



**OFFICE OF INSPECTOR GENERAL
CITY OF JACKSONVILLE**

AUDIT REPORT NO. 2016-AR-0003

ISSUE DATE: JUNE 15, 2016

Steven E. Rohan
Inspector General
(Interim)

"Enhancing Public Trust in Government"

AUDIT OF FLEET MANAGEMENT CONTROLS AND PROCESSES

EXECUTIVE SUMMARY

Authority

This audit was conducted pursuant to Section 1.203(c), Charter of the City of Jacksonville, Section 602.303(a-c), Ordinance Code, and the 2016 Office of Inspector General's (OIG) Audit Plan.

Scope

As part of the 2016 Office of Inspector General's (OIG) Audit Plan, the OIG conducted an audit of the Fleet Management Division. The purpose of this audit was to determine whether controls are adequate over fleet vehicles purchased, repaired and ultimately surplus by Fleet Management. During the planning phase of this audit our focus was on understanding the control environment and overall processes.

The scope of the audit included, but was not limited to:

- Standard Operating Procedures
- Fleet inventory for usage and assignment
- Acquisition and disposal of fleet vehicles
- Fuel purchases
- Routine and extraordinary maintenance
- Inventory of auto parts
- Auto repairs
- Fleet Inventory, Repair Billing and Work Order system

The period covered by the audit was September 2014 through December 2015.

Findings

No material departures, disparities, or irregularities were identified as a result of this audit. The OIG concludes that controls and procedures are adequate within the Fleet Management Division. OIG obtained a listing of city owned vehicles from the capital assets subsystem, after audit fieldwork was completed. (The Accounting Division could not provide the listing at the time of the audit, due staffing and timing constraints caused by the external financial statement audit.) OIG is currently comparing this list with the fleet management database inventory of vehicles. Discrepancies that cannot be resolved with management will be reported in a supplemental audit report. Verification of the sales proceeds of vehicles transferred to Procurement will be tested as a part of a future procurement audit project.

Other Matters

The OIG has identified one concern related to Fleet Management. Controls over commercial fuel cards issued to independent agencies need to be strengthened. A commercial credit card was issued to the Health Department on a temporary basis for three weeks in 2012. However, Fleet records indicated that the card was not returned until 2015. Three of 26 JEA employees issued commercial credit cards could not be traced to a listing of current JEA employees. The OIG did confirm that these employees terminated their employment with JEA, and that there were no transactions on these cards subsequent to them leaving JEA. While this is not a material system breakdown, Fleet Management should work with JEA to determine the status of the cards and cancel them. The Administration's response to this draft report indicates agreement with OIG's concerns and responsive and appropriate action is being taken.

Economic Impact Statement

There were no direct economic impacts associated with this audit.

OIG appreciates the support and cooperation received from the Fleet Management Division during the course of this audit.

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AUTHORITY

This audit was conducted pursuant to Section 1.203(c), Charter of the City of Jacksonville, which established the Office of Inspector General (OIG) and its auditing function in the Charter; Section 602.303(a-c), Ordinance Code, which implemented the Charter in the City Code; and the 2016 Office of Inspector General's Audit Plan.

BACKGROUND

The Fleet Management Division is responsible for motor vehicles and equipment owned or leased by the city and its *independent* agencies. The division performs preventative and regular maintenance and repairs, keeps detailed maintenance and service records, prepares replacement schedules, coordinates vehicle inventory and maintenance and ensures quality control of repair orders. It coordinates the movement of vehicles and tracks usage and cost statistics on each vehicle. The division also purchases all new fleet vehicles and manages the city's fueling operations.

Fleet uses the Tivoli database for the process of repair work orders, inventory tracking and billing. Tivoli is purchased software that has been in place for several years. Tivoli interfaces with Information Technology Division (ITD) software and ITD generates monthly billings. Hardcopy invoices are sent to external customers such as the Health Department, the city of Neptune Beach and the Florida Department of Transportation by the City's Accounting Division. The Accounting Division tracks overdue payments. The Tax Collector posts payments to the City's computerized system known as FAMIS, ascribing the payments as revenue to the Fleet Management Division budget. There is a ten percent markup on the repair and auto part charges from external vendors. There is a 35% markup on auto parts used from Fleet inventory. Fleet also charges a five percent environmental services charge in line with industry standards.

City departments are charged monthly loan payments, including interest for vehicles purchased, and assigned by Fleet for use by their departments. The monthly payments are used to offset the future replacement costs for new vehicles. The monthly loan payments are included in the ITD monthly billings.

