the usage, we believe that in many cases monitoring and accountability is deficient.

Time Analysis ~ Recent Two (2) Months

All City-owned fueling stations operate Monday through Friday, with at least one station maintaining a 24/7 operating schedule to cover weekend and evening needs. During standard business hours, typically between the weekday hours of 7:00am to 4:00pm, cardholders have access to the stations, and with the exception of emergent situations, should not require fueling at retail fuel establishments.

In an effort to determine usage patterns during the hours and days in which the City fueling stations are open, the OIG examined the time of day usage patterns for the most recent two months (May and June of 2012). In order to consider the data in the most conservative sense, fueling after-business hours during the week and over the weekend was eliminated from the data set. The OIG does not believe that all fueling during this period was necessary and legitimate, but chooses to focus on the periods that present the most demonstrable area for immediate improvement.

We again determined that the program was being significantly misused. Specific department contributions to business-hour weekday fueling are as follows:

- The DGS, although typically small in overall cost, had 12 total retail transactions for May 2012 and 7 total retail transactions for June 2012.
 - 11 of the 12 May transactions, representing 91.67% overall, occurred during regular business hours.
 - 4 of the 7 June transactions, representing 57.14% overall, occurred during regular business hours.
- The BCPD had 118 total transactions for May 2012 and 104 total transactions for June 2012.
 - 81 of the 118 May transactions, representing 68.64% overall, occurred during regular business hours.
 - 63 of the 104 June transactions, representing 60.58% overall, occurred during regular business hours.
- The BCFD had 13 total transactions for May 2012 and 21 total transactions for June 2012 with the department's marine vehicles being the primary contributors of cost.⁶
 - 6 of the 13 May transactions, representing 46.15%, occurred during regular business hours.

⁶ The OIG acknowledges the fact that there is no City-owned station/available fuel at the Marine Terminal, meaning all boat purchases will be retail. Along with the BCFD Marine Fleet, the DPW/Solid Waste boat will remain at 100% retail cost, until additional fueling options are identified.

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- 9 of the 21 June transactions, representing 42.86% overall, occurred during regular business hours.

Cost Analysis

The data from the recent two-month analysis revealed a total of 391 retail transactions using the Wright Express credit cards, amounting to 7,683.81 gallons of fuel for \$29,306.45 in cost.⁷ Using these figures as a basis for potential savings calculations, we have the following averages:

- Average cost per gallon: \$3.81
- Average gallons per transaction: 19.65
- Average cost post transaction: \$74.95

Applying these figures to the 12-month “transaction proximity analysis” section indicates potential savings had City-owned fueling stations been utilized instead of retail service stations via Wright Express. The table below shows a comparison of the estimates, using the City’s average price per gallon and the number of transactions that occurred within city limits.

TABLE 3: COST PER GALLON SAVINGS ~ ALL CITY LIMIT PURCHASES		
	<u>Wright Express</u>	<u>Baltimore City</u>
Transactions (Within City Limits)	6,076	6,076
Average Gallons Per Transaction	19.65	19.65
Total Gallons	119,393.40	119,393.40
Average Cost Per Gallon	\$ 3.81	\$ 2.89
Total Cost	\$ 454,888.85	\$ 345,046.93
Potential Savings		\$ 109,841.93

Table #3 shows potential savings of \$109,841.93 annually. Extending those figures to the current contract period to date, approximately 5.5 years, indicates that savings of \$604,130.60 could have been realized.

Viewing the data in a more restrictive sense, the OIG considered only those Wright Express retail transactions occurring within the city limits and on weekdays during business hours. Again utilizing the most recent two-month transaction detail, we find that 69.7% of all transactions, 272 out of 391, met this restricted criteria. The table below shows a comparison of the expenses under this scenario.

⁷ The two-month data represents a subset of the 18-month detailed review referenced in the “Volume Purchase Analysis” section of the report.

Table #4 reflects potential savings of \$76,559.82 annually. Extending those figures to the current contract period to date, approximately 5.5 years, indicates that savings of \$421,079.01 could have been realized.

TABLE 4: COST PER GALLON SAVINGS ~ BUSINESS HOURS (ANNUALIZED)		
	Wright Express	Baltimore City
Transactions (Business Hours)	4,235	4,235
Average Gallons Per Transaction	19.65	19.65
Total Gallons	83,217.20	83,217.20
Average Cost Per Gallon	\$ 3.81	\$ 2.89
Total Cost	\$ 317,057.53	\$ 240,497.71
Potential Savings		\$ 76,559.82

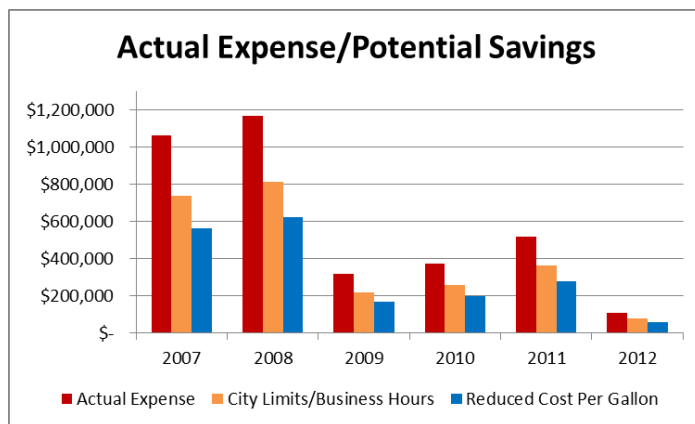


Chart #2 compares total expenses to the portion of expenses incurred for transactions that occurred within the city limits during business hours. Most significantly, the chart reflects the potential expenditures, and potential savings, that the City could have realized had all city limits business-hour transactions been completed at City fueling facilities.

