



## **INTERNAL AUDIT REPORT**

DATE: May 17, 2019

TO: Linda Gorton, Mayor

CC: Sally Hamilton, Chief Administrative Officer  
Glenn Brown, Deputy Chief Administrative Officer  
Aldona Valicenti, Chief Information Officer  
Geoff Reed, Commissioner of General Services  
Jamshid Baradaran, Director of Facilities & Fleet Management  
Phyllis Cooper, Director of Accounting  
Susan Straub, Communications Director  
Wanda Kean, Deputy Director of Facilities & Fleet Management  
Urban County Council  
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit  
Teresa Gipson, CFE, Internal Auditor

RE: Fleet Repairs & Maintenance Audit Report

### **Background**

The Division of Facilities & Fleet Management handles the acquisition, maintenance, repair, and disposal of over 2,100 vehicles and pieces of equipment owned by the LFUCG. Fleet Management's complex has 18 bays for heavy equipment, 14 bays for cars and light trucks, a parts storeroom, a warehouse, and a paint and body shop. The Division is also responsible for operating a computerized Fleet Management System (FleetWave) that controls inventory, fuel, and maintenance records for the LFUCG's



fleet. The three main operational areas in Fleet Management include Auto/Light Truck Garage, Heavy Truck/Equipment Garage, and a Parts Shop. Fleet Management bills Departments and Divisions monthly for repairs and maintenance of LFUCG owned fleet. During FY 2018, the total amount billed for repairs and maintenance was \$9,043,002.

### **Scope and Objectives**

The general control objectives of the audit were to provide reasonable assurance that:

- Sufficient written procedures exist for the repairs & maintenance process
- The repairs & maintenance process is operationally efficient and effective
- Budgetary controls for repairs & maintenance exist and are monitored by management
- Controls are adequate to provide sufficient safeguarding and accountability of Fleet parts inventory
- Compliance requirements for the continuous training of mechanics are met
- Process to distribute the cost of repairs & maintenance to LFUCG Departments and Divisions is accurate and timely

Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance controls are in place and are effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

The scope of our audit included collection activity from July 2017 through February 19, 2019.

### **Statement of Auditing Standards**

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also



includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

### **Audit Opinion**

In our opinion, the controls and procedures provided reasonable assurance that the general control objectives were being met. Opportunities to enhance controls are included in the Summary of Audit Findings.

### **Priority Rating Process**

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

## **SUMMARY OF AUDIT FINDINGS**

### **Finding #1: Vehicle Accident Damage Not Reported**

**Priority Rating: High**

#### **Condition:**

The Vehicle Use and Assignment Policy (CAO Policy 3R) indicates that if the Division of Facilities & Fleet Management discovers evidence of vehicle abuse, neglect, or accident damage during the course of normal repair, a Vehicle Abuse/Neglect & Accident Damage Report will be sent to the Division Director and they shall respond



in writing to the Commissioner of General Services within five business days with the results of their investigation. During the audit, we identified four instances where Fleet noted physical damage and/or neglect to a vehicle when the vehicle was serviced, and Fleet personnel contacted the driver and inquired about an SP302 report. When Fleet personnel determined that no report of damage had been made, they sent an e-mail notification to the Fleet Liaison. Since the damage issue had not been resolved during our fieldwork, we contacted the Fleet Liaison for an explanation. One liaison stated they were not aware of any damage, one Director responded that they were aware of damage but since it was minor they would not repair it at this time, and one Division submitted a completed SP302 after fieldwork was completed for the remaining two damaged vehicles identified in our testing.

**Effect:**

If vehicles are damaged or abused, the safe operation of the vehicle may be diminished. It is also important to maintain accountability for damaged vehicles.

**Recommendation:**

Division Directors should adhere to the Vehicle Use and Assignment Policy (CAO Policy 3R) and respond in writing to the Commissioner of General Services within five business days with the results of their investigation after receiving complaints, allegations, or suspected misuse of government vehicles.

