Office of the City Auditor

City of Gainesville, Florida

PUBLIC

Citywide Fleet Management Processes (General Government)

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Citywide Fleet Management Processes Review (General Government)

Executive Summary

What We Did

The objective of this engagement was to review the policies, procedures, and internal controls around the City's fleet management programs to ensure efficiency of operations and appropriate risk management. Through inquiry, observation, and substantive testing for processes in scope, we reviewed processes and transactions for non-compliance with established policies and procedures. Specifically, we performed the following:

Governance
- Assessed adequacy of policies and procedures
- Assessed adequacy of oversight and monitoring

Operations
- Reviewed adequacy of management and monitoring of take home vehicles

Finance
- Assessed the accuracy of preventative maintenance billing and collection processes at month end
- Reviewed compliance with financial components of the NAPA contract

The scope of our review did not include operations related to RTS, airport services, fuel, and fleet replacement fund management.

Information technology information is not available in this public report, pursuant to Florida Statutes 119.0725(2).

What We Found

During our review, we noted that Citywide Fleet Management (General Government) processes and controls, including information technology controls, require improvements to ensure operations and processes are efficient, effective, and adequate. The following opportunities for improvement were identified:

Issue #1 – Billing and Payment Process

Oversight and monitoring over the billing and payment process is not effective, which resulted in incorrect billing and payments.

Issue #2 – Take Home Vehicles Procedures

Documented procedures do not provide sufficient guidance related to tracking and monitoring assigned take home vehicles as it relates to defining, classifying, and communicating the types of vehicles that require reporting on City Form 19B; and, required reporting of personal mileage accumulated while using a non-exempt take home or standby vehicle.

Information technology information is not available in this public report, pursuant to Florida Statutes 119.0725(2).

We would like to thank Fleet Management, General Government Charter Officers, General Government Department of Financial Services, management and personnel for their cooperation, accessibility and professionalism throughout this audit.

INTRODUCTION

We conducted a review of internal controls over fleet management processes which was included in the City Auditor's 2023 Annual Audit Plan. The objective of the Citywide Fleet Management Processes Review was to review the policies, procedures, and internal controls around the City's fleet management programs to ensure efficiency of operations and appropriate risk management. Background information begins on page 5, followed by audit issue details with management's action plans.

SCOPE AND METHODOLOGY

The scope of this review included the areas detailed below for activities for the period October 8, 2022, through July 31, 2023. The review was conducted through inquiry, observation, and substantive testing for processes in scope. Specifically, we performed the following:

Governance

- Assessed adequacy of policies and procedures

- Assessed adequacy of oversight and monitoring

 Operations

- Reviewed adequacy of management and monitoring of take home vehicles

Finance

- Assessed the accuracy of preventative maintenance billing and collection process at month end

- Reviewed compliance with financial components of the NAPA contract

The scope of our review did not include operations related to the Regional Transit System (RTS), airport services, fuel, and the fleet replacement fund process.

RESULTS AND CONCLUSION

As a result of our review, we identified three opportunities for improvement listed in Figure 1. Audit issue details with management action plans are included within the Audit Issues and Management Action Plans section beginning on page 9.

Figure 1 – Audit Issues and Risk Ratings

AUDIT ISSUES AND RISK RATINGS		
High Risk	**Moderate Risk**	**Low Risk**
	1. Billing and Payment	
	2. Take Home Vehicles	

- *High Risk*: Key controls do not exist or are not effective, resulting in an impaired control environment. High Risk control weaknesses require immediate corrective action detailed in the management action plan.
- *Moderate Risk*: Adequate control environment exists for most processes. Moderate risk control weaknesses require corrective action detailed in the management action plan.
- *Low Risk*: Satisfactory overall control environment with a small number of low risk control improvement opportunities that do not require corrective action or a management action plan.

What Was Done Well

As a result of the audit, we identified the following internal controls within the scope of our review that were established and working as designed. We express kudos to management on designing and effecting good controls over the following:

- The Fleet month-end billing and NAPA billing were submitted and paid timely;

- Fleet NAPA invoices were reconciled monthly and generally adhere to the contract; and,

- City Form 19B was in place for employees utilizing take home vehicles to report fringe benefits.

