GARLAND

INTERNAL AUDIT

Fleet Services Procurement & Accounts Payable

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Report 201606

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Overall Conclusion

The Fleet Services Department is in compliance with City Directives and Local Government Codes. However IA is recommending additional controls be put in place in the procurement of commercial vendors to enhance opportunities for Historically Underutilized Businesses (HUBs) and new vendors to do business with the City. A billing issue was also noted based on incorrect account codes in the Fleet system. Additional opportunities for efficiency were identified for the vehicle procurement process and the inspection and registration process. Finally, an opportunity for the City to save money on toll charges was identified.

Management was also provided with additional Opportunities for Improvement to enhance internal controls. These were not considered significant to the objectives of the audit, but warrant the attention of Management. Consequently, they do not appear in this report.

Authorization

We have conducted an audit of the Fleet Services Department's Procurement and Accounts Payable Process. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objectives

The objectives of this audit were to:

Objective 1: Ensure Fleet is in compliance with City Directives and Local Government Code Chapter 252.

Objective 2: To determine the reliability and accuracy of billing, expenditures, tracking and reporting for Fleet payments, and accountability of goods and services procured.

Objective 3: To determine if the vehicle inspection and registration process and toll process can be improved.

Scope and Methodology

IA conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the audit is October 1, 2013 to January 31, 2017, with some trend analyses dating back to FY12. IA excluded purchases from the City's parts vendor because this was audited previously and the process had not changed. Similarly, fuel purchases were excluded

because fuel inventory is tested annually, fuel is purchased through an interlocal agreement, and IA comparison of City fuel spending and local fuel prices per gallon did not indicate any deviations that warranted further investigation.

Finally, IA did not audit the Equipment Replacement Fund (ERF) because the Fleet Services and Budget departments are in the process of changing the procedures used for tracking it. Similarly, IA did not audit the calculations of the fleet flat rate.

To adequately address the audit objectives and to describe the scope of our work on internal controls, IA performed the following:

- Performed an overview trend analysis of Fleet spending (Obj. 2);
- Conducted interviews with Fleet personnel, Purchasing personnel, and Finance personnel (Obj. 1, 2 & 3);
- Obtained copies of City Directives, Local Government Code, State Law, and information from the State Comptroller's Office and determine if purchasing practices are in compliance and follow best practices (Obj. 1);
- Obtained information from the City Attorney's office regarding Fleet's use of the unforseen clause in Local Government Code Chapter 252 (Obj. 1);
- Compared Fleet purchasing practices with surrounding cities (Obj. 1);
- Compared Fleet inspection and registration practices with surrounding cities (Obj. 3);
- Reviewed a sample of reports that are regularly compiled and perform data reliability testing (Obj. 2);
- Inquired about the process of tracking, verifying, and authorizing invoices for payment (Obj. 2);
- Traced samples of goods and services purchased from bid process if applicable to completion of work or addition to inventory (Obj. 2);
- Tested for duplicate charges made for commercial services (Obj. 2);
- Reviewed departmental billing and payment for direct-bill items and tracking of preventative maintenance (flat-rate) items to ensure appropriateness (Obj. 2);
- For a sample of purchases, determined if proper approval was obtained (Obj. 1);
- Determined if inspection and registration process efficiency can be improved (Obj. 3);
- Reconciled items purchased with bids, contract prices, and items replaced (Obj. 1 & 2);
- Reviewed a sample of Fleet vendors to determine if Historically Underutilized Businesses (HUBs) are being utilized (Obj. 1);
- Reviewed HUBs in Dallas County to determine if there are HUBs which Fleet should consider using (Obj. 1);

- Performed an analysis of Fleet commercial services by planned and unforseen (Obj. 1);
- Performed an analysis of which City Vehicles are using toll roads in Grand Prairie/Irving (Obj. 3);
- Performed a review of P-card records to determine which City Departments may have independent toll tag accounts (Obj. 3);
- Reviewed the vehicle replacement process to ensure objective criteria are consistently utilized (Obj. 1);
- Inquired with a sample of departments to determine if vehicles are purchased timely, according to departmental specifications, and without bias (Obj. 1)
- Inquired with Purchasing, Fleet, and Budget to determine if purchasing process can be made more efficient (Obj. 2)