INTERVIEWS

Several Interviews were conducted with staff involved in the management of Wright Express from various perspectives.

FINDINGS

1. Contract (BP #07006) has overrun the approved BOE limit of \$2,740,000 established in 2007. To date, incurred expense is approximately \$3,548,658.61 with six months to go until contract expiration on 12/31/2012.
 - a. Current overrun: **\$808,658.61** (base and option year 1 overruns, plus option year 2 remaining funding).

2. All but one of the participating departments have seen significant increases in utilization expense from the initial contract (BP #99837) implemented in 1999 to the follow-on contract (BP #07006) implemented in 2007. See Table #2 above.
 - a. Comparison of expenses between B#99837 (1999-2006) and BP#07006 (2007-2012) demonstrates the City’s expenses under the current contract have increased

- by **\$1,228,477.66** above the levels seen during the first contract period with six months still remaining.
- b. A review of the costs observed in the initial contract reflect similar usage weighting as that seen in the second, with 90.28% of the utilization being incurred by the BCPD and BCFD (\$1,467,975.50 and \$626,653.68). The other departments combine for the remaining 9.72% of total expense.
3. The stated goal of the Wright Express fuel credit card program implementation was to provide fueling access to City vehicles when they were not near a City-owned fueling station. The OIG examined utilization data for the past 12 months, with results showing a great deal of non-compliance with this overarching goal.
 4. During the last 12 months (06/2011 to 06/2012), there were approximately 6,141 transactions made at retail stations within city boundaries. Of that 6,141, there were approximately 2,000 transactions performed at retail stations within one mile of a City-owned station. Department breakdown for out-of-network purchases: BCFD with 950 transactions (47.50% of total); DPW/Solid Waste with 569 transactions (28.45 % of total); BCPD with 460 transactions (23% of total); and DGS with 21 transactions (1.05% of total).
 - a. A significant portion of the fueling for DPW, 569 transactions, and some for the BCFD, 71 transactions, was for marine applications requiring a fuel mix that is not presently purchased or dispensed by the City.
 5. The current contract requirements mandate Wright Express provide a series of management reports and utilization controls, to help facilitate savings for the City by reducing fuel costs. The OIG has found that most of the available information is grossly underutilized by the City Fleet Coordinators.
 - a. Usage parameters are applied globally instead of at the department or card level, as taken directly from the initial system set-up for the first contract in 1999 (based on the BCSO structure). The system has the ability to generate exception reports based on certain criteria. The only exception limit currently in place is established for unleaded transactions above \$30.00.
 - b. Exception reports which show the transactions that fall outside of the usage parameters are not routinely supplied to the Fleet Coordinators. Their review of the exception reports would allow them to: (1) review set parameters for feasibility; (2) manage additional items such as cost per transaction, hours/day of fueling, and the number of transactions per day; and (3) identify any routine misuse/abuse of card privileges.

RECOMMENDATIONS

1. The OIG recommends that the City re-evaluate need and/or purpose for this program. The OIG believes that the program has deviated considerably from its stated purpose. If the program is continued, meaningful control measures should be instituted by the DGS to monitor department usage via exception reports and restrictions. In addition, user departments should have a fueling procedure that requires the submission of receipts and justifications for transactions by each individual user, in order to permit appropriate accountability.
2. The OIG recommends that the DGS modify their contract oversight to anticipate contract cost overruns in sufficient time to properly facilitate additional BOE action. Expenses beyond those approved must be avoided.
3. The OIG recommends that the Department of Finance ensure that all contracts entered into the City Dynamics system be tied to expense caps or limits that are consistent with the procurement approvals.
4. The OIG recommends that the DGS permit department-level Fleet Coordinators to establish restrictions and exceptions for their authorized users that include geographic, time, and volume parameters.
5. The OIG recommends that the City consider fueling options tailored to the marine assets. Based on the quantity purchased, the OIG recommends contacting several of the available marine fueling facilities and mobile fueling resources to secure a discount-based purchase option.

Report Response

Department of General Services

F F M	NAME & TITLE	Steve Sharkcy, Acting Director
	AGENCY NAME & ADDRESS	Department of General Services 800 Abel Wolman Municipal Building
	SUBJECT	Report for Case 2012-056

CITY of
BALTIMORE
MEMO



DATE: October 17, 2012

TO

Mr. David McClintock
Inspector General
City Hall, Room 640

The Department of General Services has been the administrator of the Wright Express Program since its inception. The Department would like to highlight the fact that Wright Express is a service provided to City agencies for their ease and convenience. Agencies are wholly responsible for card allocation decisions, monitoring usage and auditing usage. Any inefficient use of these cards is the responsibility of the individual agency's management team.


Currently, DGS provides each agency with a weekly rundown of usage. As the agency that administers the contract, DGS agrees with most of the report recommendations in that more monitoring and auditing of Wright Card usage would be a good thing. DGS will provide the user agencies with as many tools as possible to allow them to track their employees and hold them accountable for proper fuel card usage. DGS will take the following actions listed below.