In order to reduce the risk of obsolescence or theft of auto parts inventory stored on its premises, Fleet has a three year contract with Parts House, a national inventory parts company with a local branch. The contract has two one-year renewable terms. Parts are ordered as needed. Any inventory owned by Fleet is tracked through, Tivoli which also includes a work order component.

SCOPE, OBJECTIVES, AND METHODOLOGY

The purpose of this audit was to determine whether controls are adequate over fleet vehicles purchased, repaired and ultimately surplus by Fleet Management. During the planning phase of this audit the focus was on understanding the control environment and overall processes.

The scope of the audit included, but was not limited to:

- Standard Operating Procedures
- Fleet inventory for usage and assignment
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The period covered by the audit was September 2014 through December 2015.

In order to evaluate the processes and controls in place, OIG performed procedures to evaluate whether:

- Adequate policies and procedures are in place;
- Controls and processes over the acquisition and disposal of fleet vehicles are adequate;
- Controls and processes are adequate over the purchase and storage of auto parts inventory;
- Controls and processes are adequate to ensure auto repairs done in-house or contracted out are done only on fleet vehicles and no personal vehicles;
- Controls are adequate over routine and extraordinary maintenance;
- Controls are adequate over fuel purchases and consumption to ensure that fuel usage is only for city vehicles;
- Controls and processes are adequate to ensure that only authorized / approved employees have access to fueling stations and fuel credit cards; and
- Controls and procedures are adequate to ensure that access to the Fleet Inventory, Repair, Billing and Work Order system is appropriately assigned to only current employees based on their assigned duties.

OIG obtained a listing of city owned vehicles from the capital assets subsystem, after audit fieldwork was completed. (The Accounting Division could not provide the listing at the time of the audit, due staffing and timing constraints caused by the external financial statement audit.) OIG is currently comparing this list with the fleet management database inventory of vehicles. Discrepancies that cannot be resolved with management will be reported in a supplemental audit report.

Once fleet vehicles are deemed surplus, they are transferred to the Procurement Division for auction. Verification of the sales proceeds of vehicles transferred to Procurement will be tested as a part of a future procurement audit project.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. It is submitted that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

FINDINGS

The OIG concludes that controls and procedures are adequate within the Fleet Management Division and there are no other material reportable findings from this audit.

OTHER MATTERS

The audit path intersected with government use of commercial fuel cards. The audit investigation suggested that controls over commercial fuel cards issued to independent agencies need to be strengthened. A commercial credit card was issued to the Health Department on a temporary basis for three weeks in 2012. However, Fleet records indicated that the card was not returned until 2015. Three of 26 Jacksonville Electric Authority (JEA) employees issued commercial credit cards could not be traced to a listing of current JEA employees. It was confirmed that these employees terminated their employment with JEA, and there were no transactions on these cards subsequent to them leaving JEA. While this is not a material finding, Fleet Management should work with JEA to determine the status of the recipients of all cards and cancel or retrieve all outdated cards.

MANAGEMENT COMMENTS

A draft of this Audit Report was delivered to the Administration on April 5, 2016. The Administration responded on April 15, 2016 and informed the OIG that they have initiated appropriate action on the Other Matters discussed above. The Administration's response is included in its entirety in the Appendix.

ECONOMIC IMPACT STATEMENT

The value to the community and government of any given audit report cannot be measured in dollars and cents alone. System improvements, agency and community awareness, transparency, and prevention are some of the many benefits associated with the audit function.

Nonetheless, the City of Jacksonville's Office of Inspector General believes that the direct economic impact of its audits should be reported to City leaders and the public; and reported in easily understandable terms.

For this particular audit, there were no direct economic impacts.

Respectfully submitted this 15 day of June, 2016:



Steven E. Rohan
Inspector General (Interim)

**OFFICE OF MAYOR LENNY CURRY**

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TO: Thomas Cline
Inspector General

FROM: Marlene Russell, Director Organizational Effectiveness *MRussell*

DATE: April 15, 2016

SUBJECT: Response – Internal Audit of Fleet Management Division – 2016-AR-0003

Based on the information provided in subject report from the Office of Inspector General below are management comments.

Findings:

We conclude that controls and procedures are adequate within the Fleet Management Division and there were no reportable findings from this audit. However, there is an observation regarding the issuance of commercial fuel cards to independent agencies noted in the executive summary of the report. See the Other Matters section of this report.

Other Matters: Controls over commercial fuel cards issued to independent agencies need to be strengthened. A commercial credit card was issued to the Health Department on a temporary basis for three weeks in 2012. However, Fleet records indicated that the card was not returned until 2015. Three of 26 Jacksonville Electric Authority (JEA) employees issued commercial credit cards could not be traced to a listing of current JEA employees. We confirmed that these employees terminated their employment with JEA and there were no transactions on these cards subsequent to them leaving JEA. While this is not a material finding, Fleet Management should work with JEA to determine the status of the cards and cancel them.