We would like to thank Fleet Management, General Government Charter Officers, General Government Department of Financial Services, management and personnel for their cooperation, accessibility, and professionalism throughout this audit.

BACKGROUND

Fleet Management (Fleet) is a division within the City's Department of Transportation. Fleet's mission is to "provide vehicles, equipment, and services for the City of Gainesville's workforce so they may provide the services that promote health, safety, well-being, and the quality of life to the neighbors of our City." Fleet provides services to all vehicles and equipment, with the exception of RTS' vehicles.

Asset Overview

As of June 30, 2023, the City's fleet comprised 1608 active units (vehicles and equipment) with approximately 865 General Government (GG) units and 743 Gainesville Regional Utilities (GRU) units. GG includes multiple City departments, including Gainesville Police Department (GPD), Gainesville Fire Rescue (GFR), and Fleet Management. Figure 2 depicts a breakdown of active fleet vehicles assigned by area.

Figure 2 – Active Fleet Units by Area – Citywide as of June 30, 2023

CITYWIDE ACTIVE FLEET UNITS
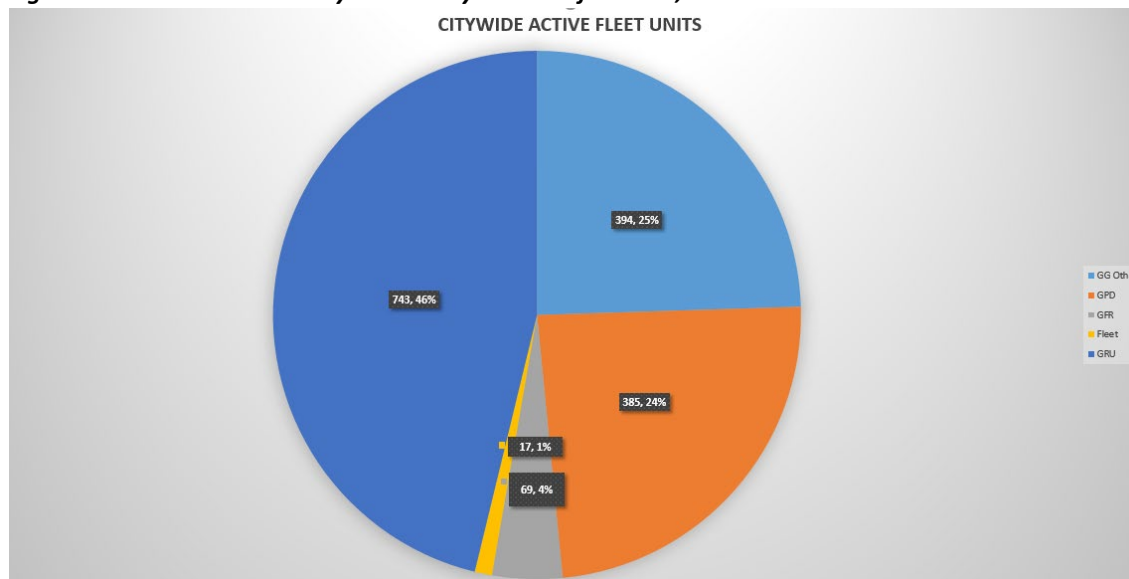
Source: Assetworks Fleet Management System

Financial Overview

Fleet's adopted fiscal year 2023 budget shows Fleet Management Services and Replacements with a total budget of $15,886,239, of which $6,387,517 is apportioned to the purchase and replacement of vehicles. The majority of Fleet's revenue is generated through intergovernmental revenue.

Staffing

Fleet facilities are centralized on the north side of the city, with fuel sites located across the city. Fleet's responsibilities span the entire spectrum from vehicle acquisition through vehicle surplus/disposition.

The City has an agreement with a NAPA subsidiary for an onsite parts store, and Fleet maintains service level agreements to provide fleet services to GRU, Gainesville Regional Airport, and Gainesville Fire Rescue.

