



Internal Audit Department

Audit Report 2015-5

Fleet Management Department

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The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5th District) and Florida Statute 119.0713. Work-papers supporting the observations noted within this report will become public record and can be made available upon request once the final audit report has been issued.

On December 9, 2013, Internal Audit discussed preliminary findings in this report with Fleet Management. This allowed for follow-up confirmations and discussions with managers to elicit corrective actions.

Internal Audit provided draft Audit Report 2015-5 to the Fleet Management Department for response on May 8, 2015. The Department Head of Administrative Services provided the management response on June 5, 2015.

Summary of Observations

County management concurred with 25 of 35 observations, and partially concurred with two others in the response to this report. Of the eight observations with which management did not concur, management has written new policies as a result of two observations, acknowledged its mistake in a third, and had a vendor clarify its invoice format due to a fourth observation.

Intergovernmental Invoicing, Revenues, and Accounts Receivable:

1. Fleet changed its billing practice in FY 2013 to accelerate its intergovernmental billing receipts.
2. Fleet failed to invoice user departments timely for certain fuel costs and services when delayed by third party providers.
3. Fleet's method of billing allocated labor may not be acceptable for grant-funded programs.

Capital Assets:

1. Fleet was unable to locate one of 31 (3.2%) sampled capital assets.
2. Recorded locations of four of 31 (12.9%) sampled capital assets were inaccurate.
3. Three of 31 (9.7%) sampled capital assets did not have permanent asset identification tags.
4. Insufficient written policies and procedures for capital assets.

Inventory:

1. Based on random statistical sampling, Internal Audit concluded that Fleet Management is carrying approximately \$42,152 in obsolete parts (6.5% of total inventory).
2. Parts classified as "No Charge" are not included as inventory.
3. Inventory is not properly safeguarded.
4. Exceptions were noted during year-end physical inventory counts for parts.
5. Inventory may be understated.
6. Inventory functions and/or activities are not properly segregated.
7. Lack of written policies and procedures for inventory.
8. Hand-scanned data cannot be uploaded to FASTER without system changes.

Fuel:

1. Tank gallons do not reconcile with fuel pump meter (totalizer) gallons.
2. Review process for fuel exceptions is in place.
3. WEX fuel card use varies from the purpose stated in CMA 5204.
4. Fuel keys remain active for former County employees.

Payroll:

1. It appears employees have been improperly paid as a result of calculation errors.
2. Employees and/or supervisors have not properly signed and certified timecards or leave slips.
3. Original time entry documents were altered and corrections were not approved by the employee.
4. Time differences between Fleet's FASTER management system and manually prepared timecards create a risk of overtime liability.
5. Due to a lack of timely information from County Divisions, Fleet Management's list of assigned take-home vehicles was not current.

Contracts and Outsourcing:

1. BCC did not approve split Purchase Orders for Original Equipment Manufacturer (OEM) parts.
2. Inconsistent supporting documentation obfuscated vehicle cost validation.
3. Outsourcing of services complied with the Purchasing Policy.

Purchasing Cards:

1. Purchasing card transaction violated CMA 5808.
2. Tool allowance expenditures complied with Fleet Management policy.

Work Order Processing:

1. Core credits are not being applied to cost centers accurately.
2. Billing procedures for closing work orders are not followed.

Accounts Payable:

1. Excessive shipping charges incurred without prior approval.

Imprest (Petty Cash) Fund:

1. Fleet Management returned its former Imprest (Petty Cash) Fund.

Other Observations:

1. Unauthorized removal of County property (Missing tires investigation).
2. Social Security numbers have not been properly safeguarded.

Objectives

The objectives of the audit were to determine: 1) The reliability and integrity of financial data, 2) Whether contract terms are being fulfilled, 3) Whether assets are properly recorded, 4) Whether records are in compliance with state statutes, and county policies and procedures as they relate to the audited processes, and 5) Adherence to internal controls over operations.

Scope

This audit consisted of, but was not limited to, the following tasks:

- Review of applicable Florida Statutes and the Florida Administrative Code;
- Review of Florida Department of State General Records Retention Schedules;
- Review of applicable Board of County Commissioners (BCC) Ordinances and Resolutions;
- Review of applicable County Manager Agency practices (CMA's);
- Review of Fleet Management Department Policies and Procedures;
- Review of applicable Clerk's Finance and Accounting Department records;
- Review of Fleet Management Department records;
- Review of FASTER (Fleet Management System) reports (July 1, 2014 – September 30, 2014);
- Review of capital asset records and annual inventory report;
- Physical observation / inspection of capital assets;
- Review of Fleet's Certificate and Request of Imprest Funds forms and Annual Confirmations;
- Unannounced cash count for petty cash fund;
- Review of inventory records;
- Review of semimonthly billing to user departments;
- Review of allocated labor costs;
- Review of fuel, parts and sublease pass-through costs and markups;
- Review of billing processes;
- Review of the FY2013 Triennial Review of the Collier County Board of Commissioners, prepared for the Federal Transit Administration, United States Department of Transportation (US DOT);
- Review of OMB Circular A-87, Revised – Cost Principles for State, Local, and Tribal Indian Governments;
- Physical observation of year-end inventories of all Fleet Management locations;
- Interviews with County Staff; and
- Interviews with Clerk's Finance and Accounting Staff (Clerk's Finance).