To ensure data reliability, several sources of information were reconciled and compared, including the Fleet system, the Finance system, the P-card system, vendor invoices, and physical inventories. In addition, several knowledgeable individuals were interviewed in the Fleet Services, Purchasing, Budget, and Finance departments. As a result of our testing, IA determined that all the above data were sufficiently reliable for the purposes of this report.

Based on the audit work performed, any deficiencies in internal control that are significant within the context of the audit objectives are stated in the Opportunities for Improvement Section on page 7.

Background

"The Fleet Services Department is responsible for the acquisition, maintenance, and disposal of City vehicles and heavy equipment. As an internal service fund, Fleet Services recovers its costs through charges to other City departments. Fleet Services bills user departments based on an annual billing structure that is, in part, tied to actual maintenance costs incurred during the previous year." [1]

As of January 2017, the Fleet Services Department is responsible for 1,791 pieces of equipment, [2] including cars, trucks, fire engines, bucket trucks, generators, forklifts, sign boards, and other equipment which allows the City to continue to function.

The City's Fleet Services Department is able to handle general maintenance and upkeep of the City's vehicles, utilizing the City's in-house parts vendor. However there are a few types of repairs that are not performed in-house, including glass repair, transmission, and body work. [3] These are sent to outside shops and referred to as commercial vendors. Fleet Services has several vendors it utilizes based on past experience and quality of work. [3]

The funding for the repair and maintenance of the City's fleet comes from a fleet flat rate, which is billed to City departments monthly. This is adjusted annually by the Fleet Services

and Budget departments, based on the costs incurred the previous year compared to the amounts contributed by the departments.

Retained vehicles make up 74 pieces (4%) of the City's fleet. [2] Retained vehicles are vehicles that are kept operating in the City's fleet after a replacement vehicle is purchased and placed in service. Vehicles are retained only with approval by the department's Assistant City Manager, and are designated separately in the Fleet system with an R in the vehicle life-cycle status. [3]

The repairs and maintenance of retained vehicles, grant-funded vehicles, and non-motorized equipment (such as trailers) are not funded through the fleet flat rate. [3] Instead, these are directly billed to the department in the month in which the work order is closed. Departments can also obtain extra supplies (such as grease) from the Fleet Services Department. These are included in the direct monthly billing. [4]

Annually, Fleet Services Department generates a report from the Fleet system based on the age and mileage of the vehicle to begin the vehicle replacement process. [4] This list includes Equipment Replacement Fund (ERF) funded vehicles and Capital Improvement Program (CIP) funded vehicles. The list is then sent to City departments to review. Departments may remove or add vehicles to the replacement list at this time. The final vehicle replacement list is then reviewed by the Fleet Services Director. [3] A final determination is made by the Fleet Services Director which vehicles are to be replaced, based on departmental request, physical evaluation, the current condition of the vehicle, and the maintenance history of the vehicle. The Budget Department then verifies how vehicles are funded. [5] The Fleet Procurement & Project Coordinator then works with each department to determine the needed specifications of the replacement vehicle, and determine if it is a "like and kind" replacement. Any upgrades not considered "like and kind" must be funded by the department. [3]

The majority of the City's ERF replacement vehicles are purchased via a cooperative, buyboard, or interlocal agreement which have already been bid out for the best price, in lieu of obtaining bids as a City. This allows the City to leverage economies of scale where possible. The Fleet Procurement & Project Coordinator searches available contracts and provides this information to Purchasing for verification and approval. A Purchase Award Recommendation Form is completed and signed by Purchasing, Budget, and Fleet Services. [6] This form is also approved by the appropriate signatory authority, often the Assistant City Manager or City Council. The vehicle is purchased by the Fleet Services Department, but the titles are held by the Purchasing Department.