1. DGS recommends that a blanket purchase order be entered into CitiBuy. This would allow access to the funding controls available and provide for the ability to view the contract award amount and the current expenditures against it. This information would make possible the maintenance of oversight, the anticipation of cost overruns, and, if necessary, the submittal of change orders for additional funds in a timely fashion. DGS Fleet will check this blanket every six (6) months to ensure that limits are not being exceeded.
2. Access to Data: DGS will provide user agencies more access to data concerning their transactions. This will provide each agency with a better platform to evaluate usage by their employees. DGS has initiated the process with Wright Express, of creating online accounts into which the agencies can log-in to view usage and exception report information.
3. Agency-Specific Needs Assessment: DGS will meet with agencies to discuss the purpose and functionality of the program. DGS and agency will determine restrictions and exceptions (geographic, day/time, volume, etc.) that are best suited to agency needs. DGS will work with vendor to configure system per agreed upon needs.
4. Customer Service and Communication:
 - a. Reports:
 - i. DGS will continue to provide usage reports to agencies on a weekly basis.
 - ii. On a monthly basis, DGS will provide a usage report, highlighting identified major anomalies.
 - iii. On a quarterly basis, a misuse/abuse analysis will be conducted and communicated to each agency. Actions taken will need to be communicated back to DGS to ensure that stated purpose of the program is being adhered to.
 - b. Agency Policies and Procedures; DGS will work with agencies to establish an SOP on agency responsibilities pertaining to internal submission of receipts and self-auditing of usage data provided by DGS.
 - c. Training: DGS will provide an annual training day that will be required for all user agencies. During this session, Fleet Coordinators and Managers will be taught the basics of the Wright Express card system. Furthermore, DGS will teach agencies the best practices in monitoring and auditing fuel card usage.

5. **Signed Documents:**
 - a. **At the beginning of each fiscal year, the user agency will be required to sign a document acknowledging full responsibility for card allocation, monitoring usage, and auditing fuel usage. Agencies will be acknowledging that:**
 - i. **This program is only to be used when regular City fuel sites are closed, are not within a reasonable distance, or other extenuating circumstances (e.g. undercover detective vehicles) exist;**
 - ii. **Abuse of this privilege will be reviewed quarterly and could result in agency being removed from this program.**
 - b. **Monthly usage reports provided by DGS will require acknowledgement of receipt by agencies.**
 - c. **Quarterly misuse/abuse reports provided by DGS will require a response, within 30 business days, indicating subsequent action taken,**
6. **The Wright Card Express system is going out to bid within the next few months. DGS will look to incorporate some of the changes and improvements listed by the Inspector General's report into the next contract.**
7. **Better Contract Rate: DGS will discuss with the Purchasing Department the possibility of negotiating a better rate at the pump based on Baltimore City's high volume usage.**
8. **Separate fuel contract for Marine units: DGS will discuss with the Purchasing Department the possibility of negotiating a separate contract for Marine Fuel, in consultation with the user agencies that have boats. This may provide a cost savings to the user agencies as the City does not currently receive a bulk discount for Marine fuel usage.**
9. **Program Management Cost – Fleet is an internal service fund and is reliant on charging agencies for the services it provides. Currently, the time expended by DGS to manage the program is not reimbursed by the agencies. DGS will begin assessing a "mark-up" to be added to the agency's charges during the monthly process of submitting journal entries against agency accounts. This mark-up will be at the current rate of 8.1% assessed on vendor charges and will allow DGS to recoup its cost of managing the program.**


STEVE SHARKEY
ACTING DIRECTOR

Report Response
Department of Finance

FROM	NAME & TITLE	Harry E. Black, Director <i>H. Raymond for</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance 454 City Hall (6-4940)		
	SUBJECT	Department of Finance Response to Case # 2012-0056 Wright Express Fuel Card Utilization		

TO David McClintock
Inspector General
100 Holliday Street, Room 640

DATE: October 17, 2012

The Department of Finance (Finance) has received the Office of the Inspector General's (OIG) report regarding possible issues with the Wright Express Fuel Card Contract (BP-07006). The fuel card contract allows for Fleet Fuel Credit Card Services for the Fleet Management Division of the Department of General Services (DGS) and user agencies that require fueling beyond the scope of service and hours provided by DGS-managed City fuel stations. Emergency responders and other critical-function vehicles that may require fuel after City office hours or be located outside City limits on City business are the focus of this program, which was requested by and is operationally managed by DGS.

As the report indicates, the Bureau of Purchases (Purchases) originally procured this service for DGS in 1999 and entered into the current contract with Wright Express on May 30, 2007. The current authority from the Board of Estimates for this requirements contract award is for \$2.74 million and is set to expire December 31, 2012.

The Department of Finance welcomes the OIG's investigation into the program and its operational and financial management and intends to reform aspects of the program in line with the Report's recommendations, but Finance also notes important oversights in the OIG's analysis of the operational context and financial management of the program. The detailed responses are below.

OIG Recommendation 1 – The OIG recommends that the City re-evaluate need and/or purpose for this program. The OIG believes that the program has deviated considerably from its stated purpose. If the program is continued, meaningful control measures should be instituted by DGS to monitor department usage via exception reports and restrictions. In addition, user departments should have a fueling procedure that requires the submission of receipts and justifications for transactions by each individual user in order to permit appropriate accountability.

Finance Response – Finance agrees that the City is always well-served by evaluating its operational requirements, but believes that the City does indeed have a need for limited use of this program with proper controls. This is because many City employees, particularly emergency responders, operate vehicles after City fuel stations have closed or in locations that do not permit practical use of City fuel stations. Moreover, much of the report's analysis on fuel costs and potential savings from discontinuing or reducing the program does not seem to take into account (1) full-cost accounting of operating City fuel stations and the resulting average cost of fuel at these stations or (2) the operational and programmatic costs and inconvenience of ending or reducing the Fuel Card program too drastically.