Background

The Fleet Management Department (Fleet) provides centralized fleet management, fuel, repair and maintenance support services for approximately 740 on-road vehicles and approximately 1,850 pieces of secondary equipment. Of the 740+/- on-road vehicles serviced by Fleet, only 39 are capital assets of the Fleet Management Department. These are primarily motor pool, road service, or fueling vehicles. The remaining 700+ on-road vehicles, including sedans, light and heavy trucks, SUVs, vans, buses, ambulances and fire trucks, are capital assets of other departments or agencies. Approximately 20 of the secondary equipment items are capital assets of Fleet; the rest are capital assets of other departments or agencies. Secondary equipment includes heavy equipment, boats, trailers, grounds-keeping machines, off-road vehicles, generators and other equipment.

Fleet has 25 employees at its four maintenance facilities: County Barn Road, Radio Road, Davis Boulevard and Immokalee. Of these, 17 are automotive technicians, three are parts personnel, one is a fuel technician, two are accounting or fiscal technicians, and two are management personnel. Fleet personnel provide scheduled preventive maintenance and repairs. Fleet also manages the county's fueling program of approximately 1.3 million gallons annually. The department had a FY 2014 adopted net operating budget of \$10,132,800.

Fleet provided fuel service to the County through:

- Fuel pumps at the County Barn, Davis Boulevard, Immokalee and Carnestown locations;
- Intergovernmental fuel purchases from Collier County Public Schools and the City of Naples;
- Fuel purchases at the Evans Oil retail pumps on S. Horseshoe Drive;
- Two fuel trucks used to fuel buses at Collier Area Transit and to deliver fuel to remote sites; and
- The WEX Fleet Fuel Card program for use at participating retailers.

Fleet strategically sub-contracts (sub-lets) certain automotive services which they believe are more cost effective or beneficial when provided by the sub-contractor. Examples of outsourced services are:

- Roadside tire service and towing
- Paint and body work
- Quick oil changes
- Muffler and exhaust work
- Heavy machining
- Upholstery repair
- Radiator repair
- Automatic transmission overhauls
- Alternator and starter rebuilds
- Radio and communication installations
- Glass replacement
- Car washes and detailing

Fleet Management is an internal service fund that derives its revenues by billing its costs to user departments and agencies. The annual budget process drives both revenue pricing and resultant billing. Fleet bases labor charges to the user departments on the last full fiscal year's actual billable hours at the current year's estimated hourly labor rate; it is not directly billed per job or work order. Fleet provides the Office of Management and Budget (OMB) with its hourly labor rates, estimated billable hours, estimated fuel costs, parts and sub-let costs, and estimated loaner vehicle costs. OMB disseminates these estimated costs to user departments and agencies in its *Budget Instruction Manual*.

Fleet bills the labor costs approved in the annual budget to the user departments in equal monthly amounts. For parts, fuel, and sub-contracted expenses, Fleet bills user departments at cost plus a 23.5% markup to cover Fleet's overhead. In FY2013, Fleet changed from a monthly billing cycle to a semimonthly billing cycle to accelerate its revenue cash flows. Fleet returned to monthly billing at the beginning of FY 2015.

Observations – Intergovernmental Invoicing, Revenues, and Accounts Receivable

Fleet's revenue bills are prepared on its FASTER management software system. Shop technicians log into FASTER to record: actual hours, description of services, and the removal and installation of parts for each work order. Additional billing items are prepared through FASTER for allocated labor, fuel costs from the TRAK fuel reporting system and sub-let costs that Fleet receives from its sub-contractors. All of these billable activities are compiled and aggregated by user department cost centers with some users having multiple cost centers.

The semimonthly bills are prepared in FASTER, downloaded into a .pdf file and displayed for user review on the County's sharable intranet. User departments are then notified of the bill availability for review and approval. Each user department has three business days to review its bill and identify any proposed adjustments. A non-response is assumed to be an approval. After approval, Fleet forwards the bills to Clerk's Finance for recording and payment in a spreadsheet file that Finance uploads directly to SAP (the County's financial software system). Other agencies' bills are invoiced separately and also forwarded to Finance for recording and collection through SAP.

1) Fleet changed its billing practice in FY 2013 to accelerate its intergovernmental billing receipts.

Prior to FY 2013, Fleet billed its users once a month. In the second quarter of FY2013 Fleet began a semimonthly billing due to its cash flow shortages. This cash flow acceleration benefited Fleet to the detriment of its users. It also doubled the billing, approval, accounting and collection processes.

Fleet's cash flow issues arose when its primary fuel vendor, Evans Oil, changed its payment terms after being sold. The Board of County Commissioners approved the assumption agreement to the new owners, Evans Energy Partners, LLC (d/b/a Evans Oil) on November 13, 2012. The new owners notified its customers on December 10, 2012, that it was no longer honoring 30 day payment terms. In January 2013 the Board of County Commissioners accepted a contract amendment for the change in payment terms. The vendor billing went from a monthly billing cycle, with a 30 day payment term, to a weekly billing cycle, with immediate payment required. This fuel vendor changed ownership again effective May 31, 2013, when it was acquired by The Seminole Tribe of Florida, Inc. The Board of County Commissioners approved that assumption agreement on July 9, 2013. The payment terms with The Seminole Tribe are net 30 days upon receipt of a proper invoice.

Fleet returned to billing user departments monthly at the beginning of FY 2015.

Recommendations:

- While this may have been an isolated or unusual circumstance, all cash flow elements should be considered at budget and monitored through the month to ensure a cash shortage does not recur.
- When the County rebids its fuel purchase contract, it should require most favorable monthly payment terms possible.
- Fleet should ensure maintaining its cash flow in determining its billing cycles. One vendor's change in terms should not create a cash-flow crisis.

