

OFFICE OF AUDITS & ADVISORY SERVICES



FLEET MANAGEMENT

FINAL AUDIT REPORT

Chief of Audits: Juan R. Perez
Senior Auditor: Lindsey Heeszal, CPA, CIA, CFE
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County of San Diego

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HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

April 8, 2013

TO: April Heinze, P.E., Director
Department of General Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: FLEET MANAGEMENT

Enclosed is our report on the Fleet Management Audit. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Lindsey Heeszel at (858) 495-5576.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:LH:aps

Enclosure

- c: David Estrella, Deputy Chief Administrative Officer, Community Services Group
- Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
- Donald Turko, Director, Department of Human Resources
- Kaye Hobson, Group Finance Director, Community Services Group

INTRODUCTION

Audit Objective

The Office of Audits & Advisory Services (OAAS) completed an audit of Fleet Management. The objective of the audit was to determine the effectiveness and efficiency of fleet operations, Countywide. OAAS also verified whether the previous recommendations outlined in the S09-002, Assessment of County Fuel Program – Special Advisory Report (issued in February 2009), and the A10-038, Department of General Services – Procurement Card Program Audit Report (issued July 2010) were implemented.

Background

Fleet Management (Fleet) is a division of the Department of General Services which owns and operates approximately 3,900 vehicles and mobile equipment (vehicles). Fleet provides vehicle services for all County owned vehicles, including those not purchased through the Fleet Management Internal Service Fund (ISF). These services include: acquisition, assignment, outfitting, preventative maintenance, repair, fueling, environmental compliance, inventory, and disposal.

Fleet has three business units: Acquisition, Maintenance, and Contracts and Compliance. The Acquisition business unit is responsible for acquisitions, assignments, inventory, and disposals of all County owned vehicles. The Maintenance business unit is responsible for preventative maintenance and repairs, and the Contracts and Compliance business unit is responsible for fuel management, contracts, and environmental compliance of all County owned vehicles. Each business unit is managed by a Fleet Coordinator.

Fleet currently uses the fourth version of the Fleet Asset Management Information System (M4). This application is used for tracking and managing most aspects of fleet management, including vehicle assignments, work orders, maintenance and repair costs, parts inventory, utilization, etc.

Each department with assigned vehicles has a Vehicle Coordinator. The Vehicle Coordinators' responsibilities include working with the Fleet Coordinator to identify and request vehicle replacements, vehicle requirements, and vehicles ready for disposal. Vehicle Coordinators are responsible for monitoring repair and maintenance costs and fuel usage to ensure expenditures remain within their department's budget. They are also responsible for tracking personal vehicle assignments and parking locations, and reporting this information to Fleet.

Prior OAAS Engagements

Since 2009, OAAS has completed two engagements associated with Fleet Management:

- In February 2009, OAAS issued the S09-002, Assessment of County Fuel Program – Fleet Management Special Advisory Report (SAR). The SAR identified one finding and two recommendations related to the Voyager Fleet Card (VFC) Program and Fuel Focus system (FOB).



- In July 2010, OAAS issued the A10-038, Department of General Services – Procurement Card Program Audit Report. The objective of that audit was to determine whether internal controls were adequate to ensure that items purchased via procurement card (P-Card) for the repair and maintenance of vehicles were valid, authorized, managed, safeguarded, and accounted for properly and completely. That audit identified 6 findings and 14 recommendations.

Implementation status for the engagements can be found in Appendices A and B.

Audit Scope & Limitations

The scope of this audit was limited to only those procedures within Fleet's control, with the exception of testing performed on County vehicles exceeding the posted speed limit and take-home vehicle approvals. The audit scope excluded preventative maintenance, repairs, and contracting procedures.