Fleet Services is also able to perform the inspections of vehicles. However due to Texas' "Two Steps One Sticker" policy which went into effect March 1, 2015, [7] Fleet Services has had to coordinate with Purchasing to handle the inspection and registration of City vehicles and the replacement of plates. [3, 8] This involved getting the City vehicle in for inspection, and notifying the Purchasing department once the inspection had been completed. A representative from the Purchasing department then had to go to the County Office and register the vehicle, and get the sticker to the Fleet Services Department. The Fleet Services Department then had to get the vehicle back in to affix the sticker. Purchasing and Fleet

Services were also coordinating to replace City license plates every 7 years, which involved a Purchasing representative physically taking used plates to the Dallas County office, but as of December 2016, we were notified the City's exempt vehicles will no longer have to replace the license plates. [9]

Finally, the Fleet Services Department has been handling the City's toll fees. [4] Some departments had set up individual toll tag accounts, which were generally charged to a departmental P-card. However this caused some difficulties when the individual left and the P-card was cancelled. [3] However most City vehicles were utilizing toll services without a toll tag. For expediency, in the past, Fleet Services was asked to simply pay the toll bills. However as the number of toll roads in the area have increased, the City's usage of the toll roads has increased, resulting in dozens of toll bills each day. [3,4] The City does not have an explicit policy regarding usage of local toll roads or toll tags. [2] However the use of toll tags could save the City considerable money over time. [10] This does not include the use of the toll roads by emergency vehicles including fire department, police and ambulances among others; these vehicles qualify for exempt toll tags and do not pay a fee for using toll roads. [11]

Sources:

1. City of Garland 2015-16 Annual Operating Budget

2. IA research and calculation

3. Fleet Services Director

4. Fleet Services Budget Analyst

5. Budget Analyst

6. Purchasing Senior Buyer

7. Texas Department of Motor Vehicles website www.twostepsonesticker.com

8. Director of Procurement

9. Director of Motor Vehicles for Dallas County

10. NTTA Director of Government Affairs

11. Texas Transportation Code §541.201 available at http://www.txdot.gov/inside-txdot/division/toll-operations/exemptions.html

Management Accomplishments*

The Fleet Services Department has worked diligently to improve and streamline our processes wherever possible in keeping with our mission to purchase, repair, maintain and sell the vehicles and equipment of the City of Garland in the most cost effective way. We implemented new hours to optimize our service level. We are continuously trying to improve our management information systems. We have improved our maintenance schedules in our fleet software to better reflect the changing makeup of the City's fleet. We have also improved the accuracy of our costing methods. The improved information allows us to make more accurate forecasts of our future needs. To further enhance our system and integrate it with our operations, we have moved to a web based system, installed wireless equipment in both the Auto and Heavy Equipment shops and purchased laptops for Fleet mechanics. This allows our mechanics to order parts from their laptops in their work areas and enables them to log their labor in real time. This web-based system also makes our operations more efficient by allowing us to go to a paperless work order system.

We've also improved and upgraded our fuel management software. We have begun using a fuel management software system in all of our newer vehicles. The fuel management software system can automatically tell if it is a City vehicle when an employee inserts the nozzle in the tank, eliminating the need for an employee to enter information on the key pad. The fuel management software system also automatically reads the odometer of the vehicle, ensuring that the meter is entered accurately. We use the meter information to schedule maintenance and to determine when to replace equipment. The fuel management software system helps us by ensuring more accurate meter readings than having the operator enter it manually, and helps our employees by making it easier and taking less time to fuel the vehicles.

Our customer service surveys have shown increasing levels of satisfaction. We feel this is a reflection of our continual effort to improve our turnaround times and the quality of our work.

*Please note that "Management Accomplishments" are written by the audited entity and that Internal Audit did not audit or verify its accuracy.

