

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Audit of the Fleet Services Division

Report #09/10-03

May 7, 2010

City of Fort Lauderdale

Our Vision

The City of Fort Lauderdale is committed to improving productivity, streamlining expenses and developing a stronger, more effective organization.

This City's vision embraces:

- **Fiscal Responsibility**
- **Accountability**
- **High Ethical Standards and**
- **Quality Delivery of Services**

Our Values

- **Respect** for the dignity of our citizens and co-workers and the diversity of all groups.
- **Integrity** as demonstrated by honesty and fairness and conduct beyond reproach.
- **Courage** to do the right thing, for the right reason, in the right way.
- **Teamwork** through recognition that excellence is achieved by cooperation, communication and collaboration.
- **Service** to the public, our elected officials and other employees that is exemplary and exceeds expectations.
- **Creativity** as the foundation for ingenuity and innovation in the delivery of service.
- **Accountability** for our decisions, actions and results.



CITY OF
FORT LAUDERDALE

City Auditor's Office

Memorandum

No: 09/10-06

Date: May 7, 2010

To: Mayor John P. "Jack" Seiler
Vice-Mayor Romney Rogers
Commissioner Bruce G. Roberts
Commissioner Charlotte E. Rodstrom
Commissioner Bobby B. DuBose

From: John Herbst, CPA, CGFO
City Auditor

Re: Audit Report #09/10-03: Audit of the Fleet Services Division

The City Auditor's Office has completed an operational audit of the Fleet Services Division, covering policies and procedures for maintenance, fleet size, fleet contracts, financial records, and fuel supplies. An operational audit evaluates internal controls designed and implemented by management to provide assurance that the organization's operational goals and objectives are being achieved.

The CAO's audit of the Fleet Services Division revealed that Fleet Services generally has sufficient and adequately designed internal controls to help the department meet their stated objectives of:

"Fleet Services is dedicated to furnishing functional, reliable, and economical vehicles and fleet-related equipment necessary for the conduct of City operations, write the necessary specifications for bidding purposes, assist the Purchasing Department with vehicle and equipment auctions, and to prepare and administer the annual fleet budget shown in the Fleet Plan prepared annually for approval of the City Commission."

As listed below and discussed in more detail in the report, we found a number of opportunities for improvement that would assist the department in strengthening internal controls, enhancing efficiency and effectiveness, and improving communications.

Our recommendations rely on the internal control framework established by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO framework elements establish commonly accepted, cost-effective mechanisms to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

The objectives of our audit were:

- To determine whether Fleet Services Division has adequate internal controls.
- To determine whether Fleet Services Division owns the proper number of vehicles necessary to conduct City operations.
- To determine whether the Fleet Services Division maintenance contract is being efficiently and effectively monitored.
- To determine whether Fleet Services Division is maintaining accurate financial records.
- To determine whether Fleet Services Division is effectively securing and managing fuel supplies.

Our review of the internal controls of the Fleet Services Division would not necessarily identify all deficiencies that might be significant deficiencies or material weaknesses. Of the findings and observations listed below, finding F12 is considered to be a material weakness. Findings F3, F4, and F13 are considered to be significant deficiencies. The remainders are considered to be control deficiencies.

- A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
- A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected.
- A *material weakness* is defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a *material* misstatement of the financial statements will not be prevented or detected.

AUDIT FINDINGS

F1. The City lacks authoritative policies on vehicle abuse and misuse.

F2. The CAO was unable to verify Continuity of Operations Plan (COOP) capabilities, because the plan has not been tested.

F3. The CAO found that the receipt of the recently purchased 70 Police vehicles was signed by a First Vehicle Services (FVS) employee.

F4. Analytics were not performed to support the change in vehicle replacement reserves and shift of surplus sales proceeds to the General Fund.

F5. FVS should obtain all third party accident bids in writing and all non-contract repairs should be approved in writing.

F6. Fleet Services Division was unable to verify CPI data supplied by FVS, which is a critical component in determining the annual operating budget.

F7. The City is not reviewing and verifying that FVS employees are meeting City of Fort Lauderdale pre-employment standards in accordance with the contract.

F8. Fleet Services Division should be tracking units replaced (with new vehicles/equipment) as listed in the CAR.

F9. The CAO found 6 instances (8.6% = 6/70) whereby the vehicle identification number (VIN) in the Customer First system does not agree with the Certificate of Title.

F10. The CAO found that Central Accounting assigns asset tag numbers for new vehicles and equipment purchased, but is not responsible for affixing the tags to the vehicles.

F11. CAO found inaccurate system information regarding the dates that vehicles were placed in service. In addition, there were no internal control procedures regarding pick up of new vehicles by department personnel.

F12. The Finance Department is not conducting an annual reconciliation of fleet inventory and other capital assets to the City's general ledger.

F13. Adequate controls are not in place to safeguard the City's fuel supply.

OBSERVATIONS

O1. CAO found that new division practices have not yet been incorporated in the policies and procedures manual.

O2. CAO noted an inaccuracy in vehicle scoring regarding the new methodology for justifying the replacement of fleet vehicles.

O3. Although the Fleet Services Division agreed to implement six recommendations from the 2005 Internal Audit Report "Review of the Vehicle Rental Fund – Methodology used to calculate Fleet Services Division Operating and Maintenance Rates", three recommendations have not been implemented.

O4. The software used to monitor and track fleet assets is owned and operated by First Vehicle Services. Also, Microsoft no longer supports the Customer First software.

O5. There is currently a vehicle loaner program; and that a new-pooled vehicle program is being established without effectively integrating risk management techniques into the planning, decision-making and reporting process.

O6. The Fleet Utilization Review Committee does not appear to provide additional value beyond the normal job descriptions of the current committee members.

O7. The CAO found that existing vehicles in the fleet might exceed departmental needs.

O8. Fleet Services Division should expand their benchmarking practices.

O9. Fleet Services Division should consider whether outsourcing vehicle maintenance operations versus providing in-house maintenance services remains a cost effective venture.

O10. The evaluation criteria point system previously used in the last “Request For Proposal” (RFP) seems unfairly weighted.

O11. Spot checks should be conducted comparing FVS repair costs against the Mitchell Flat-Rate Labor Guide and the results documented properly.

O12. Fleet Services Division is not receiving all required monthly and annual reports and presentations from FVS in accordance with the contract.

O13. FVS did not provide the contractually specified number of technicians from November 2003 through September 2004.