Methodology

OAAS performed the audit using the following methods:

- Examined policies and procedures related to Fleet and mapped key processes to obtain an understanding of the business processes.
- Assessed the risks to achieving Fleet's key objectives, independently and in coordination with Fleet's management.
- Interviewed key personnel on policies, procedures, and processes relevant to the areas being reviewed.
- Conducted specific audit procedures (e.g., walkthroughs, interviews, document inspections, reconciliations, and data analytics) on the following:
 - Vehicle procurement.
 - Vehicle disposal.
 - Take-home vehicle approvals.
 - County employees speeding in County owned vehicles.
 - Vehicle inventory listings in M4 and Oracle.
 - Fees charged to vehicles purchased outside the Fleet Management ISF.
 - M4 user access rights.

OAAS conducted prior engagement follow-up activity using the following methods:

- Reviewed recommendations and corresponding findings identified in the S09-002 and A10-038 Reports.
- Validated through observation, inspection of records, and data analysis that recommendations had been implemented.

AUDIT RESULTS

Summary

Within the scope of the audit, there is reasonable assurance that Fleet operations are generally effective and efficient. However, a significant risk was identified with regard to employees speeding in County owned vehicles, and improvement opportunities were identified in the areas of M4 user access rights and timeliness of vehicle procurement.

Finding I:

Policy Regarding Employees Speeding in County Vehicles Needed

The County does not have a specific policy regarding employees speeding in County vehicles. However, the County does have a policy which requires employees who are operating a County vehicle to be in possession of a valid California driver's license and comply with California Vehicle Code.

Approximately 430 of the 3,900 County owned vehicles are equipped with Global Positioning System (GPS) devices that alert management when a vehicle is speeding. Using GPS reports, OAAS noted the following occurrences in a 30 day period:

- Nine vehicles reached speeds in excess of 90 miles per hour a total of 13 times.
- County vehicles reached speeds of 85 miles per hour or more over 100 times.
- County vehicles reached speeds of 80 miles per hour or more over 650 times.
- County vehicles reached speeds of 75 miles per hour or more over 2,900 times.

In many instances, management also receives these speeding alerts. However, there is no specific policy to direct management on what they can and should do in these situations. As a result, County employees are speeding in County vehicles with management's knowledge and with no clear disciplinary consequences. Additionally, the County's liability is significantly increased if an employee with a record of speeding with management's knowledge is involved in an accident resulting in one or more injuries.

There should be controls in place to prevent employees from violating the California Vehicle Code, detect such violations, and outline disciplinary steps for noncompliance.

Recommendation:

1. Human Resources Management should develop and implement a policy that explicitly states what is expected of individuals driving County vehicles, including following posted speed limits, and what a manager should do if an employee does not follow the policy.

2. Fleet Management should train Vehicle Coordinators on the new policy and require that the Vehicle Coordinators train their respective department.

Finding II:

Improper M4 User Access Rights

User access rights are customized on a role and individual basis. M4 also allows wildcards to be used when designating what screens a user can have access to. OAAS noted that many individuals had access to screens which should be restricted to them. The most notable conflicts included:

- Five individuals that are either retired or have transferred to a position that does not require M4 access had M4 access.
- Seven individuals had unlimited access to M4.
- Four Fleet Technicians and one Student Worker had Fleet Team Leader access.
- There are 17 individuals who had access to adjust parts inventory.
- Some individuals with the Combined Administration role had unlimited access to work orders, billing, labor, fuel, parts inventory, motor pool, vehicle inventory, and commercial repair screens.

When individuals need additional access, the M4 administrator would often give them access to all related screens using wildcards rather than only giving access to the specific screens needed.

Each user should only have the access rights necessary to perform their duties. However, many fleet and non-fleet employees had access to make changes that should be restricted based on their responsibilities. As a result, Fleet is more likely to rely on inaccurate information and is more susceptible to misconduct. During the audit, we did not note any misconduct.

In the course of the audit, all identified issues were corrected by Fleet Management.

Recommendation:

Fleet is planning to upgrade the M4 system to M5 in March 2013. Going forward, Fleet should:

1. Assign the user access administrator role for M5 to Information Technology personnel.
2. Ensure that the Information Technology personnel in charge of user access rights develop the proper rights independently rather than using the existing setup as a starting point.