Fleet's services in scope for this audit include:

- Asset management

- Preventative maintenance and repairs, including modifications to vehicles (e.g. police and fire equipment)

- Surplus/disposition of vehicles and equipment

Citywide processes in scope for this audit as related to Fleet include:

- The provision and assignment of take home vehicles

- Financial and asset management, including billing and payments to/from third parties and internal departments

The City Auditor's Office conducted a review of select Fleet responsibilities described below and communicated recommendations related to strengthening internal controls over policies and procedures, processes, and monitoring.

Governance
Organizational and departmental procedures are necessary governance controls to guide and manage day-to-day operations, ensuring activities and processes are carried out in a consistent, effective, and efficient manner. We reviewed policies and procedures for the in-scope processes to ensure they were established, documented, and guided operations.

Asset Management
Fleet Management and the General Government's Department of Financial Services utilize systems and/or applications to manage and monitor assets that are classified as vehicles and equipment. Documentation of assets includes necessary information such as vehicle and equipment information, asset and/or equipment IDs, original cost, and depreciation.

Fleet utilizes AssetWorks, a web-based application, as its system of record to monitor and track vehicle and equipment repairs and location. AssetWorks also tracks vehicles and equipment that require replacement, preventative maintenance, or disposition. Processes are established for identifying and decommissioning citywide vehicles and equipment.

The Finance department utilizes a system of record for tracking assets, depreciation, useful life, and expenses related to each asset.

Preventative Maintenance and Repairs
Preventive Maintenance (PM) consists of the pre-scheduled servicing of vehicles and equipment to maintain the condition of the vehicle to ensure it remains in working order. This way, management can proactively reduce the number of breakdowns and ensure the safe operation of the vehicle. Examples of preventative maintenance include oil changes and tire rotations.

In addition to PMs, unscheduled repairs and modifications of vehicles and equipment are performed. PMs, repairs, and modifications to vehicles and equipment are documented in work orders within the Fleet system. The work orders contain details relating to the PM or repair including the time in/out, service member, parts and costs relating to parts, labor and commercial activity (if the vehicle has to be sent to an outside vendor). There is a defined work order process that includes a review and management approval prior to the closing of a work order and submission of billing.

Fleet Management entered into an agreement with NAPA in October 2022 to have an on-site auto parts store located at the centralized Fleet facility. The store is staffed by NAPA, and provides real-time parts and other services, such as repairs by outside vendor. Pricing is detailed within the contract to include the provision of parts, fluids, and other vendor costs.

Billing and Payment – Month End Expenses

A monthly close and month-end billing process is established by Fleet to submit billing to GG's Accounting division for all expenses including, but not limited to, PMs, repairs, and parts and services from the on-site store, NAPA for vehicles and equipment assigned Citywide. The GG Accounting division bills the associated costs to the GG departments through an interfund company transfer from the department to the Fleet Fund. We reviewed the accuracy of preventative maintenance billing and collection process at month end and compliance with the financial components of the NAPA contract. We identified a lack of oversight and monitoring over billing and payment processes. *See issue #1 on page 9 for more details and management's action plan.*

Take Home Vehicles

Procedures are established by GG for the procurement, safe operation, and effective maintenance of vehicles and equipment assigned to employees or departments. The procedures also guide the process for assigning take home vehicles and detailing acceptable and prohibited vehicle uses. Take home vehicles are assigned to personnel based on work responsibilities to provide efficient service delivery. Standby vehicles are utilized when on-call operators are required to report directly to a field work site. Figure 3 depicts the number of take home and standby vehicles in the City of Gainesville.

Figure 3 – Active Fleet Units – Citywide as of June 30, 2023

Classification*	Total	Location
Take Home Vehicles	15	GG - 11
Standby Vehicles	67	GG - 11

*Vehicles assigned to sworn officers such as police officers and fire personnel were excluded.

We reviewed the guidelines for GG for adequacy of management and monitoring of take home vehicles and identified opportunities for enhancement. *See issue #2 on page 13 for more details and management's action plan.*

AUDIT ISSUES AND MANAGEMENT ACTION PLANS

ISSUE #1 – Billing and Payments

Risk rating: Moderate

Observation:

Billing and payments for Fleet service expenses contained incorrect billing to General Government cost centers. In addition, oversight and monitoring over the billing and payment processes to ensure accuracy is ineffective.