Opportunities for Improvement

During our audit we identified certain areas for improvement. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

FINDING # 1 – Fleet Procurement Process (Obj. 1)	
CONDITION (THE WAY IT IS)	• Commercial services for Fleet Services are sent out without a competitive bid process. Fleet Services Management states they utilize a few shops that have shown quality and value in their work over the years, and this is done based on availability of the vendors. • Fleet Services Management states a rotation is used to distribute work evenly between the shops; however there is not a written list or policy in place. IA notes that in calendar year 2016, between the two primary body shops used by Fleet Services, one body shop received 44 more work orders, and $5,066.76 (3%) more was spent there. • Legal waivers and documentation (ex: proof of insurance, indemnification, hold harmless, and defense clauses, non-collusion and non-bribery clauses) are not obtained, verified, nor retained. • Some of work orders for commercial services exceed the $3,000 threshold above which the City is required to perform due diligence in searching for HUBs for planned purchases. Refer to Exhibit B for additional detail.
CRITERIA (THE WAY IT SHOULD BE)	The City's Purchasing Directive, Section 4.2.2. states: "Purchases Greater than $3,000 - Purchasing Department Buyers shall comply with the procedures set for this in Chapter 252 of the Texas Local Government Code regarding competitive bidding in relation to HUB vendors. Buyers will access the State Comptroller's Centralized Master Bidder's List for identifying HUB vendors." However Local Government Code, Section 252.022 (a)(3) states: "This chapter does not apply to an expenditure for: a procurement necessary because of unforeseen damage to public machinery, equipment, or other property." Commercial repairs for services outside of warranty, and outside of preventive maintenance performed by the Fleet

	Services Department, are unforeseen in nature as caused by unexpected collisions, windshield cracks, flat tires, etc.

The City's Purchasing Directive, Section 4.5.3.1. states that in the case of an emergency procurement, "If insurance is required, proof of insurance must be obtained from the vendor as soon as possible, preferably before work begins."

The City's Purchasing Directive, Section 6.1.2 states: "Contractual agreements must contain a provision that transfers the risk of the project from the City to the contractor."

The addition of language including non-collusion and non-bribery is a leading practice recommended by the City Attorney. |
| **CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)** | According to the Fleet Services Director, the department has moved away from competitively procuring commercial vendors for each work order because it added excessive delays in getting vehicles repaired and returned to service.

Additionally, this is not required for unplanned purchases. |
| **EFFECT (SO WHAT?)** | IA was able to confirm with the City Attorney and the Director of Procurement that neither Local Government Code 252 nor the City's Purchasing Directive are being violated. However a risk remains for the appearance of violation of the spirit of these rules.

While Fleet Services maintains a rotation of vendors, the lack of formalization of this rotation, and the absence of a written procedure for becoming part of this rotation, leaves the City and the Fleet Services Department vulnerable to accusations of favoritism and failure to appropriately utilize HUBs.

Note: Based on the State Comptroller's Centralized Master Bidder's List for identifying HUB vendors, IA was unable to identify any HUB vendors that could reasonably be utilized by the City but had not received an opportunity to do so.

Vendors who were properly insured and bonded in the past may have let the insurance lapse. Lack of proper legal |

	documentation and insurance leaves the City vulnerable should a dispute arise.
RECOMMENDATION	Fleet Services Management should develop a written process by which vendors are selected and utilize it going forward. The final procedure should include, but is not limited to: • Specification of what constitutes an emergency or unplanned repair; • Periodic opportunities for new vendors who wish to do business with the City; • Statement of when a search will be performed for HUB vendors; • Clarification of what insurance and legal documentation will be obtained, verified, and retained, and how frequently.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Fleet arrived at our current way of procurement following many years of attempting to seek bids from vendors for repairs in a timely manner, before we started following purchasing code 252.022 guidelines. The major challenge was the down time for vehicles and equipment while we waited on vendors to come out and write up the damage or repairs. Then the wait begins to receive the bids so we could compare cost and select a vendor. At times, this process could take up to two weeks to complete. The next challenge was after vendors were unsuccessful, they would stop bidding when called. The need to limit down time lead us to using the successful and qualified vendors that were providing competitive repairs and quality work and stayed with us for the long term. Fleet will draft and implement a policy outlining the recommendations made by IA.
IMPLEMENTATION DATE	October 1, 2017