Finance also agrees with the recommendation for DGS to continue and improve vigilance of operational controls of the fuel card program. The Department will be adopting an Administrative Manual (AM) policy that lays out the expectations of Finance for proper controls management of this program. The department will also evaluate the criteria being used by DGS to issue these cards and look for reasonable opportunities to decrease the number of employees to whom they are issued.

It should also be noted that Section DS3-Minimum Reporting Requirements of the Bureau of Purchases' solicitation, BP-07006, requested extensive monitoring and reporting options (page 7 of that solicitation is attached). Wright Express' successful offer to the City detailed those options on pages 21 thru 35 (also attached) of that offer. Fleet Management was aware that these options were at its disposal in their management of the fuel card program.

OIG Recommendation 2 – The OIG recommends that DGS modify their contract oversight to anticipate contract cost overruns in sufficient time to properly facilitate additional Board of Estimates (BOE) action.

Finance Response – Finance agrees that DGS must improve the contract oversight of this program and that Finance must be part of this effort, particularly as relates to spending controls and BOE action.

OIG Recommendation 3 – The OIG recommends that the Department of Finance ensure that all contracts entered into the CityDynamics accounting and financial system be tied to expense caps/limits that are consistent with the procurement approvals.

Finance Response – After reviewing the operational context and financial practices associated with the fuel card program, the Department of Finance has decided to manage this contract directly through its electronic procurement system, CitiBuy, rather than through its accounting and financial system, CityDynamics. Nearly all other contracts procured by the Bureau of Purchases are managed through CitiBuy, which enables accurate and timely contract spending tracking, requisition approval paths, and a number of other features more in line with the procurement needs of the City. The Bureau of Accounting and Payroll Services, also in the Finance Department, will monitor any additional contracts managed through CityDynamics for the spend cap issue identified in the OIG report. CityDynamics has this capability but it was not implemented for the fuel card program which was being managed by DGS.

OIG Recommendation 4 – The OIG recommends that DGS permit department level fleet coordinators to establish restrictions and exceptions for their authorized users that include geographical, time, volume, etc.

Finance Response – This controls focus is also recommended by Finance and will be codified in the AM policy noted above in the response to OIG Recommendation 1. It should also be noted that a new solicitation for fuel cards is in the drafting stages. The Bureau of Purchases will work closely with DGS, informed by the OIG's recommendations, to craft a new solicitation for a more competitive market that will help the City better manage its use of fuel cards.

OIG Recommendation 5 – The OIG recommends that the City consider fueling options tailored to the marine assets, based on quantity purchased, as well as contacting several of the available marine fueling facilities and mobile fueling resources to secure a discount-based purchase option.

Finance Response – Finance welcomes suggestions for improving the pricing and procurement of services and goods required by City agencies and will consider the option noted here. However, the same issues noted in the Finance Response to OIG Recommendation 1 would apply here.

Please include this response with attachments in the OIG’s final report.

Reporting Requirements in City Solicitation BP-07006

Detailed Specifications

(NOTE: Where this section differs from the General Conditions, this section shall prevail.)

DS1. MINIMUM CARD REQUIREMENTS

A. Universal acceptance at retail gasoline stations, truck stops, and marinas in the Baltimore Metropolitan Area.

B. Electronic point of sale data capture. (Level III minimum.)

A card that may be restricted according to the parameters set by the City to include, but be not limited to, items purchased, daily dollar limit, number of transactions limit, and transaction dollar amount limit.

C. A system that will allow for additional sites, not currently in the Bidder's network, to be added at the City's request.

DS2. BIDDER RESPONSE TO MINIMUM CARD REQUIREMENTS

A. Bidder shall provide the number of stations that meet the above criteria, accepting the bidder's card according to the following geographical areas:

1. Baltimore City
2. Baltimore Metro Area (excluding Baltimore City)
3. State of Maryland
4. Nationally

B. For the Baltimore City and Baltimore Metro Area only: include the brand name, complete address, and indicate the availability of diesel fuel, or provide a separate list of diesel stations with the brand name and complete address.

C. Describe in detail the types of restrictions that can be set.

D. Describe how your system will allow for extra sites.

E. Describe in detail the extent of the electronic data capture your system will provide.

DS3. MINIMUM REPORTING REQUIREMENTS

A. Transaction: Vehicle number (six digits), driver name, odometer reading, product, gallons, cost per gallon, cost per transaction, location code, date, and time.

B. Exception Reports: Fuel type, gallons per transaction, number of transactions per day, unusual odometer readings. Provided monthly.

C. Summary of Exceptions: By department, purchase exceptions, drivers added and deleted, vehicles added and removed.

D. Financial Summary: By department and including grand totals monthly and year to date for each gasoline product, number of transactions, total gallons, total cost, and average cost per gallon.

E. Tax Reporting: Bidder shall be able to offer tax-exempt billing as well as a running total of Maryland sales tax paid.

Wright Express Response to City Reporting Requirements

proper notification, you will be relieved from liability for any subsequent charges to the card.

Wright Express has instituted business practices designed to prevent, detect, and reduce fraud and/or misuse of the Wright Express card. These practices are used to protect the interests of Wright Express, its customers and accepting merchants.

Wright Express' Fraud Department performs three primary functions in an effort to identify and mitigate fraud on our fleet customers' accounts:

<i>Primary Functions</i>
• Review Transaction activity
• Identify potentially abusive or fraudulent behavior
• Notify customers when such behavior occurs

Our Fraud Department makes every effort to detect unusual or excessive purchase activity using constantly evolving techniques and reporting. If such activity is detected, an analyst will contact the fleet manager to bring it to their attention, noting details such as:

<i>"Red Flag" Activity Indicators</i>
• Date and time of purchase
• Merchant location
• Product purchased
• Driver identification number used to conduct the sale
• Dollar amount

In addition, many fuel purchases considered to be unusual or unauthorized based on your fleet fueling policy can be identified through Wright Express Authorization Controls, Purchase Alerts, and Exception Reporting. In our experience, efforts by Wright Express, in tandem with a fleet's use of these products, substantially reduces exposure to abuse and fraud, and any associated losses.