Management’s responses to the findings, observations, and recommendations are included in the report. We did not audit management’s responses and accordingly, we express no opinion on them.

We would like to thank the staff of the Fleet Services Division for their cooperation and assistance during this audit and are pleased to note that management generally concurred with our recommendations and has already begun to implement a number of them.

cc: George Gretsas, City Manager
Harry Stewart, City Attorney
Jonda Joseph, City Clerk
Diana Alarcon, Director of Parking and Fleet Services

**CITY OF FORT LAUDERDALE
CITY AUDITOR
Audit of Fleet Services Division**

PURPOSE

To conduct an operational audit of the City of Fort Lauderdale's Fleet Services Division.

EXECUTIVE SUMMARY

The City Auditor's Office (CAO) has completed an operational audit of the Fleet Services Division, covering policies and procedures for maintenance, fleet size, fleet contracts, financial records, and fuel supplies. An operational audit evaluates internal controls designed and implemented by management to provide assurance that the organization's operational goals and objectives are being achieved.

The CAO's audit of Fleet Services Division revealed that Fleet Services generally has sufficient and adequately designed internal controls to help the department meet their stated objective of:

"Fleet Services is dedicated to furnishing functional, reliable, and economical vehicles and fleet-related equipment necessary for the conduct of City operations, write the necessary specifications for bidding purposes, assist the Purchasing Department with vehicle and equipment auctions, and to prepare and administer the annual fleet budget shown in the Fleet Plan prepared annually for approval of the City Commission."

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- O13. FVS did not provide the contractually specified number of technicians from November 2003 through September 2004.

STATEMENT OF OBJECTIVES

Based on our analysis of divisional risks, the following objectives were established for the audit:

1. To determine whether Fleet Services Division has adequate internal controls.
2. To determine whether Fleet Services Division owns the proper number of vehicles necessary to conduct City operations.
3. To determine whether the Fleet Services Division maintenance contract is being efficiently and effectively monitored.
4. To determine whether Fleet Services Division is maintaining accurate financial records.
5. To determine whether Fleet Services Division is effectively securing and managing fuel supplies.

BACKGROUND

The City of Fort Lauderdale's Fleet Services Division is an internal service fund that manages the City's vehicle and maintenance operations. Repair and maintenance, as well as fueling, are currently performed under a contractual services agreement with First Vehicle Services (FVS). The primary role of the Fleet Services Division in regard to these activities is one of ensuring compliance with the contract. Using departments throughout the City are responsible for reviewing their own use and consumption of services and fuel from the Fleet Services Division. Fleet Services Division has a fiscal year 2010 total budget of \$14,649,919 and is staffed with four full time equivalent (FTE) positions. The Fleet staff is ultimately responsible for the following:

- Maintenance, repair, and effective replacement of the City's fleet vehicles and equipment.
- Preparation of the annual "Fleet Plan" including recommendations for the replacement of fleet vehicles based on life cycle cost analysis and the establishment of the monthly vehicle rates for O&M.
- Determining replacement fees and overhead costs to be paid by all fleet users.
- Management of the City's gasoline and diesel fuel supplies and fuel islands.
- Preparation of fleet vehicles for auction.

Divisional highlights include attaining National Fleet Certification through Fleet Counselors, and in 2009, the City of Fort Lauderdale was ranked #3 of the 100 Best Fleets published by Government Fleet Magazine.

SCOPE & METHODOLOGY

The CAO conducted this audit in accordance with generally accepted government auditing standards. We reviewed the Fleet Services Division operational and financial data for fiscal years 2003 through 2008. Audit methods used included the following:

- Interviewing Fleet Services Divisional management and personnel.
- Reviewing various financial records and other local government fleet management and service audits.
- Reviewing and analyzing the fleet maintenance agreement with First Vehicle Services.
- Reviewing overall fleet size and invoices for vehicle purchases, maintenance, repairs, and new vehicle preparation.
- Observing the fuel operations and maintenance facilities.
- Inquiring about internal controls and policies and procedures.

Additionally, the CAO conducted its assessment of the effectiveness of the City's internal controls using the control framework established by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, whose charge was to study and report on the factors that can lead to fraudulent financial reporting. In 1992, COSO published Internal Control-Integrated Framework, which established a framework for internal control and provided evaluation tools that entities could use to evaluate their control systems. The five components of the COSO internal control framework are: control environment, risk assessment, control activities, information and communication, and ongoing monitoring.

Objective 1

To determine whether the Fleet Services Division has adequate internal controls.

FINDING 1.

Condition

The CAO found that the existing policies are unclear as to the consequences for abuse of City vehicles by employees.

Criteria

Under the COSO framework component 3.1 "Responses that reduce or share specific risks", policies and procedures that address significant business control and risk management practices are a standard element of the internal control environment.

Cause

The City of Fort Lauderdale has not implemented or included guidance for City employees concerning consequences for vehicle abuse and misuse in the Policy and Standards Manual (PSM). Additionally, individual departments are charged with overseeing this type of employee misconduct and there is no uniform procedure for accomplishing this.

Impact

The absence of citywide policies regarding discipline for vehicle abuse and misuse may lead to the following:

- Increased maintenance costs
- Inefficient utilization of workforce and assets
- Increased occurrences of violations
- Fraudulent activities, which could damage the City's reputation
- Inconsistent disciplinary actions

Recommendation

The City Manager should require the Director of Parking and Fleet Services, in conjunction with the Human Resources Department to:

- a) Modify/update the current PSM 8.1.1.1, "Usage of City Motor Vehicles", to expand the definition of abuse and misuse, and corresponding disciplinary actions.
- b) Provide and reiterate the importance of the policy to all departments and add a "How's my driving" sticker to City fleet vehicles, which includes a phone number allowing residents to report potential vehicle misuse.

Management Response:

- a) *Fleet Services is working with Human Resources, Public Works and Risk Management to revise the current PSM. Our goal is to have a revised policy and procedure for abuse and misuse in place by October 2010.*
- b) *Fleet Services, Risk Management, Public Works and Human Resources have been exploring safety programs including safety vehicle decals for the fleet. We plan on rolling out a program with the revised PSM, which should be in place by October. This program has a cost that requires Commission's approval.*

FINDING 2.

Condition

The CAO was unable to verify the Continuity of Operations Plan (COOP) capabilities.