FINDING # 2 – Incorrect Billing of Retained Vehicles (Obj. 2)	
CONDITION (THE WAY IT IS)	Fleet Services currently has 74 Retained vehicles for which departments are directly billed on a monthly basis for actual service, parts, and labor used. These are billed separately from the fleet flat rate charges paid by departments. Of the vehicles marked as Retained in the Fleet system, IA identified 18 vehicles (24.3%) from 11 departments which are billed to a fleet flat rate account and not a direct bill account. Refer to Exhibit A for sampling methodology. This resulted in over $60,000 incorrectly attributed to the fleet flat rate rather than directly billed to departments for calendar year 2016.
CRITERIA (THE WAY IT SHOULD BE)	Fleet Services Management states the procedure for billing departments for supplies and retained vehicles is monthly direct billing.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	These vehicles were placed into service between 1986 and 2008. According to the Fleet Services Department, this system of direct billing has been implemented over the last 5-6 years and some of the accounts on the older retained vehicles were not updated.
EFFECT (SO WHAT?)	Maintenance costs for Retained vehicles are being covered by the fleet flat rate rather than billed to the department directly. This results in under-billing of the departments.
RECOMMENDATION	Fleet Services Management should review retained vehicles and ensure they are being billed to the correct account numbers.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	As IA states, we have 18 retained vehicles that are part of the Fleet Flat Rate. Fleet will be moving away from direct billing into an across-the-board fleet flat rate. These changes will be discussed with the affected departments and will be made at the beginning of the next fiscal year.
IMPLEMENTATION DATE	October 1, 2017

FINDING # 3 – Vehicle Replacement Process (Obj. 2)

CONDITION (THE WAY IT IS)	Of 20 replacement vehicles sampled from different City departments (refer to Exhibit A for sampling methodology), departmental approval and signoff of the type of vehicle to be ordered: Is not consistently maintained: • 80% were not located in the City's electronic filing system; • 30% were not located by Fleet Services; • 46% were not located by the department; • 20% were not found on file in any of these places. Is a typed name rather than a signature: • 65% lacked a handwritten signature. It was also noted the correspondence with departments back and forth about the types of vehicles to be ordered and the specifications to be included are extensive and often delay the ordering process. For the vehicles sampled, it took between one and four months to negotiate the department's desired specifications and place the vehicle on order, with an average of 2.56 months.
CRITERIA (THE WAY IT SHOULD BE)	Leading practices, based on a survey of other fleet departments in the area, are for departments to submit clear and complete paperwork to the Fleet Services Department by a stated deadline for replacement vehicles, which contain all necessary approvals for ordering the vehicle.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	Fleet Services does not require all paperwork to be completed and returned to their department before ordering a vehicle. Departmental Fleet Coordinators are often not familiar with costs associated with vehicles/upgrades or what comes standard on a vehicle. Departmental Fleet Coordinators sometimes work out specifications for a vehicle with Fleet Services and then discover they do not have enough money to cover additional

	expenses or approval from Management or the Finance Coordinator.
EFFECT (SO WHAT?)	• Delays in ordering vehicles and occasionally missed vehicles that are not ordered. • Reduced incentive to provide paperwork timely by departments who feel their orders are held up by other delaying departments. • Risk to Fleet Services if departments are unhappy with the vehicle ordered. (Note: no instances of this were identified)
RECOMMENDATION	Fleet Services Management should ensure that in order for a replacement vehicle to be purchased: • A Vehicle Replacement Form (VRF) is completed which contains specifications of the replacement vehicle; • The VRF contains approval for any additional upgrade charges and an account to which the final amount will be charged; • The VRF contains the signature of the Finance Coordinator approving the amount to be charged, and verifying funds are available; • The signature of the appropriate level of management is obtained based on the cost of the vehicle in accordance with the Purchasing Directive; • Actual signatures rather than typed names are used, or some other form of verification ensuring management approval (ex: email from management email address); • VRFs are returned by the deadline set by Fleet Services. In addition, Fleet Services Management should consider: • Providing templates for Departmental Fleet Coordinators indicating current vehicle specifications of the vehicle being replaced, general information on what is or is not standard, and approximate costs for upgrades to assist inexperienced Departmental Fleet Coordinators; • A provision for allowance of late return of forms in extenuating circumstances.