Our Fraud Department has been instrumental in providing recommendations to prevent fraud from occurring, proactively identifying fraudulent situations, and working closely with fleets, merchants and appropriate authorities, to minimize losses and prevent such situations from continuing or recurring. Wright Express will conduct an evaluation of charges to determine liability.

G. The contractor shall provide on-site training for City personnel on the proper, accurate, and efficient operation of all aspects of the software provided.

Training can be accomplished in-person by your Government Account Manager, Renata Caine and your PFS Account Manager, Nikki South. They will work with your Agency Fleet Card Managers to explain the program, and then understand the needs of each Program Administrator, particularly with respect to WEXOnline®.

<i>Training to the City's Program Administrators would include:</i>	
1.	Fuel card functionality, features, and benefits
2.	Fuel card controls and restrictions
3.	Invoicing and payment procedures
4.	How purchases are made with the card
5.	Review of available reports such as exception reporting, online reporting, MWOBE reporting and ad hoc reporting
6.	Communication of customer support available to the City's Drivers

Once the City's needs are understood, Wright Express will create a custom training program to address the City's specific needs.

Some of the tools that may be used include:

- Driver Training Video
- Fleet Manager's Tool Kit available via WEXOnline®
- Customized Account Management and Implementation Manual
- One-on-one or group training in specific areas, by your PFS Account Manager, Nikki South, or your Government Account Manager, Renata Caine (via web conferencing or in-person meetings)

We suggest that Wright Express conduct a WEXOnline training session at a site convenient to the City and attended by agency heads and other appropriate administrators. This training session would also be available as a web conference so those parties unable to attend the session could participate remotely.

Wright Express is dedicated to working with the City to ensure that you leverage all that our program has to offer. Training assistance is available to the City throughout your contract period with Wright Express.

SW9. DISCOUNTS

All card fees and any other costs to be levies, as well as any discounts available to the city for this program are to be stated in your response.

This information is confidential and proprietary to Wright Express.

Wright Express Universal Fleet Card Fee Schedule

Service	Fee
Account Set-Up Fee	Waived
Monthly Card Charge	Waived
Replacement Card Charge	Waived
WEXOnline®	Waived
WEXLink®	Waived
Reproduced VAR*	\$25.00
Overnight Mail Fees*	\$12.50
General Research Fee*	\$15.00 per hour
Returned Item Fee (NSF/ACH)*	\$20.00
Additional Fleet Management Products & Services	Pricing available on request

* These fees are only incurred at the fleet's request or occurrence of a returned item.

Financial Incentives

Definitions:

- 1) As used herein "Baltimore Account" means any Baltimore department, agency or participating entity who utilizes the Fleet Fuel Credit Card Services contract.
- 2) As used herein "Aggregate Monthly Gallons" means the total amount of retail gallons purchased by Baltimore Accounts in a given month.

Wright Express would like to offer the City:

A) Monthly Volume Rebate: We will issue a monthly volume rebate (the "Volume Rebate") in accordance with the below Rebate Table off all retail transactions.

Rebate Table

Rebate Percentage (Basis Points)	Monthly Volume in gallons
15 basis points (0.15%)	1-99,999
30 basis points (0.30%)	100,000-249,999
45 basis points (0.45%)	250,000-499,999
55 basis points (0.55%)	500,000+

To calculate the Volume Rebate, we will first calculate the total gallons purchased by each Baltimore Account to determine the Aggregate Monthly Gallons and the applicable Rebate Percentage (basis points) to be used for all accounts from the Rebate Table. The Volume Rebate for each Baltimore Account will then be calculated by multiplying the actual total dollar amount of monthly retail transactions purchased by each Baltimore Account by the applicable Rebate Percentage. This total dollar amount will not include any ancillary fees or charges appearing on such account. Finally, we will determine the payment timing for each Baltimore Account to determine if such accounts qualify to be paid a Volume Rebate. Said Volume Rebate would be paid to each such Baltimore Account monthly in arrears.

The Volume Rebate set forth herein is expressly conditioned on each Baltimore Account making payment in full within twenty six calendar days of the billing date appearing on such Baltimore Account's invoice. For the avoidance of doubt, if payment from any Baltimore Account is not received within twenty six calendar days of the billing date appearing on their invoice, that Baltimore Account will not be entitled to the Volume Rebate.

AND

B) Payment Timing Rebate: In addition to the above Volume Rebate, we will issue a monthly payment timing rebate (the "Payment Timing Rebate") of 20 basis points (0.20%) off all retail transactions.

To calculate the Payment Timing Rebate we will multiply the actual total dollar amount of monthly retail transactions purchased by each Baltimore Account by the Payment Timing Rebate Percentage. This total dollar amount will not include any ancillary fees or charges appearing on such account. Said Payment Timing Rebate would be paid to each such Baltimore Account monthly in arrears.

The Payment Timing Rebate set forth herein is expressly conditioned on each Baltimore Account making payment in full within ten calendar days of the billing date appearing on such Baltimore Account's invoice. For the avoidance of doubt, if payment from any Baltimore Account is not received within ten calendar days of the billing date appearing on their invoice, that Baltimore Account will not be entitled to the Payment Timing Rebate.