Criteria

Under the COSO framework component 3.1 "Responses that reduce or share specific risks", disaster recovery plans are a standard element of the internal control environment.

Cause

Fleet Services Division has not tested its Continuity of Operations Plan, "COOP" since its creation on February 28, 2007.

Impact

Fleet Services Division may not have adequate contingencies in place to ensure continued operations in the event of an emergency.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Test the plan.

- b) Continue updating the departmental COOP plan on an annual basis to ensure functionality.
- c) Have FVS, or the future vehicle maintenance vendor, be included in the development of departmental COOP plans. Additionally, incorporation of their responsibilities should be considered for inclusion in upcoming contracts.

Management Response:

- a) *Staff will work toward a plan to test the COOP. This is difficult and costly since it will require relocating the set-up and operation of the vehicle maintenance. Staff and FVS are prepared to execute the COOP if we are in an emergency situation.*
- b) *Implemented: The COOP plan was updated January 2010.*
- c) *Implemented: FVS was involved in the development of the original COOP as well as updates. The current contract does have provisions in it for emergency situations. The specifications for the RFP for the new vehicle maintenance contract included revised provisions requiring the Provider to participate in the Fleet Services COOP plan as directed by City personnel.*

OBSERVATION 1.

Condition

The CAO found that Fleet has begun to implement new Commission policy directives as of 2009, which seek to apply stricter scrutiny when analyzing vehicle replacements. However, these new practices have not yet been incorporated in the policies and procedures manual.

Criteria

Under the COSO framework component 3.2 "Responses that prevent or detect the risk of intentional or unintentional errors", policies and procedures manuals are standard elements of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to continue updating the policy and procedures manual as needed to reflect changing practices or priorities.

Management Response:

Implemented: A new procedure for analyzing vehicles to be replaced in the Fleet Plan was incorporated into the Fleet Services policies and procedure manual. This information was shared with City Auditor's office.

FINDING 3

Condition

The CAO found that the receipt of the recently purchased 70 Police vehicles was signed by an FVS employee, not a Fleet Services Division employee, as required by the policies and procedures manual.

Criteria

Under the COSO framework component 3.2 “Responses that prevent or detect the risk of intentional or unintentional errors”, process flow controls, custody, record keeping, and approval segregated; and component 5.3 "Reporting and correcting deficiencies in controls", reviews of policies and procedures for continued relevance are standard elements of the internal control environment.

Cause

There is improper delegation of authority to FVS.

Impact

There is a lack of accountability when key responsibilities are delegated improperly.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to adhere to policies and procedures covering receipt of vehicles purchased.

Management Response:

Implemented: A new procedure was implemented whereby First Vehicle Services Write-Up personnel will notify Fleet Services personnel when a new vehicle is delivered to the City. A Fleet Services employee then will go out and inspect and receive the vehicle(s) being delivered. The signed receiving paperwork will be added to the Fleet Services vehicle file. The procedure is in our Policy and Procedure manual for Fleet Services.

OBSERVATION 2.

Condition

Fleet Services Division has implemented a new objective methodology for justifying the replacement of fleet vehicles. The new method was adopted from the American Public Works Association, "Replacement Criteria Guide". Upon review of the new methodology the CAO noted an inaccuracy in the vehicle scoring for replacement, whereby vehicles were given scores that were not within the established scoring guidelines (Vehicles were to be given a score of 1,3, or 5 based on vocational use and service duty. Fleet assigned a score of 4 to a Vacuum Pump Tanker). The CAO also found that the criteria used to measure vehicle "Reliability", which tracks the number of visits a vehicle makes for repair services, included routine preventive maintenance performed on the vehicle.

Auditor Note: During the course of the audit, the Fleet Services Division was informed of these discrepancies and proactively began modifying the scoring criteria accordingly.

Criteria

Under the COSO framework component 3.7 "Industry- or function- or objective-specific controls", controls specific to certain industries are fundamental elements of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to review and revise the vehicle replacement criteria scoring system to reflect the errors noted above.

Management Response:

Implemented: During the time this audit was conducted, Fleet Services implemented a new objective methodology for justifying vehicle replacement. As our system evolved, we realized the need to use all digits between 1 and 5 to more accurately describe vehicle condition. We have since adopted this system for all scoring categories. We continue to adjust the system based on industry best practice.

OBSERVATION 3.

Condition

The CAO found that although the Fleet Services Division agreed to implement the six recommendations from the 2005 Internal Audit Report 04/05 -XX-02 "Review of the Vehicle Rental Fund - Methodology used to calculate the Fleet Services Division Operating and Maintenance Rates", three recommendations have not been implemented to date. Specifically, Fleet Services Division has not been able to provide adequate back-up material to support the implementation of the following audit recommendations:

Recommendation #2 "Develop a written operating procedure and create a checklist to verify all Fleet monthly interfaces are accounted for to prevent missing or duplicate entries."

Recommendation #5 "The Director of Parking and Fleet Services should establish a procedure and conduct at minimum an annual Fleet inventory physical count, to verify the existence of Fleet assets and assure the accuracy of Fleet inventory records. Furthermore, document results of physical inventory and maintain on file for audit purposes."

Recommendation #6 "The Director of Parking and Fleet Services, in conjunction with the City Controller, should develop a written policy and procedure to measure/evaluate annually the adequacy of the unrestricted net asset balance. Moreover, the procedure should address how over/under funding will be corrected/resolved."

Criteria

Under the COSO framework 5.3 "Reporting and correcting deficiencies in controls", status reporting on audit and other reviews are a standard element of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Implement the three remaining recommendations prescribed in the 2005 Internal Audit Report 04/05 -XX-02.
- b) Conduct an annual review to determine if the new methodology, per Recommendation #1, more accurately allocates O&M charges based on actual departmental consumption patterns.

Auditor Note: Recommendation #5, annual physical inventory, is discussed more fully in Finding 12.

Management Response:

- a) *Staff will or has already begun implementing recommendations from the 2005 Internal Audit report,*

Recommendation #2 *Prevent missing or duplicate entries in monthly billing to Departments*

Implemented: There is new software for billing departments for O & M, Replacement, and Overhead charges that went into production in late FY 08/09. One of the design criteria of the new software system was to assure there is a feature to prevent duplicate billing. It will not allow a new billing to be entered until any and all previously entered data is removed. A checklist is completed prior to running the month's data to assure all data is included in the run.