**Deputy Director of Facilities & Fleet Management Response:**

Fleet Services will continue to communicate with Divisions regarding unreported damage with abuse/neglect reports, emails and when necessary, having Division representatives come to Fleet Services to view the concerns in person. We agree with the audit findings to have the Commissioner of General Services involved and with this recommendation we can begin copying the Commissioner on all abuse/neglect report messaging.

**Director of Facilities & Fleet Management Response:**

I concur with the Deputy Director's Response.

**Commissioner of General Services Response:**

I concur with the Deputy Director's Response.



**Finding #2: Preventive Maintenance Not Consistently Provided****Priority Rating: Moderate****Condition:**

We reviewed a random sample of 50 vehicles with a purchase price of less than \$45,000 to determine if adequate preventive maintenance was performed on light duty vehicles. This sample did not include non-vehicle units such as riding mowers, trailers, golf carts, etc. We noted that the manufacturer's recommendation of 5,000 miles for preventive maintenance was exceeded for fourteen vehicles with a range from 1,331 to 8,188 miles past the 5,000 mile manufacturer's recommendation. We also noted four vehicles exceeded their recommended mileage for preventive maintenance on more than one occasion. Ten of the vehicles exceeding their recommended mileage for preventive maintenance are assigned to the Division of Police, with some of them being used as pool vehicles.

**Effect:**

If vehicles do not receive preventive maintenance on a consistent basis, their performance may be diminished. LFUCG could also experience increased liability for negligent maintenance if such a vehicle is involved in an accident, and the cost of repairs resulting from neglected maintenance may significantly exceed the cost of the scheduled maintenance.

**Recommendation:**

Preventive maintenance (PMs) should be performed in accordance with the manufacturer's maintenance schedule to decrease the variance between PMs and maximize the useful life of the vehicles.

**Deputy Director of Facilities & Fleet Management Response:**

Currently there are 1,827 licensed vehicles and a total of 2,769 vehicles and pieces of equipment "live" in the government's fleet inventory. Preventive maintenance notices are sent out to the Divisions at the beginning of each month with a list of due and overdue preventive maintenance service. Additionally, Vehicle Abuse/Neglect Reports are sent to the Divisions informing them when vehicles and equipment are presented for service and are found to be overdue for their routine preventive maintenance. The number of miles and weeks overdue are noted on the report. Short of having technicians leave Fleet Services to find and bring these units into our shops for services, everything that can be done is being done to comply with the manufacturers' recommended schedules.



**Director of Facilities & Fleet Management Response:**

I concur with the Deputy Director's response.

**Commissioner of General Services Response:**

I concur with the Deputy Director's Response.

**RISK OBSERVATION**

Standards for the professional practice of internal audit stipulate that it is the Office of Internal Audit's responsibility to inform management of areas where risk to the organization or those it serves exist. The following observation identifies a risk associated with Fleet Repairs & Maintenance but does not represent a violation of statutes, policies, or procedures. It is considered to be of sufficient importance to deserve mention in this report to ensure senior management's awareness.

**Refurbished and Donated Parts & Supplies Should be Added to Inventory**

During our inventory count, we noted two parts with book values of \$2,050 and \$1,400 that had been repaired under warranty and returned to inventory. Fleet management stated that these parts are refurbished, and should not be counted as having any monetary value since they have already been charged out and repaired under manufacturer warranty.

We also noted another variance in inventory where items valued at \$75 each were purchased by another Division but not used. These items were given to Fleet Management to be placed in stock for repair and maintenance purposes, but were not entered into FleetWave because Fleet management did not want to inflate the inventory value since these items had already been paid for by the other Division.

We recommend that Fleet add the items into FleetWave with a minimal value of \$1 for tracking purposes only since guidance contained in the GFOA's Governmental Accounting, Auditing and Financial Reporting indicates that supplies inventories, by definition, are held for use rather than for sale (making their market value irrelevant).



**Deputy Director of Facilities & Fleet Management Response:**

Fleet Services agrees with the audit findings and have already made the changes internally with the approval and guidance of the Division of Accounting.

**Director of Facilities & Fleet Management Response:**

I concur with the Deputy Director's Response.

**Commissioner of General Services Response:**

I concur with the Deputy Director's Response.