Finding III:

Timeliness of Vehicle Procurement Process Could be Improved

It often takes more than a year from the date a vehicle is ordered to the date it is ready for the requesting department. As a result, departments

sometimes have to decide whether to perform expensive repairs on an older vehicle or to be short a vehicle while waiting for their new vehicle.

Per Fleet, delays in the procurement process in some cases are outside of Fleet control. However, there are many steps in the procurement process that will increase the procurement timeline if delayed. OAAS selected two typical vehicles, one with limited outfitting and one with extensive outfitting, to perform a walkthrough of the procurement process. OAAS noted multiple process delays, the most notable of which included:

- Requisition preparation took between one and three months for the two vehicles.
- On average, it took one month for the vehicle to be inspected to determine whether it met all specifications.
- The parts for outfitting were not ordered until after the vehicle was delivered to fleet, causing the process to be on hold while waiting for parts.
- For one of the vehicles, the outfitting performed in the County garage took approximately 2½ months for a 12¾ hour task.
- On average, it took 3½ weeks to open a work order that notifies the garage that a pre-delivery inspection is needed.
- For one vehicle, it took approximately three weeks to perform the pre-delivery inspection, which takes approximately four hours.
- For one vehicle, it took approximately three weeks to notify the department that the vehicle was ready to be picked up.

OAAS also noted one vehicle that had been waiting for a pre-delivery inspection for five months at the time the fieldwork for this step was completed. This vehicle was not part of the testing sample.

Fleet has a detailed spreadsheet to track the timeliness of each step in the procurement process. However, this spreadsheet is not being populated or used. This spreadsheet should be used and monitored to assist Fleet with procuring vehicles in a timely manner. Additionally, the County garage performs pre-delivery and other non-maintenance related inspections as they have free time. The garage should treat these inspections with the same level of priority as all other non-emergency work.

Recommendation:

To reduce the amount of time needed to procure a vehicle, Fleet should:

1. Complete their existing procurement spreadsheet for each vehicle during the procurement process.

2. Monitor the tracking spreadsheet and work orders to ensure that the process is not unnecessarily idle.
3. Treat non-maintenance related inspections with the same level of priority as all other non-emergency work.
4. Consider ordering outfitting parts before the vehicle is delivered.

FOLLOW-UP AUDIT RESULTS

Summary

Of 16 prior recommendations outlined in S09-002 and A10-038, the Department of General Services has implemented 14 recommendations; 1 partially implemented and 1 remaining open.

S09-002 Follow-up:

Of two recommendations outlined in S09-002, one had been implemented, while one remains open, as summarized in Table 1. See Appendix A for additional details.

Table 1: S09-002 Audit Report Recommendations and Status

Original Recommendation	Implementation Status
1. Consider issuing general guidance for setting policy and monitoring compliance.	Implemented
2. An audit should be conducted no sooner than one year after improvements are made to the current fuel program.	Open

A10-038 Follow-up:

All of the 14 recommendations outlined in A10-038 have been implemented by the Department of General Services as summarized in Table 2. See Appendix B for additional details.

Table 2: A10-038 Audit Report Recommendations and Status

Original Recommendation	Implementation Status
1. Establish adequate segregation of duties.	Implemented
2. Develop and implement written departmental policies and procedures for inventory control activities.	Implemented
3. Identify key activities or transactions related to parts inventory that directly affect inventory balances.	Implemented
4. Ensure that these activities are properly authorized and documented.	Implemented
5. Develop and implement written departmental policies and procedures for inventory transactions.	Implemented



Original Recommendation	Implementation Status
6. Safeguard parts inventory by limiting and controlling physical access to inventory.	Implemented
7. Ensure that parts inventory is counted on a periodic basis.	Implemented
8. Document, research, and correct inventory variances.	Implemented
9. Restrict the ability to adjust inventory quantities.	Implemented
10. Develop and establish policies and procedures regarding property disposal and salvage.	Implemented
11. Ensure adequate documentation is completed and maintained for property disposed of and salvaged.	Implemented
12. Enforce P-Card requirements.	Implemented
13. Ensure that the AO conducts a thorough review and validation of P-Card documentation before invoice payment approval.	Implemented
14. Consider re-training card holders and the AO to ensure that P-Card requirements and responsibilities are clearly understood and followed.	Implemented