Recommendation #5 *Conduct physical inventory of all fleet vehicles*

Implemented: The physical inventory will be taken as vehicles come to the maintenance facility for maintenance and/or repair using the FVS "VEHICLE REPAIR REQUEST" form. When the vehicle appears at Write-Up to be serviced, the top of the form will be completed which has vehicle number, department, date, driver name, phone number, time, mileage and signature fields. At the same time, the form will be signed and dated by the FVS Write-Up employee who accepted the vehicle for service. A copy of this form will be made and sent to the Fleet Services office. These forms will be filed in the Fleet Services office by class and then by vehicle number. At least weekly, the vehicles that have been in for service will be entered on a master spreadsheet. This procedure will continue for the first 100 days of the inventory period. On day 101, Fleet Services will print vehicle lists by Department of all vehicles that did not come in for service during the 100 days. Fleet Services personnel will work with departments and arrange to physically inspect each vehicle on the lists. When all vehicles are accounted for that annual inventory is complete.

Recommendation #6 Procedure to evaluate reserve fund

Procedure is underdevelopment. Completion is scheduled by October 2010.

- b) *Implemented: The O & M charges are already in place and reviewed annually; adjusted according to the prior year services records by departments.*

OBSERVATION 4.

Condition

The CAO found that Fleet Services Division does not own the fleet management software, "Customer First", which is used to monitor and track Fleet assets. Ownership of data maintained on the system is shared between the two users, FVS and the City of Fort Lauderdale. The software system is owned and operated by FVS, while the Fleet Services Division retains ownership of data relating to fleet assets and corresponding performance reports. The CAO learned that Microsoft no longer supports the Customer First software.

Criteria

Fleet Services Division has an obligation to provide sufficient controls over City assets such as fleet vehicles and fuel. Under the COSO framework component 3.5 "IT infrastructure controls", access controls to programs and data are a standard element of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Work in conjunction with the Director of Information Technology to determine departmental software needs and identify a software system to accommodate those needs.
- b) Have future vehicle maintenance contracts include specific terms outlining the process of transferring electronic vehicle data back to the City in a universal format upon expiration of the contractual term.

Management Response:

- a) *Implemented: The present vehicle maintenance contract has specific provisions that address the ownership of the data in the Contractor's fleet management software system. All current data is the property of the City and must be provided by the expiration of the contract.*

The City does not plan to own the software system as the initial cost is approximately \$200,000 and there would need to be a system administrator who is currently not on staff.

- b) *Implemented: Staff has coordinated with Information System on new specifications for the new RFP maintenance contract that will require the new contractor to provide regular data dumps to a City server. Our goal is to receive this information daily.*

Objective 2

To determine whether the Fleet Services Division owns the proper number of vehicles necessary to conduct City operations.

OBSERVATION 5.

Condition

The CAO determined that there is currently a vehicle loaner program and that a new-pooled vehicle program is being established without effectively integrating risk management techniques into the planning, decision-making and reporting process.

Criteria

Under the COSO framework component 2.1 "Entity-wide objective setting", creation of business plans; and component 3.1 "Responses that reduce or share specific risks", annual and long-term budgeting procedures are standard elements of the internal control environment.

Cause

A plan outlining the policies and procedures for pooled vehicles, which includes objective selection criteria as well as operational and budgetary guidelines, was not developed prior to implementing the pooled vehicle program.

Impact

Embarking on a new program without clear established objectives and methods of operation, formalized into specific policies and procedures, will result in lower levels of efficiency and effectiveness than would otherwise be achievable through careful planning.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to develop policies and procedures to attain goals and objectives for the pooled vehicle program. The basis for developing the procedures should begin with the identification of the risks inherent in the program, tools for mitigating those risks, and methods for timely monitoring and reporting of results. All elements and processes of the risk management framework should be documented, implemented, and monitored for operational effectiveness. At a minimum, this should include developing criteria for evaluating the proper size of the fleet, evaluating departmental needs, identifying pending budget constraints, and determining key vehicle attributes needed to perform specific City functions.

Management Response:

There is presently no vehicle pool program. A procedure to define a vehicle pool program is currently under development. Fleet Services will develop policy and procedures that identify the risks inherent in the program, the tools for mitigating these

risks, and methods for timely monitoring and reporting of results. Our goal is to have the framework of this program prepared and implemented in FY 2011.

FINDING 4.

Condition

The CAO found that the Fleet Services Division did not perform any analytics to support the change in vehicle replacement reserves rates and sales proceeds.

Criteria

Replacement reserve rates must reflect the actual replacement costs in order for there to be adequate funds in place as needs arise. Under the COSO framework component 3.1 "Responses that reduce or share specific risks", annual and long-term budgeting procedures; and component 3.4 "Analytical Analyses", relating operations to financial data; investigating results; comparing different data sources; financial and trend analysis, are all standard elements of the internal control environment.

Cause

In an effort to aid in reducing the General Fund deficit, Fleet Services Division reduced its monthly replacement reserve rates charged to departments, as well as forfeited revenues from surplus vehicle sales.

Impact

For the current year, the reserves will be sufficient to support a one-time rate reduction; however, a sustained reduction in revenues may result in inadequate reserve availability in future years.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to work in conjunction with the Office of Budget and Management (OMB) to conduct a cash flow analysis to verify that rates reflect future replacement needs.

Management Response:

Fleet Services Department will develop a revised five-year plan of vehicle replacement based on recent changes to the previously established replacement schedule. The revised plan will account for decisions made to extend the life of certain vehicles that had been scheduled for replacement. It will also anticipate changes in this plan necessitated by upcoming budget restrictions. Once this plan is in place, the resulting cash flow requirements can be determined. Staff will coordinate with the Office of Budget and Management to review this analysis by October 2010.

OBSERVATION 6.

Condition

The CAO found that the Fleet Services Division has implemented the Fleet Utilization Review Committee (FURC), which does not appear to provide functionality beyond the normal job descriptions of the current committee members.

Criteria

PART I

Under the COSO framework component 1.5 "Organization Structure", self-directed work teams, project teams, quality circles, focus groups, and committee structures are standard elements of the internal control environment.