Management Comments:

The Fleet Management Division has contacted Randy Hilton with JEA and is in the process of confirming each JEA fuel card assignment. Fleet Management anticipates the confirmation process will be completed by April 29, 2016. Fleet Management has canceled the fuel credit cards for the former JEA employees and has requested the return of those cards. Fleet Management will continue to perform a monthly review with JEA or any other external agency who have assigned Fleet Commercial Fuel Credit Cards. Furthermore, JEA is also in possession of the attached Fleet fuel card policies regarding employment termination of an individual's assigned cards.

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Fleet Management has also discussed the Commercial Fuel Credit Card policy with the Duval County Health Department to ensure their understanding and compliance with the policy.

Please let us know if you have any questions.

Attachment: Fleet Management Division – Fuel Credit Card Policy and Request Form

cc: Sam E. Mousa, P.E., Chief Administrative Officer
Mike Weinstein, Chief Financial Officer
CJ Thompson, Fleet Management Division Chief
Cris Tongol, Fleet Management Administrator
Erik Preacher, Fleet Services Finance Manager
File – 2016-AR-0003

City of Jacksonville
Fleet Management Division – Fuel Credit Cards
Authorization for use of Commercial Fuel Card

1. Authority:

Procured in accordance with Chapter 126 Part 2 Jacksonville Ordinance Code and issued in accordance with Chapter 23.501 Jacksonville Ordinance Code.

2. Limitations:

A. In or Outside of Duval County

1. No repairs are authorized with the Commercial Credit Cards.
2. No food or miscellaneous items are allowed to be charged on Commercial Credit Cards.
3. Commercial Credit Cards are to be used at Fuel Stations listed on the card for normal fill up.
4. On Trippers: Return credit card(s) and all receipts to Fleet Management Fuel Office promptly. **(Please DO NOT mail credit card(s) and/or receipt(s).**
5. No other use of Commercial Credit Card(s) is authorized.

B. Commercial Credit Cards Issued on a Yearly Basis:

1. Request for Commercial Credit Cards must be made through the agency coordinator and Fleet Management Accounting Office.
2. Commercial Credit Cards are required to be renewed on a yearly basis.
3. Return all receipts to your assigned vehicle coordinator promptly.
(All receipts must be retained by user Agency for record keeping)
4. Upon expiration of credit card or termination of employment Commercial Credit Cards must be returned to the Fleet Management Division, 2581 Commonwealth Ave.

3. Lost or Stolen Commercial Credit Cards:

Notify Fleet Management Division, Erik Preacher @ 255-7434 or Kale Newsome @ 255-7433.

4. Unauthorized Use of Fuel Cards:

Person(s) with willful intent to misuse City Fuel Cards may be held liable in accordance with City Ordinances.

Emergency Authorization Number:	Erik Preacher	- (904) 255-7434
	Kale Newsome	- (904) 255-7433
	Shirley Massey	- (904) 255-7423

Index Code: [Click here to enter text.](#)

Card Number: [Click here to enter text.](#)

Name of Department: [Click here to enter text.](#)

Pin Number: [Click here to enter text.](#)

Issue Date: [Click here to enter text.](#)

Print: [Click here to enter text.](#)

Received by: [Click here to enter text.](#)

Employee Signature: [Click here to enter text.](#)

FLEET MANAGEMENT DIVISION



Fleet Management Fuel Credit Card Request Form

Date: Click here to enter text.

1. Commercial Credit Cards for use outside Duval County:

Requests for Commercial Credit Cards must be submitted in writing a minimum of (1) day prior to date needed by an authorized Department/Agency Officer.

2. Commercial Credit Cards that are issued on a yearly basis:

Commercial Credit Cards must be returned to the Fleet Management Fuel Section upon expiration of card or at the end of the yearly assignment.

Commercial Credit Cards must be renewed on a yearly basis and must be submitted in writing by an authorized Department/Agency Officer.

3. Commercial Credit Cards are to be returned to Fleet Management when no longer employed by the city or transferred to another Department/Agency.

All receipts are to be returned to Agency Coordinator

- **Employee's Full Name:** Click here to enter text.
- **Vehicle Number:** Click here to enter text.
- **Department, Agency Name & Account:** Click here to enter text.
- **Reason for Request:** Click here to enter text.
- **Destination of Trip:** Click here to enter text.
- **Beginning and Ending Dates:** Click here to enter text.
- **Signature of Requesting Employee:**
- **Signature of Authorized Department/Agency Officer:**
- **Signature of Authorized Fleet Management Officer:**