Billing and Payment

Purchases are due and payable in full upon billing. Your account will be delinquent if you do not pay it within 26 days of the billing date appearing on your invoice. Late fees will be assessed at a periodic (monthly) late fee rate of 1.916%, which is equal to the corresponding Annual Percentage Rate of 22.99% divided by 12. The balance subject to a late fee will be the average daily balance of your account for the billing period in which the late fee is assessed. In the event that the calculated late fee is less than ten dollars (\$10.00), a minimum late fee of 10 dollars (\$10.00) will be charged. If Baltimore or any of its participating entities are subject to a state or

local prompt payment law or act, Wright Express would agree to comply with such law or act as it applies to payment timing and late fees.



SW10. COOPERATIVE PURCHASING

Baltimore City Government reserves the right to extend the terms, conditions, and prices of this contract to other municipalities and governmental units within the State of Maryland. Any participating body will issue their own purchasing documents. Baltimore City, Bureau of Purchases assumes no authority, liability or obligation on behalf of these governmental or quasi-governmental bodies.

Wright Express encourages the City of Baltimore to extend this contract and its pricing terms to other government entities or units within the State of Maryland. We have included our Participation Addendum in the Supporting Documents section of this response for your review. Additional terms and conditions can be determined upon award of the contract.

Detailed Specifications

DS1. MINIMUM CARD REQUIREMENTS

- A. Universal acceptance at retail gasoline stations, truck stops, and marinas in the Baltimore Metropolitan Area.
- B. Electronic point of sale data capture (Level III minimum). A card that may be restricted according to the parameters set by the City to include, but be not limited to, items purchased, daily dollar limit, number of transactions limit, and transaction dollar amount limit.
- C. A system that will allow for additional sites, not currently in the Bidder's network, to be added at the City's request.

DS2. BIDDER RESPONSE TO MINIMUM CARD REQUIREMENTS

Wright Express is always increasing its acceptance coverage. Our acquisition strategy is driven by the needs of fleet customers. If a fleet customer identifies specific fueling needs, Wright Express will work toward increasing its acceptance coverage for the benefit of the customer.

Alternatively, if the fleet is aware of merchants that are interested in accepting the Wright Express card, the merchant can fax the following information to the Wright Express Merchant Acquisition Department at (888) 767-3961.

- Merchant name
- Merchant address
- Merchant contact person
- Phone and fax numbers
- Expected utilization/volume from your fleet
- Name and phone number of fleet employee requesting Wright Express card acceptance

Wright Express will review the information and work with all interested parties to achieve card acceptance at the location.

- A. Bidder shall provide the number of stations that meet the above criteria, accepting the bidder's card according to the following geographical areas:

1. **Baltimore City**

The Wright Express Card is accepted at 170 locations that meet the above criteria in Baltimore City.

2. **Baltimore Metro Area (excluding Baltimore City)**

The Wright Express Card is accepted at 226 locations that meet the above criteria in the Baltimore Metro Area, excluding Baltimore City.

3. State of Maryland

The Wright Express Card is accepted at 1,831 locations that meet the above criteria in the State of Maryland.

4. Nationally

With acceptance at 180,000 retail locations in all fifty states and Puerto Rico, Wright Express is one of the most widely accepted universal cards in the United States. The Wright Express card is accepted by hundreds of marketers, so drivers have more freedom to choose the station offering the lowest-priced fuel. Wright Express also maximizes your drivers' productivity by offering the greatest number of convenient, "pay-at-the-pump" fueling sites with Level III data capture. We believe that Wright Express' retail fuel site acceptance with Level III data capture far exceeds that of our competitors.

Wright Express offers extensive acceptance coverage for service and maintenance needs through the Wright Express Service Network. The card can be used to purchase tires, transmissions, brakes, mufflers, oil changes, glass replacement, car washes plus other routine vehicle maintenance needs at more than 45,000 national brand and local service stations nationwide.

The Wright Express card is currently accepted by national brands that provide the following services:

- Preventative Maintenance
- Glass Claim Services
- Major Automotive Repair
- Roadside Assistance

- B. For the Baltimore City and Baltimore Metro Area only: include the brand name, complete address, and indicate the availability of diesel fuel, or provide a separate list of diesel stations with the brand name and complete address.**

Please see the Accepting Locations CD included with this proposal for a listing of stations in the Baltimore City and Baltimore Metro Areas that accept the Wright Express card.

- C. Describe in detail the types of restrictions that can be set.**

The Wright Express Authorization Controls product allows the City of Baltimore's fleet managers to control the amount and frequency of purchases on their fuel cards, at the card or account level. Defining limits helps a fleet manager detect and prevent unauthorized transactions, potentially saving your fleet money by monitoring unauthorized purchases.

Fleet managers may select different tools to assist in establishing limits for fuel and service expenditures. If a transaction is outside of the set limit, it is logged and recorded at the point of sale.

<i>Authorization Control Tools *</i>		<i>Level</i>
•	Per transaction dollar limit of \$30.00 - \$999,999.00	Card or account
•	Daily number of transaction limit of 2 to 9,999 transactions (hard control)	Card or account
•	Time of day (subject to server location's time zone)	Card or account
•	Day of week (subject to server location's time zone)	Card or account

With **Purchase Alerts**, the City of Baltimore receives an email notification when a transaction has occurred that is outside of your chosen purchase policy. The transaction is authorized, keeping your driver on the road. Transactions that exceed set parameters will not be declined, but an email notification will be sent to the designated fleet contact, notifying them that a parameter has been exceeded.