Specifically,

- Fleet Billing: We sampled one month's billing during our scope period and noted that credits for parts and services totaling $16,000 for four transactions were not captured in month-end billing which were subsequently not applied to four cost centers. When parts or services are credited, new transactions are not created and, therefore, not captured in subsequent month-end billing reports. This is due to a system configuration issue in the Fleet system of record. In addition, exception reports are not reviewed to identify credits that can be included in the month-end billing process to ensure credits are given to the appropriate cost center. For the month sampled there was a 5% error rate.[1]

- Fleet Costs: We sampled one month's billing during our scope period and noted that Fleet costs totaling $2,143 were applied to three incorrect General Government cost centers. For the month sampled there was a 4% error rate.[2]

- Oversight and Monitoring: We noted that management does not review month-end billing reports, including NAPA invoice billing reports, to ensure accuracy. In addition, NAPA monthly profit and loss statements were not provided to Fleet to ensure areas invoiced agree to the maximum percentage allowed by the contract.

Criteria:

Government Accountability Office (GAO)'s Standards for Internal Control, Section 13.04 – Management obtains relevant and reliable data so that they can be used for effective monitoring.

GAO, Section 16.05 – Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations.

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[1] Testing included one month of transactions for maintenance costs and result percentages are not indicative of the percentage of errors since the inception of the Fleet system.
[2] Testing included one month of billing to General Government cost centers and result percentages are not indicative of the percentage of errors.

Pursuant to the contract between the City of Gainesville and NAPA Auto Parts dated Oct. 3, 2022, one criterion of NAPA's responsibilities is to provide "a profit and loss statement of the parts operations to the customer on approximately the 25th of each month for each on-site store."

Cause:

The Fleet Management asset tool did not associate billing credits posted to previously billed transactions, resulting in inaccurate billing. In addition, management oversight and monitoring was not effective.

Risk:

There is an increased risk of inaccurate billing and payments as a result of incomplete or inaccurate data used for applying Fleet billing and credits. In addition, not providing financial reports according to vendor contracts can impede management's ability to adequately assess the efficiency and effectiveness of vendor services provided.

Recommendation – Fleet Management:

We recommend management enhance internal controls around billing processes by adopting the following process improvements:

- Identify improvements with the vendor to the system design of the Fleet management tool to ensure that transactions related to previous billings are captured in the provided Fleet billing reports used for month end billing. In the event the system limitation cannot be fixed, revise the procedure to ensure credits are included in the month-end billing process.

- Request that the NAPA vendor begin providing the monthly profit and loss statement and incorporate it into the monthly invoice reconciliation process.

- Implement oversight and monitoring over the month end billing and NAPA invoice processes to ensure that billing is accurate and complete.

Management Action Plan – Fleet Management

Fleet Management tool
During the Audit, it was noticed that if credit was added to a work order and the finished date was not changed to the current date, the AssetWorks system would automatically insert the finished date as the date of the credit, causing credits to not be captured on reporting. The new process, as of September 2023, to correct how we handle credits, is by removing the finished date, using the current date, and changing the parameters on the reports from "Transaction Date" to "Insert Date" to ensure credit data is captured.

NAPA Profit & Loss Statement

As of September 2023, NAPA IBS (Parts Professional) began providing Fleet Management a Profit & Loss Statement.

Month-End Billing

The month end billing folder link is currently sent to all departments and to Fleet Management's Business Services Manager for an overview. If any discrepancies are found, they are corrected in the following month's billings.

The Fleet Management Business Services Manager is currently overseeing NAPA IBS Invoicing. The Fleet Director will periodically perform reviews of the NAPA IBS invoicing.

Due date:	March 31, 2024
Responsible Party:	Fleet Business Service Manager
Accountable Party:	Director Fleet Management Director of Transportation
Consulted Party:	Director of Finance Internal Control Manager
Informed Party:	City Manager

Recommendation – General Government:

We recommend management enhance internal controls around Citywide month-end billing by adopting the following process improvement:

- Implement a review or reconciliation process to ensure that Citywide billing is accurate based on the month-end billing received from Fleet Management. This may include automated tool(s) to ensure accuracy.