PART II

Government-in-the-Sunshine Manual

Chapter updated: 03/11/2009

What is a meeting subject to the Sunshine Law?

c. Delegation of Authority

"The Sunshine Law does not provide for any 'government by delegation' exception; a public body cannot escape the application of the Sunshine Law by undertaking to delegate the conduct of public business through an alter ego." *IDS Properties, Inc. v. Town of Palm Beach*, 279 So. 2d 353, 359 (Fla. 4th DCA 1973), *certified question answered sub nom.*, *Town of Palm Beach v. Gradison*, 296 So. 2d 473 (Fla. 1974). *See also News-Press Publishing Company, Inc. v. Carlson*, 410 So. 2d 546, 547-548 (Fla. 2d DCA 1982) (when public officials delegate de facto authority to act on their behalf in the formulation, preparation, and promulgation of plans on which foreseeable action will be taken by those public officials, those delegated that authority stand in the shoes of such public officials insofar as the Sunshine Law is concerned). *Cf. Leach-Wells v. City of Bradenton*, 734 So. 2d 1168, 1171 (Fla. 2d DCA 1999) (committee charged with evaluating proposals violated the Sunshine Law when the city clerk unilaterally tallied the results of the committee members' individual written evaluations and ranked them; the court held that the "short-listing was formal action that was required to be taken at a public meeting").

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Revise the FURC's composition, mimicking that of other citywide committees, by incorporating representatives of the using departments and potentially those in the automotive industry who specifically understand fleet management.
- b) Request an opinion from the City Attorney's Office as to whether the FURC meetings need to comply with Florida Sunshine laws.

Management Response:

- a) *The fleet utilization review processes was developed to provide staff with the tools and procedures in which to review the uses and need of the fleet. The principals implemented are industry best practices for managing any fleet. We will be expanding our team and adding additional staff to evaluate the fleet needs when the team reconvenes in August 2010.*

- b) *Implemented: Recognizing the concerns that were raised by the City Auditor's office, this process is not that of a committee but of staff members knowledgeable of the fleet operations. We have removed the word committee from this process.*

OBSERVATION 7.

Condition

The CAO found that existing vehicles in the fleet may exceed departmental needs.

Criteria

Under the COSO framework component 3.3 "Actions by direct functional or activity management", approvals, authorizations, and secondary reviews are standard elements of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Adopt a procedure similar to that used for purchase of specialty vehicles. The departments should be required to provide the Fleet Services Division with the intended functions and proposed specifications of the new vehicle so that Fleet can verify that new vehicle purchases appropriately meet departmental needs.
- b) Further consider that the Fleet Utilization Review Committee vigorously evaluate the needs of departments regarding vehicle specifications and sizes, with the aim of buying the equipment that meets the City's needs as cost-effectively as possible.

Management Response:

- a) *A procedure will be generated and in place by June 2010.*
- b) *Implemented: The activity of the Fleet Utilization Team to date has been to identify vehicles with low utilization based on miles driven and/or hours operated. This has resulted in over 30 vehicles being turned in and the resulting operating and replacement cost reductions. The team's focus will be expanded to include analyses of the applicability of certain vehicles to the required mission for that vehicle. It will be the goal of this activity to better match the size and configuration of vehicles to their application.*

OBSERVATION 8.

Condition

The CAO found that while Fleet Services Division does collect performance data, they are not actively engaged in formalized benchmarking practices. A request by Fleet Services Division to join the Florida Benchmarking Consortium at the cost of \$1,000.00, where the Fleet Services Division was invited to serve as the new "Service Area Lead", was denied due to budgetary constraints. The entire City of Fort Lauderdale would have been a member of the consortium and all departments would have benefited from this association.

Auditor Note: Also see Auditor Comment Five (AC5), Audit of Performance Measures, Report #08/09-03, September 21, 2009.

Criteria

Under the COSO framework component 4.3 "Indicators and measurements", benchmarking studies are a standard element of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to engage in formalized benchmarking activities to promote cost effective and streamlined best practices used by other governmental entities. We further recommend that the City participate in the Florida Benchmarking Consortium.

Management Response:

Implemented: Fleet Services Department has benchmarked policy and procedures based on industry standard best practices that promote cost effectiveness. Such benchmarks are outlined in our contractor's maintenance agreement. Our current contractor services multiple governmental entities that allow us insight into alternate operations and best practices. We will consider participation in the Florida Benchmarking Consortium when budget conditions allow.

Objective 3

To determine whether the Fleet Services Division maintenance contract is being efficiently and effectively monitored.

OBSERVATION 9.

Condition

Fleet Services Division should review whether outsourcing vehicle maintenance operations versus providing in-house maintenance services remain a cost effective venture.

Auditor Note: The services were outsourced to FVS in 1981. The contract with FVS is set to expire on September 30, 2010 and a new RFP for vehicle maintenance services is slated to be put out for bid in April of 2010.

Criteria

Under the COSO framework component 1.8 "Risk management philosophy and appetite", feasibility studies are a standard component of the internal control system.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to conduct a feasibility study to evaluate and determine the cost benefit of either in-sourcing or out-sourcing vehicle maintenance operations.

Management Response:

Fleet Services agrees with conducting a feasibility study to evaluate the cost benefits of in-sourcing or out-sourcing vehicle maintenance operations. However, out-sourcing has allowed us to be most competitive in today's labor market.

Fleet maintenance is a competitive field of employment and it is common for vehicle and equipment technicians to change employers based on real and perceived better opportunities elsewhere. Our vehicle maintenance contractors have always had employment competition from automotive, truck, and construction dealers in South Florida. In addition to these, in the past 18 months there have been two new fire equipment manufacturers who have opened service facilities in our area. Our present vehicle maintenance contractor has lost several employees to these new operations. Because of these factors, it is essential that the technicians working on City vehicles be paid competitive wages at the lowest possible overall cost.

To effectively study bringing vehicle and equipment maintenance into City operations would require the services of an outside consultant because of the complex issues involved with this analysis. We do not believe this is the appropriate economic climate to contract for such a study.

It is the recommendation of Fleet Services to proceed with the on-going process of replacing the current vehicle and equipment maintenance contract when it expires 9/30/2010 and then consider doing such a study when economic conditions allow for deployment of the necessary resources.

OBSERVATION 10.

Condition

The "Request For Proposal" (RFP) evaluation criteria point system previously used seems unfairly weighted. For example, in 2003 the evaluation process appeared to be skewed in favor of the incumbent, because 50 points was applied to the vendors overall knowledge of City needs, 30 points allocated to experience, qualifications, and past performance, and 20 points to estimated cost to the City.