	A similar process is already in use by the City's IT Department. Fleet Services Management may wish to consider modeling their process after the IT ISR Budget Request process.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Fleet will update the vehicle replacement forms to include the audit recommendations. Fleet Services will be the vendor contact for all vehicle and equipment specifications.
	Vehicle or equipment request forms not turned in by the deadline outlined in the budget calendar will require a higher level of authorization to process.
	The City shared drive will be updated to enable departments to select specifications and attach to the request.
	Fleet will meet with IT to review their ISR budget Request and get input on their process for ordering through IT, that Fleet can utilize and adapt.
IMPLEMENTATION DATE	September 30, 2017

FINDING # 4 – Inspection and Registration (Obj. 3)	
CONDITION **(THE WAY IT IS)**	The vehicle inspection and registration process is inefficient. • Purchasing receives the renewal form from the Dallas County Tax office and sends this to Fleet Services. Fleet Services performs an inspection on the vehicle, and provides the Vehicle Inspection Report (VIR) to Purchasing. • A Purchasing representative then goes to the Dallas County Tax Office where, due to a limit imposed by the county on the number of vehicles permitted per transaction, s/he waits in line several times. • Transactions can be done online, but with a service fee paid for each vehicle. • Once the sticker is obtained, Fleet Services must then call the vehicle back in to affix the sticker.
CRITERIA **(THE WAY IT SHOULD BE)**	The City should operate as efficiently as possible to minimize time and expense.
CAUSE **(DIFFERENCE BETWEEN CONDITION & CRITERIA)**	The state rollout of the "two steps one sticker" process caused the City to have to annually work with Dallas County to renew our stickers for each vehicle. Previously, the City's vehicles were not registered annually and Fleet Services performed the inspection function in house, with stickers ordered in bulk from the state and distributed to technicians by the City's parts vendor.
EFFECT **(SO WHAT?)**	The City either pays processing fees for online or mail transactions, or Purchasing staff spend significant amounts of time in the Tax Office. Fleet Services is having to touch the vehicles two times, once for the inspection and another to affix the sticker. This costs more time for Fleet Services and the individual departments.
RECOMMENDATION	Fleet Services Management should work with Dallas County to implement a process by which the City can print their own stickers that can be affixed to the vehicle at the time of the inspection.

	Management should also consider other efficiencies such as utilizing the Fleet system or a spreadsheet to track inspections.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Fleet, along with Audit, has had conference calls with Dallas County to start implementation of a program. They offer a very a similar program to IA's recommendation. Purchasing currently tracks and processes the stickers through Dallas County. Fleet will transfer the information from their spreadsheets to the Fleet System.
IMPLEMENTATION DATE	January 1, 2018