Management Action Plan – General Government
The Accounting Division of the Department of Financial Services will include formulas and other Excel tools in the billing journal entry to ensure the accuracy of monthly billing. Accounting will also have a review and sign-off of the Fleet and General Government before posting to the general ledger.

Due date:	September 30, 2024
Responsible Party:	Director of Finance

Accountable Party: Director of Finance

Consulted Party: Internal Control Manager

Informed Party: City Manager

ISSUE #2 – Take Home Vehicles

Risk rating: Moderate

Observation:

Procedures regarding the usage of Fleet vehicles do not include sufficient guidance on take home vehicles. Specifically, procedures and processes in place do not adequately:

- Require that vehicles assigned as take home vehicles, including standby vehicles, are consistently tracked and monitored; and,

- Provide guidance to define, classify, and communicate which types of vehicles, when taken home by employees, require the reporting of personal mileage accumulated while using a City vehicle as a fringe benefit on City Form 19B.

Criteria:

The GAO Standards for Internal Control in the Federal Government Principle 16 guides that management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. It also guides that management should evaluate and document the results of ongoing monitoring and separate evaluations to identify internal control issues.

City Form 19B Cash and Non-Cash Fringe Benefit is a Payroll form utilized for the reporting of mileage accumulated to/from home and work using a City-owned vehicle. This form is required to be completed to report an employee's fringe benefit. IRS Publication 15B, Section 3 (2023), provides guidance to employers for determining fringe benefit valuations for employees accumulating commuting miles in a City-owned vehicle.

Cause:

Processes for take home vehicles are decentralized to departments, and while procedures are established, they do not provide sufficient guidance on vehicle usage that requires the completion of fringe benefit forms and the tracking and monitoring of take home vehicles and vehicle assignments.

Risk:

The lack of centralization and sufficient procedures requiring tracking and monitoring of take home vehicles and assignments increases the risk of theft, waste, and abuse. In addition, the inconsistent reporting of non-cash fringe benefits increases the risk of non-compliance with federal regulations.

Recommendation – General Government:

We recommend management enhance internal controls around take home vehicles by adopting the following process improvements:

- Define the requirements for vehicle classification and work in conjunction with Fleet Management to evaluate assets on a periodic basis to identify which vehicles are considered take home versus exempt vehicles based on IRS regulations.

- Enhance procedures to provide further guidance on take home vehicle classification, usage, and requirements to complete City Form 19B.

- Consider centralizing oversight of take home vehicles to ensure that take home vehicles and usage are tracked and monitored. We recommend reviews and monitoring be documented and retained.

Management Action Plan – General Government

Vehicle Use Tracking
Fleet Management will maintain a vehicle use list, updated annually, to identify vehicles assigned to departments that may meet the IRS standards (standards) to report via Form 19B. Fleet Management will provide to all department heads the standards to determine whether vehicle usage meets the reporting criteria. Form 19B reporting is the sole responsibility of each department and must be completed and submitted to the Department of Financial Services (DFS) if vehicle usage meets the requirements. Departments must notify Fleet Management of any changes to the list of allocated vehicles when the change is made.

Departments will maintain a weekly log of vehicle usage and the need for Form 19B to be submitted to DFS. Departments will send the log quarterly to Finance, who will reconcile it with Forms 19B received during the period.

Vehicle Classification
Fleet Management will provide the standards for vehicles that must be reported on Form 19B to the department heads. The departments are ultimately responsible for determining which vehicles meet the criteria and registering the vehicle usage via Form 19B to DFS.

Oversight
General Government will update the Vehicle Administration Procedure 7-A to include guidance on the standards. Fleet Management will maintain the annually updated list of vehicle usage to facilitate meeting the requirement to report. Each department is responsible for completing the Form 19B, if applicable, and sending the form to Finance.

Due date:	September 30, 2024
Responsible Party:	Director Fleet Management Internal Control Manager
Accountable Party:	Director of Transportation
Consulted Party:	Director of Finance
Informed Party:	City Manager

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement 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 observations and conclusions based on our audit objectives.

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