Criteria

Under the COSO framework component 3.8 "Other management and quality initiatives", key performance indicators (KPI), key success factors (KSF) and management objectives are a standard element of the internal control environment.

Auditor Note: The CAO has been informed by the Procurement Services Department that a change in the RFP process has been made, such that "COST" is assigned a 30% allocation.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to develop more objective evaluation criteria.

Management Response:

Implemented: The evaluation criteria as well as the specifications for the new vehicle and equipment maintenance contract have been changed so nothing favors the incumbent. The cost criterion has been assigned a value of 30%.

FINDING 5.

Condition

FVS should obtain all third party accident bids in writing and all non-contract repairs should be approved in writing.

Criteria

Under the COSO framework component 3.3 "Actions by direct functional or activity management", approvals, authorizations, verifications defined in policies and procedures are a standard element of the internal control environment.

Cause

There is no written communication between FVS and Risk Management regarding vendor bids involving accident repairs. In addition, there is no written approval of vendor invoices (by City personnel) prior to payment for any non-contract work performed.

Impact

Ineffective monitoring and lack of written approval of repair expenses could lead to increased charges for services rendered to the City and lack of accountability in the process.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Develop a policy whereby all bids are documented in writing.
- b) Require FVS Accident Estimate forms to be submitted to Risk Management, including name and dollar amount of bids and supporting documentation.
- c) Require Risk Management's written approval of the vendor and payment authorization be documented in writing and then submitted to FVS.
- d) Require all invoices, regardless of whether the vendor was selected by FVS, should contain the signature of an authorized City employee approving the expense prior to payment.

Management Response:

- a) *Implemented: A policy is in place that requires all bids are documented in writing.*
- b) *Implemented: All bids are submitted to Risk Management with supporting documents.*
- c) *Implemented: A written approval from Risk Management is required to proceed with repairs.*

- d) *Implemented: Staff reviews, signs and dates each invoice to make sure the back-up includes a signed written bid and supplemental bid authorized by Risk Management.*

This same stipulation has been added to the specifications for the new contract that will be effective 10/1/2010.

FINDING 6.

Condition

Fleet Services Division was unable to verify Consumer Price Index (CPI) data supplied by FVS, which is a critical component in determining the annual operating budget.

Criteria

The contract provides that the change in the targeted operating budget cost will not exceed the CPI Transportation Maintenance and Repair category for all urban consumers for all items in the South Florida Region as published in the CPI ninety days prior to the contract anniversary date.

Cause

Fleet Services Division is not maintaining documentation of the CPI.

Impact

Fleet Services Division could not verify whether the change in the contract amount was appropriate.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Provide adequate justification for an increase, in the event of negotiated cost increases.
- b) Maintain a file with complete CPI data or other relevant information to document targeted operating budget cost increases over the life of the contract.

Management Response:

- a) *Because of budget constraints over the life of this contract, staff has worked with the contractor to keep cost increases at a minimum. Staff negotiated contract increases yearly instead of following standard CPI increases, which provided savings to the City over the life of the contract. Staff did provide the City Auditor with information of these negotiations.*
- b) *Staff will maintain a file with all relevant information during the next contract.*

OBSERVATION 11.

Condition

Management indicated that spot checks of FVS work orders are performed comparing repair costs against the Mitchell Flat-Rate Labor Guide; however, no written documentation of these spot checks is maintained.

Criteria

Under the COSO framework component 3.1 "Responses that reduce of share specific risks", reconciliations, comparisons, validity tests, insuring against losses are standard elements of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to maintain a file documenting the reasonableness of repair costs and labor charges reflected on FVS work orders, on a test basis, through comparison with the Mitchell Flat-Rate Labor Guide.

Management Response:

Implemented: Staff has reviewed periodically the reasonableness of repair cost and labor charges of FVS work order to Mitchell Flat-Rate Labor Guide. However, Staff did not record the date and findings of this review. A logbook has been established to record each of these reviews.

OBSERVATION 12.

Condition

The CAO found that the Fleet Services Division has not ensured compliance with the reporting provisions of the contract as follows:

- Fleet Services Division is not receiving all monthly report documentation from FVS.
- There have been no annual presentations prepared by FVS (section 12 of the FVS contract) with recommendations for changes to improve performance during the upcoming year.
- Fleet Services Division did not prepare a "report card" which includes its assessment of FVS performance.

Auditor Note: Fleet Services Division Management and FVS Management met weekly to discuss the following:

- Level of service performance and quality.
- Report and discuss remedial efforts to eliminate deficiencies in contractual performance compliance.
- Ways to improve service and customer satisfaction.
- Communicate any concerns Fleet and FVS have with the entire maintenance operation.

However, in regard to the weekly meetings, there is no supporting documentation reflecting issues discussed and action plans agreed to.

Criteria

Under the COSO framework component 3.6 "Top-level reviews of activities," reviews of operating results, functions, operations, and procedures; and 4.3 "Indicators and Measurements", measures and scorecards of performance are standard elements of the internal control environment.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Have FVS provide all monthly report documentation as required by the contract.
- b) Ensure required reports are provided and reviewed.
- c) Document deficiencies discussed at weekly meetings with FVS Management, such that action plans be developed to improve performance, service, or customer satisfaction.

Management Response:

- a) *Implemented: Fleet Services department personnel are receiving all pertinent reports at this time. In the past, when these needs have changed, it was not properly documented; however, it will be documented moving forward.*
- b) *Implemented: Management reviews reports regularly.*
- c) *Implemented: Weekly meeting are documented regularly on performance, service or customer satisfaction.*

OBSERVATION 13.

Condition

The CAO found that FVS did not provide the contractually specified number of technicians from November 2003 through September 2004, a period of 11 months.

Criteria

Under the COSO framework component 3.3 "Actions by direct functional or activity management", verifications defined in policies and procedures are a standard element of the internal control environment.

Recommendation

The City Manager should instruct the Director of Parking and Fleet Services to monitor compliance with contractual and internal procedures regarding FVS staffing levels. Moreover, Fleet Services Division should engage in periodic reviews of FVS staffing to determine if they should be adjusted to meet changes in fleet size, composition, or maintenance schedules.

Management Response:

Unfortunately, none of the staff of Fleet Services involved with vehicle and equipment maintenance contract were employed in the department during the time period noted so we can provide comment on this observation.

Implemented: Staff does review the staffing level with FVS. This is discussed regularly to assure we have adequate trained staff per the contract.