County Management Response:

“Management does not concur with this finding. This was a management decision to address an isolated and unforeseen circumstance that affected approximately one-half of Fleet Management's total FY 2013 operating budget. The amount of reserves needed to cover this situation would not have been considered reasonable when forecasting the budget. The Fleet Management Division budgets annual reserves as directed by the County's Budget and Management Office for internal service funds. Operating departments are budgeted for total annual Fleet Management expenses whether they are billed weekly, monthly, or

quarterly. The two-week billing cycle was a successful management decision to take care of an unforeseen dilemma.”

2) Fleet failed to invoice user departments timely for certain fuel costs and services when delayed by third party providers.

Internal Audit tested the revenue billing months of June 2012 and October 2013. The revenue bills for June 2012 included more than 250 line items for services that were incurred from 90 to 200 days prior to the date that they were rebilled to end users. These late fuel and car wash pass-through bills fit into 5 specific types:

- Type I: Voyager Bills (145+ items). Voyager was the previous fuel card vendor. These were services provided in March and April, 2012, not billed out to users until June 2012, up to three months late.
- Type II: Charges from the Public School pumps (75+ items). Services were incurred in December, 2011, and re-billed to users in June, 2012, a six month delay in re-billing.
- Type III: County Barn Pumps 503 and 504 (12 items). These were March 2012 services rebilled to users in June 2012.
- Type IV: Car washes (11 items). These were all December 2011 services rebilled in June 2012.
- Type V: Davis Boulevard Pumps 603 and 604 (10 items). These were December 2011 services rebilled to users in June 2012.

Type I late billings were a result of delayed reporting and billing from Voyager, the former fuel credit card vendor, which Wright Express has since replaced. The tested October 2013 Wright Express bill was current.

Type II late bills were explained as late or delayed billings from the Collier County Public School (CCPS) fuel pumps dating back to December 2011. Fleet was unable to document why these items had been delayed but they were reviewed in June 2012. The review found that numerous fuel bills had not yet been passed through to the user departments. The review further identified 16 fuel bills that Fleet could not rebill to the users. Those vehicles were sold at auction prior to the June billing and FASTER would not bill against a disposed vehicle. Fleet absorbed the unbilled fuel costs for the bills delayed beyond the vehicle disposition dates.

Fleet was unable to document the delays for the type III – V delays, but Fleet speculated that these may have been caused by damage to the communication equipment for the sensors at the fuel pumps and the car wash. These billable items may have been later identified and subsequently billed when the sensor equipment was serviced.

Recommendation:

- Fleet should develop standards to determine whether pass-through costs are accurate and timely so that rebilling to County departments and agencies will also be timely and accurate. Timely review will improve Fleet’s ability to pass-through costs. It will further match expense with revenue and improve Fleet’s cash flow.
- The Collier County School Board has a July 1 to June 30 Fiscal Year. Billing delays between the separate governmental entities should be minimized so that billing is applied to the appropriate Fiscal Year for each entity.

County Management Response:

“Management concurs with this finding. Fleet Management has changed fuel card vendors from Voyager to Wright Express (WEX) which has greatly improved the timeliness of our commercial fuel bills. Although the TRAC fuel management system is very reliable, there are times when the system malfunctions at either the BCC pumps or at the CCPS pumps. When these malfunctions occur, normally all transactions have been captured at the TRAC sentry located at the refueling site. When the malfunctions are corrected, all of the transactions can be downloaded and processed in the vehicle records and customer billing. Although these situations do sometimes create billing delays, the billing is accurate. To ensure we recognize TRAC

problems more readily, we make daily checks to make certain TRAC sentries have downloaded properly. We review School District billings to ensure there are no obvious gaps that would indicate a TRAC failure at their pumps. Fleet Management works very closely with Collier County Public Schools to ensure fiscal year-end billing is completed in a timely manner by both entities.”

3) Fleet’s method of billing allocated labor may not be acceptable for grant-funded programs.

On November 12, 2013, the U.S. Department of Transportation Federal Transit Administration (FTA), Region IV, issued the Final Report for the FY2013 Triennial Review of the County’s Collier Area Transit system (CAT). Finding No. 2-07 noted a deficiency in the cost allocation plan. The FTA requested that the County “submit a cost allocation plan for Fleet Services that is approved by the Federal cognizant agency.” The FTA further requested the cost allocation rates for the new fiscal year.

The final report notes that “...The County further maintains that the Fleet Management Internal Service Fund is not subject to the requirements for approval of indirect cost allocation plans by the Federal cognizant agency because the County does not meet the definition of a major local government contained in OMB A-87, Attachment C.” The report concludes that these “...assertions require further review.”

As of April 14, 2015, the FTA had not cleared the finding noted above. The County has hired a consultant to review and document Fleet’s FY 2016 cost allocation methodology used to bill CAT, and to foster compliance with new Single Audit requirements.

Fleet does not directly bill its labor costs (direct or fully burdened) to its vehicle service work orders. Fleet estimates each department’s annual labor cost during the budget process and subsequently bills this budget-approved allocated labor cost semimonthly in the new fiscal year. To calculate this allocated labor cost, Fleet estimates its fully burdened labor cost to include wages and benefits, overtime, on-call pay, Social Security, health and retirement benefits and workers’ compensation cost. Fleet categorizes all of its labor as support for one of the following services:

- vehicle services,
- fueling services,
- parts handling, or
- sub-let management.

Fleet first allocates fully burdened labor cost to support the fueling, parts and sub-let activities. All remaining labor costs not allocated to fueling, parts or sub-lets are used to estimate the service department’s hourly labor rate.