Office of Audits & Advisory Services

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APPENDIX A**Implementation Status of Prior SAR Recommendations S09-002**

Finding	Recommendation	Status
Fleet Management does not provide sufficient and appropriate guidance to County Departments outlining their responsibility for controlling, managing, and monitoring compliance within the fuel program.	1. Fleet Management should consider issuing general fuel guidance outlining responsibility for setting policy and monitoring compliance within departments.	Implemented.
	2. An audit should be conducted no sooner than one year after improvements are made to the current fuel program to allow for changes to be implemented and sufficient data to be available for review.	Open (one year has not passed since issuance of the Commercial Fuel Credit Card Manual).

APPENDIX B**Implementation Status of Prior Audit Recommendations A10-038**

Finding	Recommendation	Status
I. Lack of Segregation of Duties Related to Fleet Parts Inventory Activities.	<p>In order to reduce the risk of inappropriate activities, Fleet management should:</p> <ol style="list-style-type: none"> 1. Establish adequate segregation of duties. At a minimum, the key incompatible duties to be segregated are: <ul style="list-style-type: none"> • Custody of parts inventory. • Authorization or approval of related transactions affecting parts inventory (ordering and receiving parts inventory). • Recording or reporting of related transactions. 	Implemented
	<ol style="list-style-type: none"> 2. Develop and implement written departmental policies and procedures for inventory control activities. Staff must be trained on departmental policy and procedures to promote consistency of operations, delineate segregation of duties, and to assist employees understanding their roles and responsibilities. 	Implemented
II. Lack of Management Oversight of Key Inventory Activities.	<p>In order to improve management oversight of key inventory activities, Fleet management should:</p> <ol style="list-style-type: none"> 3. Identify key activities or transactions related to parts inventory that directly affect inventory balances. 	Implemented
	<ol style="list-style-type: none"> 4. Ensure that these activities are properly authorized and documented before they are performed by staff. 	Implemented
	<ol style="list-style-type: none"> 5. Develop and implement written departmental policies and procedures that outline inventory related transaction authorization requirements. 	Implemented

Finding	Recommendation	Status
III. Inadequate Physical Security over Property Susceptible to Loss or Theft.	6. In order to enhance physical security over inventory items susceptible to loss or theft, Fleet management should properly safeguard parts inventory on hand by limiting and controlling physical access to inventory.	Implemented*
IV. Lack of Inventory Data Integrity.	In order to maintain high levels of data accuracy and to prevent unauthorized data modification, Fleet management should: 7. Ensure that parts inventory is counted on a periodic basis in accordance to County policy.	Implemented
	8. Properly document, research, and correct variances found between recorded and actual inventory quantities.	Implemented
	9. Restrict the ability to adjust inventory quantities within M4.	Implemented
V. Supporting Documentation for Salvaged Assets was Missing.	Fleet management should establish sufficient internal controls over the salvage and disposal process including: 10. Developing and establishing policies and procedures regarding property disposal and salvage.	Implemented
	11. Ensuring that adequate documentation is completed and maintained for property disposed of and salvaged, including management review and approval.	Implemented
VI. Non-compliance with P-Card Manual.	In order to establish compliance with the P-Card Manual, Fleet management should: 12. Enforce P-Card requirements, including the submission of complete P-Card packages to the Approving Official (AO) for approval.	Implemented

Finding	Recommendation	Status
	13. Ensure that the AO conducts a thorough review and validation of P-Card documentation before invoice payment approval.	Implemented
	14. Consider re-training card holders and the AO to ensure that P-Card requirements and responsibilities are clearly understood and followed.	Implemented

*Fleet partially concurred with this recommendation and proposed an acceptable action plan. Fleet implemented their action plan as outlined in the department response section of the A10-038 Report.