FINDING 7.

Condition

The CAO found that the City is not verifying whether FVS employees are meeting City of Fort Lauderdale pre-employment standards, per the contractual agreement section 10.1(e).

Criteria

The contract agreement between the City of Fort Lauderdale and FVS 10/1/2003, section 10.1(e) "Selection of Personnel" requires that FVS employees meet City pre-employment standards. Under the COSO framework component 1.7 "Human resource standards", hiring and selection procedures as well as background checks are standard elements of the internal control environment.

Cause

Pre-employment standards are not being reviewed per the contract.

Impact

Contract terms are not being adhered to.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to coordinate with the Director of Human Resources to establish a control mechanism whereby pre-employment screening files are reviewed to verify that FVS employees meet City hiring standards.

Management Response:

A request was made to the present vehicle and equipment maintenance vendor for this pre-employment information. A decision came from their company management stating that their company could not provide the City with this information because it was proprietary.

Human Resources has advice us to include in the new contract a provision that allows them to verify pre-employment screening files to meet City hiring standards. The new contract begins October 2010.

Objective 4

To determine whether the Fleet Services Division is maintaining accurate financial records.

FINDING 8.

Condition

The CAO performed a review of vehicles and equipment scheduled for replacement according to the Fleet Plan FY08/09. The CAO also reviewed three Commission Agenda Reports (CAR) approved by the Commission for FY08/09. The review indicated that Fleet Services Division should be more effectively tracking units as the current practice lacks integrity between the fleet plan and the actual vehicle replacements.

PART I

The following was noted in review of CAR #08-1684, dated 11/18/08, regarding the purchase of 70 replacement vehicles for the Police Department:

- 17 units scheduled for replacement in the CAR are not on a replacement list provided by Fleet Management.
- 12 units turned in applied to a different CAR #08-1685 dated 11/18/08, which was for the purchase of 37 vehicles.
- 4 units scheduled for replacement are still in service.
- 4 units not listed for replacement were replaced.

PART II

The following was noted in review of CAR #08-1893, dated 1/6/09, regarding the purchase of 14 replacement vehicles for Public Works (PBS) and 4 for the Fire Department (FIR):

- 3 units listed on the CAR for replacement are shown as Public Works (PBS); however, the new vehicles are assigned to Parking and Fleet Services (PAR).

Criteria

Under the COSO framework component 3.3 "Actions by direct functional or activity management", approvals, authorizations, verifications defined in policies/procedures and secondary reviews are fundamental elements of the internal control environment.

Cause

Fleet Services Division does not seem to be effectively monitoring operational activities.

Impact

The effectiveness and efficiency of the City's practices, policies, and procedures are undermined when they are not applied consistently.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to:

- a) Track units being replaced more effectively.
- b) Document the reason for replacing units not scheduled for replacement.
- c) Perform a secondary supervisory review to ensure that supporting documentation is accurate.

Management Response:

- a) *Implemented: Units are tracked and documented on Commission Agenda Reports.*
- b) *Implemented: The Fleet Plan is prepared and finalized 8-10 months prior to replacement automobiles being delivered to the City. Occasionally, during that time period the vehicle originally selected to be replaced will be in better condition than another similar vehicle in the fleet. In the past, these vehicle substitutions have been made without documenting that the one replaced was more in need of replacing than the one noted in the fleet plan. Going forward, these changes will be documented on the CAR requesting the replacement.*
- c) *Implemented: A secondary review will take place to ensure that all vehicles replaced during the current budget year are properly documented.*

FINDING 9.

Condition

The CAO found 6 instances (8.6% = 6/70) whereby the vehicle identification number (VIN) does not agree with the Certificate of Title.

Criteria

Under the COSO framework component 3.3 "Actions by direct functional or activity management", approvals, authorizations, verifications defined in policies/procedures and secondary reviews are fundamental elements of the internal control environment.

Cause

The title information is not being reviewed.

Impact

The liability for this has multiple legal ramifications. Tracking of the vehicle is also made more complicated.

Recommendation

The City Manager should require the Director of Parking and Fleet Services to implement a supervisory review of the vehicle identification numbers (VIN's) to verify that they are being correctly entered into the Fleet Management database.

Management Response:

Implemented: The vehicle database entry process now includes a step of a review by a different Administrative Aide and/or management after the data for each vehicle is entered into the system.

FINDING 10.

Condition

The CAO found that:

- Central Accounting assigns asset tag numbers for new vehicles and equipment purchased, but are not responsible for affixing the tags to the vehicles. Instead, Fleet Services Division performs this function.

- There is a completely separate method for numbering police vehicles.

Criteria

Under the COSO framework component 1.6 "Assignment of authority and responsibility", delegations of authority and accountability mechanisms are fundamental elements of the internal control environment

Cause

Central Accounting has improperly delegated authority to affix asset tags to the Fleet Services Division.

Impact

Central Accounting is unable to verify the existence of fleet vehicles and equipment.

Recommendation

The City Manager should require the Finance Director to:

- a) Implement a process for assigning and affixing asset tag numbers to new vehicles and equipment purchased.
- b) Assign and/or potentially hire an individual for asset accounting.
- c) Tag all police vehicles in the same manner as all other vehicles.

Management Response:

- a) *A procedure will be formulated by the Finance Department that will allow for accountability over fleet inventory. Since it is impractical to affix fixed asset tag numbers to a vehicle, the Finance Department will work with the Fleet Services to develop a way of consistently identifying all vehicles. We may either use the VIN number if room permits in the tag field of the fixed asset system or we may use a unit number if Fleet Services assigns these to the vehicles. As long as the VIN number can be entered within the fixed asset record and that information can be printed out on inventory sheets, we will always have an identifier for vehicles that will then allow for subsequent inventory verification.*
- b) *An evaluation will be done to determine the best course for managing the fixed asset by October 2010.*
- c) *Refer to (a) above*

FINDING 11.

Condition

The CAO found a lack of internal control procedures for departments to pick up new vehicles; and "in service dates" and retirement dates were inaccurate.

Criteria

The "Replacement Plan Data Unit Evaluation by Class" report should accurately reflect the date each vehicle or piece of equipment is placed in service as well as the life cycle and number of months each unit has been in service.

Under the COSO framework component 1.6 "Assignment of authority and responsibility", Limits of authority, approval processes, control over management overrides, delegations of authority, accountability measures, responsibility matrices are a standard elements of the internal control environment.