<i>Purchase Alerts</i>	<i>Level</i>	<i>Frequency</i>
• Number of transactions per card per day	Card or account	Daily
• Transactions in specific states	Card or account	Daily
• Transactions within a specified time range	Card or account	Daily
• Transactions on certain days of the week	Card or account	Daily
• More than X \$'s per day	Card or account	Daily
• More than X \$'s per transaction	Card or account	Daily
• More than X gallons per transaction	Card or account	Daily
• Allowable fuel type	Card or account	Daily

In addition to the Exception Report sent monthly, Wright Express also offers **Flexible Exception Reporting**. Flexible Exceptions can be reported via e-mail on a daily, weekly or monthly basis. Paper reports can be distributed on a weekly or monthly basis. **The City of Baltimore can use our Flexible Exception tool and our Site Selection product (additional terms and conditions apply to our Site Selection product) to block selected merchants.** This reporting feature provides you with a summary of key exceptions for your fleet, enabling you to closely monitor and act on transactions that fall outside of your accepted policies.

<i>Flexible Exception Reporting</i>	<i>Level</i>	<i>Frequency</i>
• More than X dollars per day	Card or account	Daily, weekly, or monthly
• More than X transactions per day	Card or account	Daily, weekly, or monthly
• More than X gallons per day	Card or account	Daily, weekly, or monthly
• Transactions on weekends	Card or account	Daily, weekly, or monthly
• Transactions on holidays	Card or account	Daily, weekly, or monthly
• Transactions outside normal business hours	Card or account	Daily, weekly, or monthly
• Manual transactions	Card or account	Daily, weekly, or monthly
• Non-fuel transactions	Card or account	Daily, weekly, or monthly
• Unauthorized fuel products	Card or account	Daily, weekly, or monthly
• Site lockout	Card or account	Daily, weekly, or monthly
• Fuel only	Card or account	Daily, weekly, or monthly
• Inactive vehicles	Card or account	Daily, weekly, or monthly

D. Describe how your system will allow for extra sites.

Wright Express is always increasing its acceptance coverage. Our acquisition strategy is driven by the needs of our fleet customers. If a fleet customer identifies specific fueling needs, Wright Express will work toward increasing its acceptance coverage for the benefit of the customer.

Alternatively, if you are aware of merchants that are interested in accepting the Wright Express card, ask that the merchant fax the following information to the Wright Express Merchant Acquisition Department at (888) 767-3961.

- Merchant name
- Merchant address
- Merchant contact person
- Phone and fax numbers
- Expected utilization/volume from your fleet
- Name and phone number of fleet employee requesting Wright Express card acceptance

Wright Express will review the information and work with all interested parties toward gaining acceptance at the location.

The current unrestricted Wright Express Universal Fleet Card can be used for vehicle-related service purchases at over 45,000 accepting locations. For those service merchants that are outside of our network, Wright Express has recently created an Expanded Acceptance Program. The program is a set of strategic tools that allow merchants to call Wright Express and obtain authorization and payment for vehicle-related service at any location that accepts MasterCard® over the phone or by fax via a ghost-card process. Those single-use ghost-card transactions appear on the fleet's invoice and reporting and at the time of authorization, meaning they will be subject to your established authorization controls. This provides a consistent experience both in and out of network.

**Additional terms apply to this product if you choose to use it:*

E. Describe in detail the extent of the electronic data capture your system will provide.

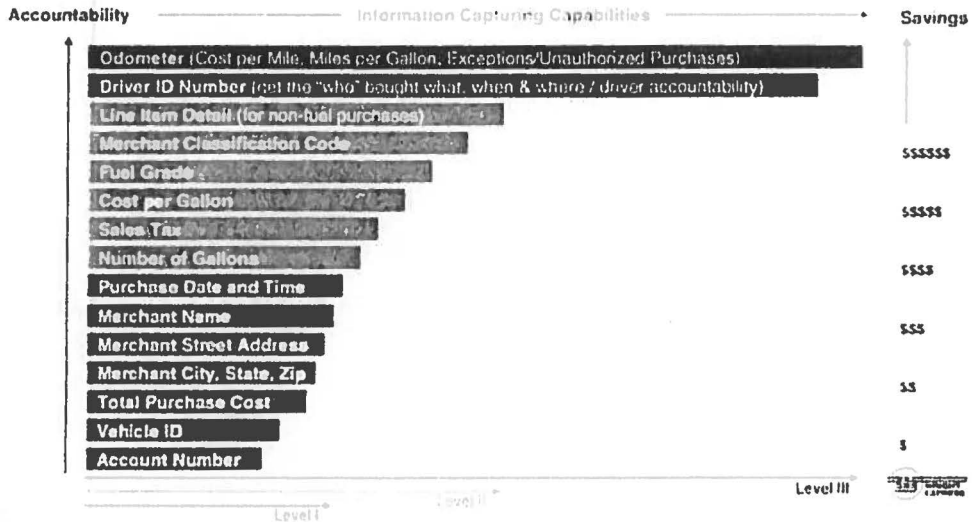
It is important that the City of Baltimore's drivers fill up at gas stations that provide Level III data capture. **Data integrity is jeopardized when drivers fill up at gas stations that do not provide Level III data capture.** 99.8% of all Wright Express fuel transactions are processed electronically with Level III data capture. Wright Express **requires** all of its participating vendors to be Level III capable. Wright Express consistently offers a high level of data capture at a broad range of fueling locations that will be reported back to the City via standard or ad hoc reporting.