Individuals who service the fueling program are allocated to the fueling service costs based on the estimated percentage of their time incurred in the fueling activity. For example, the fueling technician will be allocated 100% to fueling costs; a management employee may only be allocated 5 % to fueling service. Fueling service costs are built into the markup rate to be charged on fuel dispensed on a cents per gallon basis.

A parts markup rate is calculated to include labor that is allocated to the parts service based on estimates of each individual’s time providing the parts function. A similar markup rate is calculated for support of the sub-let contracts. The financial model used to determine these markup rates is built to test various rates until a rate is determined that will cover the allocated service costs; it does not test whether the service costs allocated to each service function are reasonable. The derived hourly labor rate and markup rates are anecdotally tested against market conditions by management, but not documented. These service function costs and markups are estimated at the annual budget preparation (approximately March 1st) for the next fiscal year.

The annual budget for Fleet allocated labor costs is based on actual billing hours from a prior fiscal year times the current hourly labor rate. The budget-approved amounts for allocated labor are billed to each user

department in the budget year. Since Fleet now bills monthly, 1/12th of each user department's annual allocated labor is billed per billing cycle irrespective of the amount of service work performed in that billing period.

Recommendation:

- The Triennial Review requires that the cost allocation method be approved by the County's federal cognizant agency to be eligible. This may require the County either to:
 - i) Obtain approval for the current method of billing allocated labor to CAT; or
 - ii) Change to direct billing of labor or another acceptable procedure, at least for grant-related services.
- There does not appear to be a reconciliation of hours billed to actual hours worked. Thus, over- or under-billing for labor may go undetected.
- A reconciliation of actual to billed should be performed to validate the estimated costs billed.

County Management Response:

“Management concurs with this finding. The County hired a consultant who is developing a cost allocation plan that meets FTA grant requirements.”

Observations – Capital Assets

A capital asset is property with a value or cost of \$1,000 or more, and a projected useful life of one year or more. A capital asset should be recorded in the local government's financial system as property for capital assets inventory and financial reporting purposes.

As required by CMA 5809, Department Directors are designated as asset custodians. Florida Administrative Code chapter 69I-73 indicates each custodian is responsible to ensure an annual inventory is completed for assets. The following information, at a minimum, should be provided to the Clerk's Finance and Accounting Department in the annual inventory: date of the inventory, asset identification number, existence of the asset (or not), physical location of the asset, present physical condition of the asset, name and signature of the employee attesting to the existence of the asset, and in the case of a property group, the number and description of the component items of the group. Annually, the Clerk's Finance and Accounting Department provides departments with recorded capital asset lists and forms for validating capital assets.

Fleet Management Department had 189 capital assets on its inventory report at the time of sampling. Ten percent of the total population was selected equaling 19 capital assets. An additional 12 capital assets were selected for testing to ensure a minimum of one capital asset per location. A total of 31 capital assets were selected for observation and inspection (approximately 16.4%). The total acquisition value for the entire population for capital assets is \$15,796,207.48 with a net book value (net book value is the cost of the asset minus accumulated depreciation) of \$12,259,329.84 on July 10, 2013. The total acquisition value for the sample selected for capital assets is \$310,026.72 with a net book value of \$115,020.88 on July 10, 2013.

1) Fleet was unable to locate one of 31 (3.2%) sampled capital assets.

Assets should be properly safeguarded, controlled, tracked, and monitored. When assets are not properly recorded and not in possession of the location, it may give the appearance of theft or fraud, overstate assets, and cause financial information to be inaccurate. Missing assets should immediately be reported for investigation to determine the cause of the missing capital asset and for completion of the appropriate documentation.

For FY 2012 Year End, Fleet confirmed via the annual asset inventory report that they were in possession of and responsible for all 189 capital assets.

On August 15, 2013, Internal Audit completed a site visit with Fleet Management staff. Fleet was unable to locate one of the 31 capital assets sampled (approximately 3.2%). The PSC Power Scanner LR had an acquisition cost of \$1,051.20 (February 28, 2003) and the net book value was \$0.00 (August 15, 2013) with no disposal record.

Florida Administrative Code Chapter 69I-73 requires a physical inventory of property requiring a hands-on inspection of the assets. If an item is not located during the inventory process, then it shall be promptly reported.

On November 20, 2013, Fleet submitted disposal forms to Purchasing for approval of disposal for the missing asset. On November 26, 2013, Purchasing approved the asset disposal and provided Clerk's Finance the approved disposal forms. Care should be taken to ensure all assets are accounted for in the future.

Recommendations:

- The Department should comply with Florida Statutes, Florida Administrative Code, and County Policies and Procedures.
- The Department should properly monitor assets and submit the appropriate forms when changes occur.

County Management Response:

“Management concurs with this finding. The missing PSC Power Scanner was inoperable and obsolete. It was one of four, with the other three being operable. Fleet Management makes every effort to comply with County policies on property accountability.”

2) Recorded locations of four of 31 (12.9%) sampled capital assets were inaccurate.

Assets records should properly record and identify the asset location. When assets are not properly recorded and not in possession of the location or unable to be found at the location because of inaccurate location information, it may give the appearance of theft or fraud. Asset records should be updated prior to transferring capital assets to other locations.

On August 15, 2013, Internal Audit completed a site visit with Fleet staff. Four of the 31 capital assets sampled (approximately 12.9%) did not identify the proper location of the asset. Locations should be clearly identified and include accurate information. One example, an Automotive Lift Rotary, was listed as being at the CAT Bus location, but was not located there during field work. The asset was located at the County Barn Road maintenance facility.

On August 29, 2014, Internal Audit completed follow-up review for the identification of location, for the four capital assets previously identified as having an inaccurate location, in the Financial System (SAP) and the four asset locations are consistent with fieldwork records. The Department should continue to keep asset records updated.