DEPARTMENT'S RESPONSE



County of San Diego

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Director
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April 3, 2013

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APR 04 2013

TO: Juan R. Perez
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: April F. Heinze, P.E., Director
Department of General Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: Fleet Management

Finding I: Policy Regarding Employees Speeding in County Vehicles Needed

OAAS Recommendation:

1. Human Resources Management should develop and implement a policy that explicitly states what is expected of individuals driving County vehicles, including following posted speed limits, and what a manager should do if an employee does not follow the policy.
2. Fleet Management should train Vehicle Coordinators on the new policy and require that the Vehicle Coordinators train their respective department.

Action Plan:

1. Human Resources-Labor Relations is in the process of negotiating a provision into Memoranda of Agreement (MOA) with County employee organizations which will clarify that violating posted speed limits while driving a County vehicle is subject to the County disciplinary process. Once the negotiations process is completed, Human Resources Management will issue a policy which clarifies the responsibility of employees to observe posted speed limits as well as what managers should do if an employee does not follow this policy.
2. DGS Fleet Management personnel will train Department Vehicle Coordinators on the requirements and their responsibility to train their employees regarding their responsibilities when driving a County vehicle.

Planned Completion Date:

1. Completion anticipated by the end of September 2013.
2. Within 90 days of the policy's completion.

Contact Information for Implementation:

1. Don Turko, Director, Department of Human Resources
2. Sharyl Blackington, Manager, Fleet Operations, Department of General Services

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Juan R. Perez, Chief of Audits
April 3, 2013
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Finding II: Improper M4 User Access Rights

OAAS Recommendation:

Fleet is planning to upgrade the M4 system to M5 in March 2013. Going forward, Fleet should:

1. Assign the user access administrator role for M5 to Information Technology personnel.
2. Ensure that the Information Technology personnel in charge of user access rights develop the proper rights independently rather than using the existing setup as a starting point.

Action Plan:

1. Information Technology personnel are solely responsible for the system administrator role of the Fleet Management Information System (M5). This transfer was made concurrent with activating M5.
2. Information Technology personnel established new user access based on job duties and responsibilities during development of the M5 activation.

Planned Completion Date:

1. Action Plan is complete
2. Action Plan is complete

Contact Information for Implementation: Kimberly Martindale-Leal, DGS IT Manager

Finding III: Timeliness of Vehicle Procurement Process Could be Improved

OAAS Recommendation:

To reduce the amount of time needed to procure a vehicle, Fleet should:

1. Complete their existing procurement spreadsheet for each vehicle during the procurement process.
2. Monitor the tracking spreadsheet and work orders to ensure that the process is not unnecessarily idle.
3. Treat non-maintenance related inspections with the same level of priority as all other non-emergency work.
4. Consider ordering outfitting parts before the vehicle is delivered.

Action Plan:

1. Staff assignments were realigned to provide sufficient resources for improving the timeliness of data entry.
2. Amend vehicle procurement spreadsheet to track status by vehicle rather than by requisition. Spreadsheet will also be modified to include additional tracking information for increased monitoring by management.
3. Vehicle pre-delivery inspection and outfitting reports are now reviewed weekly by the Fleet Coordinators to increase focus on timeliness.



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4. Vehicles are requisitioned to include outfitting as a part of the initial purchase when practical. In addition, parts requirement and ordering will be linked to the vehicle delivery schedule.

Planned Completion Date:

1. Action Plan is complete
2. To be completed by May 30, 2013
3. Action Plan is complete
4. To be completed by May 30, 2013

Contact Information for Implementation: Sharyl Blackington, Manager, Fleet Operations

The response to the Findings I audit recommendations was coordinated with the Department of Human Resources.

If you have any questions, please contact me at (858) 694-2527.

A handwritten signature in black ink that reads "April F. Heinze".

APRIL F. HEINZE, Director
Department of General Services

Handwritten initials "fhr" in black ink.

cc: Don Turko, Director, DHR