

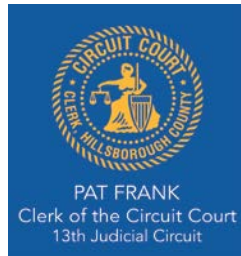
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

FLEET MANAGEMENT - VEHICLE ASSET INVENTORY

REPORT # 328

MAY 19, 2017



May 19, 2017

The Honorable Stacy R. White, Chairman
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Pat Kemp
The Honorable Sandra L. Murman

Dear Chairman White and Commissioners:

The Audit Team performed an audit of the Fleet Management - Vehicle Asset Inventory (Audit Report #328, dated May 19, 2017). Responses to the Audit Team's recommendations were received from the Directors of Fleet Management and County Finance and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Fleet Management during this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CRMA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Tom Fass, Assistant County Administrator, Asset Management & Knowledge Commons
Bob Stine, Director, Fleet Management
Kevin Brickey, Management & Budget Office
Rick VanArsdall, Chief Deputy, Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Fleet Management Department (Fleet) was established by Board Policy to operate as an internal service fund (ISF). Fleet's mission to meet the operational requirements of County departments by providing high customer satisfaction, affordable levels of service, and customer service solutions.

For vehicle acquisitions, Fleet utilizes the *Vehicle Acquisition Request Application*, or VARA, a platform that enables County departments to submit requests for new or replacement vehicles. VARA is a custom application built to facilitate gathering, selection, and approval of information required to complete the vehicle acquisition process.

For its vehicle asset inventory, Fleet uses a web-based fleet management software known as *FleetFocus M5* (M5). M5 allows Fleet to track all functions related to the maintenance of vehicle equipment, including repair and maintenance work orders, schedules, and labor hours.

OBJECTIVE

The objective of the audit was to determine whether or not fleet acquisitions and vehicle inventory were appropriately recorded in the fixed asset inventory records and in fleet records.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of the audit consisted of the policies and procedures in place, as well as vehicle acquisitions made, during Fiscal Year 2016 (October 1, 2015 – September 30, 2016).

OVERALL EVALUATION

The managers and staff of Fleet were responsive to the Audit Team's inquiries and provided the information requested in a timely and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Fleet Management's vehicle acquisitions are listed in the fixed assets accounting records and payments are properly recorded in Oracle.	3
2	There are opportunities to strengthen controls over the vehicle asset inventory process.	4

OPINION

The control environment relative to vehicle acquisition and vehicle inventory is at the formal (defined) maturity level. Fleet has developed processes and controls which reasonably assure that vehicle acquisitions are appropriate and vehicles serviced and maintained by Fleet are accounted for. Addressing the opportunities identified in this report will enhance the overall control structure and provide additional assurance and monitoring.

The exit conference was held on April 18, 2017.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CRMA, CFE, current Director of County Audit
Steve Hooper, CIA, CGAP, CCSA, CFE, former Director of County Audit
Margaret Brown, CIA, Audit Manager
Lovonia Scott, CGAP, Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Fleet Management's vehicle acquisitions are listed in the fixed assets accounting records and payments are properly recorded in Oracle.

The objective was to determine whether or not vehicles newly acquired by Fleet were:

- Listed in the fixed assets accounting records, and
- Properly recorded in the County's financial records (Oracle).

The Audit Team performed the following audit procedures:

- Identified and documented Fleet's control environment for ensuring that vehicles acquired during the acquisition process are properly recorded in Fleet's records.
- Observed Fleet staff processing and preparing a new vehicle for service.
- Identified and sampled vehicles acquired by Fleet Management in FY2016 and traced them to the fixed assets accounting records.

Using Fleet's VARA system, the Audit Team identified 115 vehicles that were ordered by Fleet in FY 2016. These vehicles are custom built to specifications and consisted of six vehicle types: light trucks, heavy trucks, van/sport utility vehicles (SUVs), fire battalion heavy trucks, fire rescue SUVs, and sedans (automobiles). Of the 115 vehicles ordered, 52 had been delivered and 5 had been placed into service at the time of testing.

The Audit Team traced these five vehicles to Fixed Assets records in Oracle to ensure that the asset had been recorded, and performed a three-way match of the vendor invoice, purchase order, and requisition. Vendor payment amounts were also verified against the invoice amount.

All five vehicles were accurately recorded and properly supported in the fixed assets accounting records (Oracle). In addition, vendor payment amounts for these five vehicles matched the invoiced amounts.