Recommendation:

- The Department should continue to update asset records for the proper asset location.

County Management Response:

“Management does not concur with this finding. Fleet Management occasionally moves equipment from shop to shop. Some are temporary moves and some are permanent moves. Fleet is not aware of any policies or procedures or directions requiring immediate update of property locations in SAP. Instead these adjustments are made as part of the annual inventory that is supplied by Finance Capital Assets and then submitted to Capital Assets for correction. Fleet Management has followed those procedures.”

Internal Audit Response to County Management:

Fleet should log movements of capital assets between locations.

3) Three of 31 (9.7%) sampled capital assets did not have permanent asset identification tags.

Florida Administrative Code section 69I-73.0004, Marking of Property Records, requires each property item be permanently marked with the identification number assigned to that item to establish identity and ownership.

On August 15, 2013, Internal Audit completed a site visit with Fleet staff. Three of the 31 capital assets sampled (approximately 9.7%) did not have permanent asset tags and asset identification tag numbers were not written on the assets. During fieldwork, Fleet staff wrote the identification number on the assets with a permanent marker to ensure the asset was properly numbered. Fleet staff indicated they would continue to monitor the numbers on the assets and update as necessary to ensure the asset is properly identified.

Assets should be properly marked with asset identification numbers that have been assigned to the item. Without properly marking the asset, the asset may not be able to be identified and/or movement of the asset tracked.

Recommendations:

- The Department should properly mark capital assets with assigned identification numbers.
- The Department should review all capital assets for asset identification numbers to ensure the asset is properly marked with the assigned identification number.

County Management Response:

“Management concurs with this finding. Fleet Management has some difficulty keeping asset numbers on all of its equipment because of the oil, grease, and other harsh elements of our work environment. This has been true with asset tags provided by Capital Assets, other decals, and paint marker. Fleet Management will make every effort to ensure asset numbers are attached to or marked on each capital asset.”

4) Insufficient written policies and procedures for capital assets.

CMA #5809, Managing Personal Property and Consumable Supplies, indicates that each department shall establish internal procedures governing the proper care and use of assets and tangibles. The procedures shall be based upon the size and functions of the department and shall include who is authorized to use or consume the inventoried items and how usage or consumption is tracked.

Fleet has policies and procedures for receiving new vehicles and equipment that will be input into the FASTER system for tracking, monitoring, and maintenance. Fleet does not have a written policy or procedure for tracking and monitoring non-FASTER capital assets.

All aspects of a department’s operation should be clearly documented in an up-to-date procedures manual. Written procedures are beneficial for operational consistency and training.

Lack of written policies and procedures increases the risk of asset misappropriation, loss of inventory and/or assets, and disruptions to operations.

Recommendation:

- The Department should comply with CMA’s and create written internal policies and procedures to control, track, and monitor non-FASTER capital assets.

County Management Response:

“Management concurs with this finding. Fleet Management will comply with the procedures in CMA #5809 to account for capital assets.”

Observations – Inventory

Internal Audit observed the 2013 fiscal year-end inventory count at all Fleet Management locations between September 19 and September 28, 2013. In order to follow-up on findings from FY 2013's fiscal year-end inventory count, Internal Audit also observed the 2014 fiscal year-end inventory count at the County Barn Road location on September 27, 2014.

1) Based on random statistical sampling, Internal Audit concluded that Fleet Management is carrying approximately \$42,152 in obsolete parts (6.5% of total inventory).

Automotive Industry best practices define obsolete inventory as parts in stock that have not been used for 12 months. Given the age of Collier County's equipment, machinery, and fleet of vehicles, Internal Audit used a measure of 24 months to define obsolete parts.

As of September 30, 2013, Fleet Management was carrying 1,456 parts that have not been used in 24 months. The value of these parts totaled \$126,204.56. After discussions with Fleet Management, Internal Audit learned these parts may be used on other vehicles and may not necessarily be classified as obsolete.

A sample of 115 parts (with a value of \$28,894.31) was selected from the 1,456 parts identified as being 24 months old or older to determine if the part may be used on other equipment or vehicles. With input from Fleet, Internal Audit determined 35 parts could not be used on other equipment or vehicles and may be considered obsolete. The 35 parts have a value of \$9,647.69 or 33.4% of the sample's total value.

Based on statistical sampling, Internal Audit concluded 33.4% of the total value (\$126,204.56) of all parts 24 months old or older may be considered obsolete (or approximately \$42,152.32). The \$42,152.32 represents 6.5% of Fleet Management's total inventory.

Internal Audit reviewed an Obsolescence Report provided by Fleet Management staff. The report listed parts inventory that had not been used since August 30, 2012 or before (24 months or longer). This timeframe is consistent with Internal Audit's initial obsolete inventory testing. Internal Audit determined 1,007 parts valued at \$79,942.01 have not been used in the last 24 months or longer. Compared to the same information as of September 30, 2013, Fleet Management staff has reduced the number of potential obsolete parts from 1,456 to 1,007 or 449 parts (a 30.8% decrease). The value of these parts has been reduced from \$126,204.56 to \$79,942.01 or \$46,262.56 (a 36.7% decrease).

On September 2, 2014, Fleet Management said guidelines had been created for handling and reducing obsolete parts; however, there are no written policies or procedures. Fleet Management was creating a proactive process to minimize and eliminate parts obsolescence. That process includes analysis for movement of parts, sharing the analysis of parts movement with vendors to adjust their stocking levels to meet County needs, and returning parts to vendors for credit.