Additionally, under the COSO framework component 3.3 "Actions by direct functional or activity management", secondary reviews are a standard element of the internal control environment.

Cause

There is a lack of controls regarding receipt of new vehicles by each department. The "in service dates" are not reviewed/updated in a timely manner.

Impact

Vehicle usage is not being maximized under the current prescribed life-cycle standards. Also, vehicles may be misappropriated, and inaccurate system information regarding the dates in which vehicles or equipment are placed in service can effect replacement decisions.

Recommendation

To ensure that vehicles and equipment are replaced at the appropriate time, the City Manager should require the Director of Parking and Fleet Services to:

- a) Implement a form requiring an individual's signature acknowledging receipt of equipment, keys for a new vehicle, and the date placed in service. This source document would then be used for updating the system "in service date" and calculating the retirement date.
- b) Design controls for proper receipt of new vehicles by respective departments.

Management Response:

- a) *Implemented: A new process whereby Fleet Services obtain the signature of the person picking up a new vehicle. The signature will be affixed to the "Fleet Services Vehicle Report" form that is filed in the Fleet Services office in the vehicle file which will represent the "in service date".*
- b) *Implemented: A new vehicle checklist has been prepared and will require department signage to have vehicle released from Fleet Services.*

FINDING 12.

Condition

As noted in the annual financial audit by Ernst & Young (E&Y) the Finance Department does not conduct an annual reconciliation of the Fleet inventory and other capital assets to the City's general ledger.

Auditor Note: The Single Audit and Management Letter published by Ernst and Young for years ended 9/30/2007 and 9/30/2008 included prior year findings "Capital Assets -

Physical Inventory", "The City did not perform a physical inventory during the last three fiscal years." Additionally, The CAO noted that the 2005 Internal Audit (Audit Report# 04/05 -XX-02) recommended that an annual physical inventory of Fleet vehicles be conducted to verify the existence of vehicle assets and accuracy of inventory records.

Criteria

Under the COSO framework component 3.1 "Responses that reduce or share specific risks", reconciliations; and component 5.3 " Reporting and correcting deficiencies in controls", status reporting on audit and other reviews are standard elements of the internal control environment.

Cause

The City has not devoted sufficient resources to implementation of an adequate asset and property control system nor conducted annual capital asset reconciliations, per longstanding internal and external audit recommendations.

Impact

Failure to perform a physical inventory of the City's capital assets may result in theft of assets going undetected.

Recommendation

The City Manager should require the Finance Director to conduct an annual reconciliation, in conjunction with department directors, specifically including Fleet Services Division, to account for all capital assets.

Management Response:

Finance is in the process to migrate all fixed assets from the current EXCEL format to the FAMIS fixed asset module. Once this system is in place, verification of all assets including those under Fleet Services will begin. A process will also be implemented to conduct an annual reconciliation.

Objective 5

To determine whether the Fleet Services Division is effectively securing and managing fuel supplies.

FINDING 13.

Condition

Adequate controls are not in place to safeguard the City's fuel supply.
Discrepancies are noted below:

- When fueling, accurate odometer readings are not being entered.
- Vehicle fuel usage does not seem to correlate to the mileage driven, or vehicle fuel tank capacity.

- Numerous anomalies were noted in review of Fleet Services' Division Monthly Fuel Reports.
- Additional security measures have not been implemented.
- Well-defined policies do not seem to be in place to ensure a uniform review of fuel usage.

Criteria

Under the COSO framework component 3.2 "Responses that prevent or detect the risk of intentional or unintentional errors", controls to ensure complete, accurate, authorized, timely and safeguarded transactions; component 5.3, " Reporting and correcting deficiencies in controls", fraud reporting and investigation mechanisms are standard elements of the internal control environment.

Cause

Adequate controls have not been instituted to monitor and track fuel and vehicle usage.

Potential causes include:

- Adequate controls have not been put in place to verify proper odometer readings have been entered by employees when fueling their vehicles.
- Potential violation of PSM 8.1.5.1 on vehicle idling.
- A uniform fuel usage policy is not being adhered to.
- Additional security measures have not been implemented, such as installation of cameras at City fueling stations.

Impact

Failure to properly safeguard the City's fuel supplies may result in employee misconduct, including fraudulent activities, and could damage the City's reputation. Also, costs associated with fuel requirements and usages are not being accurately determined and thus the financial impact to the City is indeterminable.

Recommendation

The City Manager should require fuel-using departments to:

- a) Conduct training on fuel usage and reviewing of fuel reports for department director's and department budget coordinators.
- b) Conduct monthly reviews of departmental fuel reports and identify variances in fuel usage.
- c) Develop a mechanism for ensuring compliance with PSM 8.1.5.1, Fleet Vehicle and Equipment Idling Policy.

The City Manager should require the Director of Parking and Fleet Services to:

- d) Install cameras at fuel pumps for additional security and monitoring of fuel usage.
- e) In addition, the Fleet Services Division is currently evaluating new GPS technologies that would mitigate some of the aforementioned risks, including electronic odometer readings as well as vehicle and fuel tracking. Hence, the

CAO recommends that the Director of Parking and Fleet Services finalize an agreement with the GPS vendor and roll out the new technology fleet-wide.

Management Response:

- a) *A training session for city personnel involved with fuel usage reports will take place at the July 2010 Fleet User Meeting. In addition, Staff is working with Information System to add additional columns of information that will aid the departments in better managing the fuel use. Staff is working with all departments to provide a policy and procedure in which the fuel use is properly managed. Staff's goal is to have this policy in place by FY10/11.*
- b) *Fuel usage reports are prepared and distributed monthly to departments to review and identify variances. March's 2010 Fleet User meeting, departmental liaisons were reminded of the importance of properly managing the fuel reports. Procedures for verification of this process will be part of the policy and procedures that will be covered in July's training.*
- c) *A portion of the Sustainability Grant funds will be used to install GPS tracking equipment on City vehicles that will enable supervisors to monitor engine idle operation of their vehicles. Completion by December 2010.*
- d) *A plan is being implemented to add video monitoring cameras to the fuel stations at Central Yard and 38th Street. This is being evaluated with the current budget.*
- e) *The new vehicles ordered this year will include a device that will electronically identify the vehicle being fueled and record the odometer reading. In addition, when the Sustainability Grant funds are received, additional devices as referenced above will be installed on as many vehicles as funds allow.*

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