Some of our competitors claim 100% Level III data capture. However, this percentage is achieved through site lockout, which decreases the amount of fueling locations available to your drivers. The below graphic displays the type of data collected by Wright Express and available to be reported back to the City:



Fuel card acceptance, coverage and reliability

Capture Level III data and capture more savings



DS3. MINIMUM REPORTING REQUIREMENTS

- Transaction:** Vehicle number (six digits), driver name, odometer reading, product, gallons, cost per gallon, cost per transaction, location code, date, and time.
- Exception Reports:** Fuel type, gallons per transaction, number of transactions per day, unusual odometer readings. Provided monthly.
- Summary of Exceptions:** By department, purchase exceptions, drivers added and deleted, vehicles added and removed.
- Financial Summary:** By department and including grand totals monthly and year to date for each gasoline product, number of transactions, total gallons, total cost, and average cost per gallon.
- Tax Reporting:** Bidder shall be able to offer tax-exempt billing as well as a running total of Maryland sales tax paid.

DS4. BIDDER RESPONSE TO MINIMUM REPORTING REQUIREMENTS

- Provide complete details of how your system will address each of the above reporting requirements.

WEXLink™ electronic billing file

Some Wright Express fleets choose to receive billing data in the form of WEXLink, an electronic file that provides customers with transaction data on a regular basis, via email. The data is provided monthly in excel format, and includes extensive detail for both fueling and



service transactions, enabling fleets to analyze vehicle, driver and purchase information, and to reconcile monthly invoices.

WEXLink files are designed specifically for fleet customers who want to perform detailed analysis and reporting on their fleet account. This file can be manipulated to meet your needs; it can also be merged with your existing information management system, making it easy to track costs.

Some of the detailed transaction information included in the WEXLink® 300 billing file are:

WEXLink 300 File Data Summary			
Transaction Data	Site Data	Vehicle Data	Driver Data
Product code	Site name	Vehicle number/ID	Driver ID
Product name	Brand name	Vehicle plate number	First name
Transaction date	Site address	License plate state	Last name
Transaction time	Site city	Odometer	
Transaction number	Site state		
Fuel type	Site zip code		
Unit of measure	Private site quantity		
Unit cost	Private site transaction		
Quantity purchased			
Gross dollars			
Exempted tax			
Reported tax			
Invoice number			
Billing period			
Account number			
Code tracking*			
Non-fuel purchases			

Reporting

Standard and Custom Reporting:

Standard Reporting
Wright Express provides the following standard reports:
<ul style="list-style-type: none"> • Invoice (electronic via WEXLink®, WEXOnline®, or by paper statement) • Vehicle Analysis Report (VAR can be delivered electronically and/or via paper) • Department Summary • Financial Summary by Department • Financial Summary: Grand Total

Minority and Women-Owned Business Report

Wright Express can also provide quarterly listings of the number of transactions, gallons and dollars spent at Minority Women Owned Business fueling locations. The MWOBE types reported are:

- Non-Minority Female
- Female Hispanic
- Male Hispanic
- Female African-American
- Male African-American
- Female Asian/Pacific Islander
- Male Asian/Pacific Islander
- Female Native American/Alaskan
- Male Native American/Alaskan
- Veterans
- Disadvantaged Business
- Small Disadvantaged Business
- Disabled Owned
- 8A

Customized Fleet Management Reports

Wright Express offers customized paper or electronic management information reports that can be designed in several formats and provided on an ad-hoc or regularly scheduled basis, based on your needs, including:

- Financial Summary – by department and in total, the period and year-to-date costs for each type of transaction, plus total costs for fuel and non-fuel purchases;
- Site Summary – transaction totals for the reporting period sorted by location site number;
- Exception Summary – frequency and costs of purchases meeting fleet defined exception categories;
- Top manual fueling locations;
- Vehicles not fueling;
- Drivers and vehicles added or deleted;
- Fuel purchases, by merchant;
- Top fuel merchants, by number of transactions;
- Fuel purchases, by product code;
- Diesel fuel purchases;
- Price per gallon summary;
- Gallon summary;
- Odometer readings, by asset; and
- Transaction summary, by date and time of sale.

All of this information can also be obtained 24 hours a day from any internet enabled computer through WEXOnline®.

In addition to the Exception Report sent monthly, Wright Express also offers **Flexible Exception Reporting**. Flexible Exceptions can be reported via e-mail on a daily, weekly or monthly basis. Paper reports can be distributed on a weekly or monthly basis. **The City of Baltimore can use our Flexible Exception tool and our Site Selection product (additional terms and conditions apply to our Site Selection product) to block selected merchants.** This reporting feature provides you with a summary of key exceptions for your fleet, enabling you to closely monitor and act on transactions that fall outside of your accepted policies.

<i>Flexible Exception Reporting</i>	<i>Level</i>	<i>Frequency</i>
• More than X dollars per day	Card or account	Daily, weekly, or monthly
• More than X transactions per day	Card or account	Daily, weekly, or monthly
• More than X gallons per day	Card or account	Daily, weekly, or monthly
• Transactions on weekends	Card or account	Daily, weekly, or monthly
• Transactions on holidays	Card or account	Daily, weekly, or monthly
• Transactions outside normal business hours	Card or account	Daily, weekly, or monthly
• Manual transactions	Card or account	Daily, weekly, or monthly
• Non-fuel transactions	Card or account	Daily, weekly, or monthly
• Unauthorized fuel products	Card or account	Daily, weekly, or monthly
• Site lockout	Card or account	Daily, weekly, or monthly
• Fuel only	Card or account	Daily, weekly, or monthly
• Inactive vehicles	Card or account	Daily, weekly, or monthly

B. Provide sample reports that illustrate your reporting capabilities.

Please see the sample reports provided in the Supporting Documents section of this response.