Obsolete inventory is a detriment to the County because it results in opportunity costs (an opportunity cost is the value of the best alternative foregone) and carrying costs. In addition, obsolete parts are usually sold at a loss when disposed.

Recommendations:

- Management should develop policies and procedures establishing criteria, methodology, and frequency of review of inventory to identify potential obsolete parts.
- Management should determine which parts can be returned to vendors for credit.
- Management should properly document and dispose of parts according to County equipment disposal policies and procedures, in order to keep inventory current and minimize loss.
- Management should monitor parts inventory to ensure that it is current and properly reduce parts that cannot be used.

- Management should consider including terms in future vendor agreements regarding the return of aged, stale and obsolete parts.

County Management Response:

“Management concurs with this finding.

Fleet Management has developed policies and procedures to deal with obsolete/stale inventory. Fleet’s parts personnel have developed numerous programs to address obsolescence. One of the programs is run twice annually, which looks at movement of all stocked items. If the item has not moved within an 18-month period, it is flagged for further investigation.

An auto-order report has also been created to minimize stock levels and reduce inventory cost significantly. Our parts staff has been working diligently with vendors to return stale and obsolete items. From 10/1/14 to 5/18/15, inventory was reduced by \$95,700. This has had a positive effect on cash flow within the Fleet Management Division.

Management currently catalogs all parts transactions within the Fleet software.

Fleet has addressed obsolescent in the current solicitation for parts. ITB: 15-6380

“Returns: Parts, tools, supplies, or accessories found to be of inferior quality, defective or damaged in transit shall be replaced as the expense of the vendor. Parts, tools, supplies or accessories ordered in error and unused by the County shall be returned to the vendor and the vendor shall refund/credit the original price to the County. No restocking fees or surcharges shall be charged to the County, including obsolete and overstock parts.”

2) Parts classified as “No Charge” are not included as inventory.

Per the former Fleet Management Director, “a ‘No Charge’ part is one in which the cost has been previously charged out to a vehicle or equipment, but the part has been recovered by Fleet Management and is carried at no value.” Since the part is carried at no value, Fleet Management does not include the part in inventory. Examples of “No Charge” parts include:

- Parts salvaged from a wrecked vehicle, such as a transit bus, which are kept on hand to replace the same parts on a bus currently in service.
- Some parts are only sold in kits, but only a specific part from the kit is needed to complete a repair. The required part is installed with the entire price of the kit charged to the vehicle or equipment requiring the part. The remaining pieces of the kit are then kept on hand and classified as “No Charge” items.
- Spare wheels of transit buses, with or without mounted tires, are held in the store room as “No Charge” parts.

On September 2, 2014, Fleet Management said no written policy or procedure had been created for “No Charge” parts. “No Charge” parts identified in the FY 2013 year-end inventory count have been entered into inventory. Internal Audit confirmed the majority of “No Charge” parts at the County Barn Road location were recorded as “No Charge” parts; however, exceptions still existed.

On September 27, 2014, Internal Audit observed the FY 2014 year-end inventory count at the County Barn Road location. Internal Audit observed new hydraulic parts, mounted tires, tire hubs, and an assortment of other parts. “No Charge” parts were not properly tracked and monitored. Amongst the “No Charge” parts was a radio with a County asset tag. The radio was being kept as a “No Charge” part. Based on further review, the radio was a County asset that had been recorded as being disposed.

Not including “No Charge” parts in inventory may result in overstocking, thus increasing carrying costs and obsolete inventory. By not tracking “No Charge” parts, the risk for shrinkage increases and may understate inventory. By having untracked parts that are new and/or used, but in good condition, the Department is exposed to theft and/or fraud.

Recommendations:

- Management should develop procedures to include “No Charge” parts in inventory.

- A mechanism should be implemented to track and monitor “No Charge” parts.

County Management Response:

“Management concurs with this finding. Fleet Management is currently assessing the feasibility of retaining “No Charge” Items. Fleet inventoried and cataloged all “No Charge” items at the County Barn location, and is currently working on inventorying and cataloging “No Charge” items at the remaining locations.”

3) Inventory is not properly safeguarded.

Internal Audit observed the parts room/area is unsecured during business hours at the Davis Boulevard, Radio Road, and Immokalee locations.

Davis Boulevard – Parts are stored in multiple open areas within the facility. The majority of parts are stored in an unsecured second level loft and batteries/lubricants are stored unsecured under the staircase to the loft. Staff said they did not have the capability to secure these areas during business hours. In addition, several parts for road graders and back hoes are stored outside, behind the facility due to the size and weight of the parts.

Radio Road – The parts room has two rolling doors, one leading to the main floor and the other outside. Both rolling doors are left open during business hours. One automotive technician serves as the parts room supervisor (one employee is responsible for parts and the use of parts; lack of segregation). The doors to the parts room remain open all day when this employee works on vehicles, leaving inventory unsecured.

Immokalee – The door to the parts room is left unlocked. To enter the main office, customers have to walk through the parts room. When the employee works on vehicles, the parts room door is not locked, leaving inventory unsecured. Since the location only has one employee, the employee should lock the parts room door when working on vehicles and away from the parts room to ensure parts are properly secured.

On September 27, 2014, Internal Audit observed the FY 2014 year-end inventory count at the County Barn Road location. The tire cage door, when locked, was able to be opened without a key by moving a metal bar. By being able to open the tire cage door without a key, the parts contained (tires and hubs) are not secured.

By not properly securing inventory, the risk for theft increases.

Recommendations:

- Management should properly safeguard all inventories.
- Management should consider implementing a policy requiring parts rooms to be locked when an employee is not present.