RECOMMENDATION

No material concerns were identified that require management's corrective action.

AUDIT COMMENT 2**There are opportunities to strengthen controls over the vehicle asset inventory process.**

The objective was to determine whether or not all vehicles in Fleet Management's M5 system have been recorded in Fixed Assets, and could be located.

The Audit Team performed the following audit procedures:

- Identified and documented Fleet's control environment for ensuring that the vehicles owned by Hillsborough County are properly recorded in the County's financial records.
- Inventoried a sample of vehicles listed in the fixed assets accounting records and verified existence and location.

Verification of Vehicle Existence and Location

The Audit Team identified 231 vehicles in the fixed assets records of Oracle with a total asset value of \$12,612,749. A random sample of twenty (20) vehicles, valued at \$911,902, was selected for testing. The Audit Team successfully traced all 20 vehicles to Fleet's records in the M5 database.

The Audit Team identified the physical location for each of the 20 vehicles. A physical inspection of the vehicle was performed to confirm the vehicle's existence and to verify the vehicle's property control number (PCN) and vehicle identification number (VIN). All 20 vehicles were successfully located and verified.

The Audit Team also compared the Oracle data to Fleet's M5 data for each of the 20 vehicles. Data included the property control number (PCN), asset description (vehicle make and model), vehicle identification number (VIN), purchase order number, invoice number and purchase price. Three (3) discrepancies were identified:

1. The first vehicle was recorded with a price difference of \$2.00. This was determined to be an input error. A "9" was incorrectly entered as a "7." Fleet corrected its records during testing to reflect correct pricing.
2. The second vehicle was recorded with a price difference of \$608.00. This was determined to be a miscommunication with the dealer. Initially, 2 optional accessories totaling \$608 were going to be installed by Fleet. However, the accessories were ultimately installed by the dealer and Fleet did not adjust the recorded price in M5. Fleet corrected its records during testing to reflect correct pricing.

3. The third vehicle was recorded with a price difference of \$2,990.00. The Audit Team determined that Fleet had reversed the pricing information with another vehicle when it was entered into M5. Two identical vehicles were ordered at different times with different prices, but were received at the same time. The amounts were reversed when M5 was updated at the time of delivery. Fleet corrected its records during testing to reflect the correct pricing for each vehicle.

M5 and Oracle Comparisons

The Audit Team compared M5 records with Oracle records to determine whether or not both sets of data were complete. The Audit Team performed the following analysis for all vehicle data:

- Identified all M5 vehicle records which matched vehicle asset records in the Oracle system;
- Identified vehicle records which existed in either system independently;
- Identified vehicle records with duplicate property control numbers;
- Identified vehicle records with duplicate vehicle identification numbers; and
- Identified any vehicle records listed as sold in M5 but not updated in Oracle.

Testing for duplicate VIN numbers in Oracle resulted in the identification of 8 vehicle records containing duplicate VINs (4 duplicated VINs). The data in the M5 system was verified by the Audit Team as correct. County Finance's Fixed Asset personnel corrected the data in Oracle before the completion of testing.

RECOMMENDATION

Management should consider the following improvements to enhance the controls over the vehicle asset inventory process:

1. Whereas Oracle is the County's official accounting system, Fleet should consider working with County Finance's Fixed Assets personnel in developing and implementing a procedure to periodically compare the M5 data and Oracle data to ensure that the correct vehicle information, such as purchase price, PCN, VIN, etc., are reflected accurately in both M5 and Oracle.
2. County Finance should update its written procedure, Procedure Number 649 titled *Tags and Titles*, related to vehicle tags and titles and the assignment of Property Control Numbers (PCN), to reflect the processes currently in place. This procedure has not been updated since 1998. The updated procedure should include criteria for periodic reviews and management approvals of said procedure.

CLIENT RESPONSE

1. Concur
2. Concur

CORRECTIVE ACTION PLAN

1. Fleet Management coordinated with County Finance Fixed Assets management and received their support to conduct semi-annual reconciliations. The reconciliations will take place in the fall and the spring with the next reconciliation forecasted for Oct/Nov 2017. The reconciliation procedures and responsibilities were incorporated into Fleet's Standard Operating Procedure Number 9 (New Asset Property Control) dated May 12, 2017.
2. County Finance will update their Procedure Number 649: Tags and Titles. This procedure includes criteria for periodic reviews and management approvals.

TARGET COMPLETION DATE

1. May 12, 2017
2. May 1, 2017