FINDING # 5 – City Tolls (Obj. 3)	
CONDITION **(THE WAY IT IS)**	The City of Garland is paying higher toll rates due to lack of toll tags. Departmental usage of toll roads has increased. Nearly three-quarters of the tolls paid on P-card during fiscal years 2014, 2015, and 2016 to the local area toll company NTTA were handled by the Fleet Services Department. Refer to Exhibit C for additional detail regarding toll charges. These tolls are being sent directly to, and paid by, Fleet Services staff with no oversight from the departments incurring the charges.
CRITERIA **(THE WAY IT SHOULD BE)**	The City should track expenditures such as toll usage to determine if they are necessary and if savings can be levied.
CAUSE **(DIFFERENCE BETWEEN CONDITION & CRITERIA)**	Departments are not receiving the bills for toll use. Fleet Services receives the bills and pays them. Toll tags and tracking of toll usage were not initially considered because toll road usage was low. The number of toll roads in the area has increased.
EFFECT **(SO WHAT?)**	According to numbers compiled by the Fleet Services Department, the City could have saved nearly $5,000 during FY 2015 with the use of toll tags. Greater savings could be possible if management review restricts departmental usage of the toll roads.
RECOMMENDATION	Invoices for tolls should be billed to departments to provide management oversight for usage and amounts paid. City departments should evaluate the process of incurring tolls and determine when toll road usage is permissible for the department. Fleet Services should be responsible for affixing/removing toll tags as a control for vehicles on the toll account.
MANAGEMENT RESPONSE	Concur

ACTION PLAN	Fleet will draft and implement a toll tag policy based on IA recommendations. Fleet has made preliminary contact with the toll road authority to start the process of establishing toll tags for the approved vehicles.
IMPLEMENTATION DATE	October 1, 2017

Exhibit A – Sampling Methodology

<u>Finding 2 – Incorrect Billing of Retained Vehicles</u>

A report was run from the Fleet system for all vehicles classified as Retained and charged to an ERF account code, resulting in a population of 18 vehicles. Of these, a judgmental sample of 6 (30%) were manually reconciled to verify direct billing was not occurring for these vehicles. The results can be projected to the entire population.

<u>Finding 3 – Vehicle Replacement Process</u>

A Crystal report was run from the Finance system using the revenue code for motor vehicles to pull all vehicle purchases in FY15 and FY16 and sorted by department and date. A stratified sample was taken using the 2nd vehicle purchase of each department (or the 1st if there was only one). Then the list was sorted by vendor, and the 1st transaction for each vendor that had not been selected during the departmental sampling was selected. This resulted in a sample of a variety of departments and vehicle vendors. Of 153 transactions, 20 were sampled. The results can be projected to the entire population.

Exhibit B – Work Order Frequency and Amount by Calendar Year

Calendar Year	Number Commercial Transactions (Trans Amt Over $3,000)	Total Number Commercial Transactions	Percent Transactions Over $3,000	Total Spent on Commercial Transactions (Trans Amt Over $3,000)	Total Spent on Commercial Transactions (All Transactions)	Percent Spending Commercial Transactions Over $3,000
2017	7	365	2%	$ 49,511.55	$ 126,133.37	39%
2016	116	3242	4%	$ 858,668.70	$ 1,489,425.88	58%
2015	90	3133	3%	$ 573,891.50	$ 1,306,538.89	44%
2014	108	2280	5%	$ 793,910.35	$ 1,439,346.70	55%
2013	116	2397	5%	$ 1,019,893.64	$ 1,715,597.99	59%
2012	115	2582	5%	$ 1,134,956.87	$ 1,838,822.37	62%

Source: Fleet system work order data as of February 28, 2017

Exhibit C – Local Toll Charges on P-card by Fiscal Year

Total Toll Charges	Department	Amount Spent	Percentage Annual Toll Charges
2014 Charges	Fleet Services	$ 4,821.21	66%
$7,322.16	Non-Fleet	$ 2,500.95	34%
(5/24/14 to 9/25/14)			
2015 Charges	Fleet Services	$ 23,400.05	73%
$32,036.32	Non-Fleet	$ 8,636.27	27%
(9/26/14 to 9/25/15)			
2016 Charges	Fleet Services	$ 24,193.61	75%
$32,247.30	Non-Fleet	$ 8,053.69	25%
(9/26/15 to 9/25/16)			
2017 Charges	Fleet Services	$ 9,561.63	70%
$13,633.90	Non-Fleet	$ 4,072.27	30%
(9/26/16 to 3/28/17)			

Source: P-card system, 5/24/14 to 3/28/17