County Management Response:

“Management concurs with this finding, however, due to budget and resource constraints, it is not feasible to hire the staffing required to maintain closed parts rooms at all locations. To mitigate this, Fleet has taken the steps outlined below. We are also looking at the feasibility of strategically installing security cameras in the parts room areas.

Davis Blvd.

Davis Blvd is a gated facility shared with the Road Maintenance Division. The general public does not have access to the facility. Due to the configuration of the shared shop and warehouse building, there are few provisions that can be made to keep fleet parts in a 100% secure storage area. Access to parts stored in the shop office or loft require personnel to physically enter the shop area where the technician and shop manager spend most of their day. Large bulky items are stored outdoors due to the lack of storage space. The size and weight of the items alone decrease the risk of theft.

Radio Road

Radio Road is a gated facility with no public access to the shop or maintenance areas. Lack of ventilation requires the doors to be kept open most of the year. We agree this facility should have a parts clerk and a closed parts room. Due to budgetary constraints the facility is operating with minimal staff. Efforts will continue to be made to acquire an approved FTE to manage the parts room which helps with the security issues. We are also determining the feasibility of installing a chain link gate inside the roll-up door that would improve security and still allow ventilation.

Immokalee

Immokalee is a shared facility with Road Maintenance and Facilities Management Divisions. The parts room is combined with the shop office separated by a door way and only accessible from the shop floor area. The shop manager/technician does not lock the door when working on units as the office is in the line of sight of the service bays. The standard procedure while not written is to lock the parts room door anytime the manager leaves the building. The bay doors are also closed if the manager leaves the facility for any reason.

County Barn

The defect in the tire cage door has been corrected. The tire cage has been secured and a key is required to access the cage door.”

4) Exceptions were noted during year-end physical inventory counts for parts.

The Immokalee location had 268 items on the inventory count list. During the physical count, 19 exceptions were noted (or approximately 7.1% of total items in inventory):

- Fifteen items' actual quantities did not match the reported initial inventory;
- Two items were unable to be located by Fleet staff; and
- Two items on the service truck that should have been listed were not included in the inventory.

The County Barn Road location had 2,116 inventory items. During the physical count, 51 exceptions were noted (or approximately 2.4% of total items in inventory):

- Forty-two items' actual quantities did not match the reported initial inventory;
- Seven items were unable to be located by Fleet staff;
- One item was counted in inventory but not in its designated location; and
- One item was counted but noted as not working properly. As a result, the part could not be used for repairs.

The Davis Boulevard location had 829 inventory items. During the physical count, 97 exceptions were noted (or approximately 11.7% of total items in inventory):

- Eighty-nine items' actual quantities did not match the reported initial inventory; and
- Eight items were unable to be located by Fleet staff.

The Radio Road location had 1,262 inventory items. During the physical count, 122 exceptions were noted (or approximately 9.7% of total items in inventory):

- Ninety-eight items' actual quantities did not match the reported initial inventory; and
- Twenty-four items were unable to be located by Fleet staff.

On September 27, 2014, Internal Audit observed the FY 2014 year-end inventory count at the County Barn Road location. During the physical count, 94 exceptions were noted (or 5% of total items in inventory):

- Seventy-nine items' actual quantities did not match the reported initial inventory; and
- Fifteen items were unable to be located by Fleet staff.

Care should be taken when recording inventory in the FASTER system to ensure accurate inventory totals. Inaccurate totals may cause inventory to be under- or over-stated and may affect reorder points, resulting in stock-outs or excessive inventory. When inventory is not properly recorded at the time of use, Fleet Management may not properly bill County departments resulting in inaccurate revenues and expenditures.

Recommendation:

- Fleet Management should develop and implement policies and procedures to ensure inventory is properly recorded in the FASTER system.

County Management Response:

“Management concurs with this finding. New barcode scanners have been implemented to better track inventory. Procedures have been developed for yearend inventory.”

5) Inventory may be understated.

At the Immokalee Fleet location, it was noted three items in the on-call service truck were not included in the inventory count. Fleet staff indicated the items were expensed when they were placed in the on-call service truck and not included in inventory. Fleet staff said on-call service trucks dispatched from the County Barn and Radio Road facilities recorded the items in inventory. The Immokalee Fleet location operation for recording on-call service truck inventory is inconsistent with the other Fleet locations.

On September 27, 2014, Internal Audit observed the FY 2014 year-end inventory count at the County Barn Road location. During the observation, Internal Audit noted several parts not included in the physical count. Internal Audit alerted Fleet Management staff, who responded that the parts could be “No Charge” parts, obsolete parts, or should be included in inventory. Fleet Management staff will research and take the necessary action to properly account for these parts.

By not including all items in the year-end inventory count, inventory totals may be understated and inventory is at a greater risk for loss. By not properly matching inventory parts with the repairs completed, Fleet may be under-billing departments for services rendered. Care should be taken to record all inventory and properly expense the inventory at the time of use.

Recommendations:

- Management should adjust inventory totals to include all parts.
- Management should create a policy or procedure to account consistently for on-call service trucks’ inventory and/or when to expense the items.
- Management should provide inventory training for employees operating on-call service trucks.

County Management Response:

“Management concurs with this finding. A separate storeroom was created for the Immokalee service truck and all items on the truck have been recorded in the Fleet inventory program for tracking. County Barn’s “No-Charge” items have been addressed in earlier findings.”

6) Inventory functions and/or activities are not properly segregated.

Fleet employees all have the ability to order inventory parts. Management has not restricted access to the ordering function. Authorization of ordering has not been limited. All employees have the ability and access to receive parts orders when delivered by vendors. All employees complete the year-end annual inventory for parts. The functions and/or activities regarding inventory have not been properly segregated and have not limited access to only the necessary employees.

During the 2013 fiscal year-end annual inventory, Internal Audit observed a lack of segregation of duties. A

Fleet parts employee who participated in the physical inventory count also reconciled the count's differences in the FASTER inventory records. Annual physical inventories should be completed by employees who do not have authorization to order or receive parts.

Inventory functions that should be segregated include: authorizing the purchase of inventory, verifying or processing the receipt of inventory, completing inventory counts, and investigating of inventory differences.

On September 27, 2014, Internal Audit completed follow-up observation for the 2014 fiscal year-end inventory. Internal Audit observed proper segregation of duties for the annual inventory process. Separate employees completed the count, verification, recording, and exception review. It appears that Fleet has resolved prior concerns. For added controls when there are exceptions, employees that did not complete the initial count now complete a blind count of those parts with exceptions.

By properly segregating duties, Fleet has made fraud more difficult, because it would require collusion. Moreover, unintentional errors would be more likely to be detected.

Recommendation:

- The Department should review inventory handling processes including authorizing, ordering, receiving, validating (inventory counts), and discrepancy resolution responsibilities and ensure incompatible duties are properly segregated.
- The Department should create, implement, and adhere to a written policy for segregation of duties for inventory functions and/or activities.
- Inventory should routinely be validated by an independent party.
- The Department should limit the amount of employees who have access to order and receive parts.
- The Department should monitor and control inventory intake points and employees' access to inventory.

County Management Response:

“Management concurs with this finding. Management currently has policies on which positions can order and receive parts. The software has been updated to restrict personnel without proper authority from entering inventory into the system. Functions will be segregated during inventory count.”

7) Lack of written policies and procedures for inventory.

Fleet does not have written policies or procedures regarding inventory, in particular obsolete inventory and “No Charge” parts. See 2) above.

All aspects of a department's operation should be clearly documented in an up-to-date policies and procedures manual. Written procedures are beneficial for operational consistency and training.

Based on 2014 follow-up, lack of written policies and procedures remains a strong concern. Lack of written policies and procedures increases the risk for loss of funds, inventory, and disruptions to operations.

Recommendation:

- Fleet Management should develop written policies and procedures to control and monitor inventory, including related processes.

County Management Response:

“Management concurs with this finding. Fleet Management has developed policies and procedures for obsolete items. No-charge items have been addressed in earlier findings.”

8) Hand-scanned data cannot be uploaded to FASTER without system changes.

Palm Pilot scanners are used to scan barcodes and record totals during the manual inventory counts. The information contained in the Palm Pilot is uploaded to FASTER recording the actual inventory totals. If the Palm Pilot scanner counts are equal to the master inventory totals, the Palm Pilot information will not upload and validate the master inventory totals in FASTER. Fleet management concurred with the finding.

Inventory inaccuracy can cause parts to be out of stock when the system indicates there is inventory on hand, which will delay repairs. Inventory inaccuracies may also cause inventory to be reordered when it is not needed, increasing the carrying costs of items. Inaccurate inventory records can affect parts orders, inventory totals, and financial information. Care should be taken to ensure inventory totals are accurate. Any variances because of the computer glitch should be clearly documented to ensure an accurate audit trail and proper inventory levels.

On September 27, 2014, Internal Audit completed follow-up observation for the 2014 fiscal year-end inventory count. It appears the “system glitch” for downloading information has been resolved. New hand scanners have been implemented and the Palm Pilot scanners are no longer used. Per review of the “Parts Audit Report,” Fleet Management staff is documenting an explanation for each inventory discrepancy.

Recommendations:

- Management should continue to work with FASTER to resolve any “system glitch” to ensure proper recording.
- Management should document an explanation for each discrepancy to ensure accuracy of the data.

County Management Response:

“Management concurs with this finding. New barcode scanners were purchased to resolve the glitch in the software. Scanners are functioning with software to track any discrepancies in inventory and record any findings in an audit report.”

Observations – Fuel

1) Tank gallons do not reconcile with fuel pump meter (totalizer) gallons.

Clerk's Finance staff receives a monthly fuel inventory and consumption reconciliation report from either Fleet Management's Fuel Technician or Senior Operations Analyst. This report includes fuel readings from storage tank measurements and fuel pump sales records. The September 2014 report showed meter sales exceeding tank sales by 711.9 gallons for red-dye diesel, and by 455.0 gallons for regular unleaded gasoline.

Paragraph 75 of 62-762.201, Florida Administrative Code (FAC), defines "Significant loss or gain." It is the sum of losses and gains of a regulated substance (e.g., motor fuels) over a 30 day or monthly period that exceeds one percent of tank capacity. The definition includes other metrics for significant loss or gain that vary with tank size. Two red-dye diesel tanks (in Immokalee and at Davis Blvd.) and two regular unleaded tanks (at County Barn and Davis Blvd.) exceeded the one percent test on the September 2014 reconciliation report. Section 62-762.201 (75) requires Collier County to report differences exceeding one percent to the Florida Department of Environmental Protection.

The Senior Operations Analyst believes the difference lies within the Trak reporting system that monitors and records fuel pump sales. There is a time delay between the transaction date/time reading on a pump and the posting date/time reported in the Trak system. This may render the beginning tank balances inaccurate.

The Senior Operations Analyst is working to streamline the matching of gallons used with the fuel pumps' totalizer counts. Data lines from the Trak Sentry boxes at the fuel pump to a modem would allow the data to upload to the FASTER system in real time each night. This would eliminate any time lapse between totalizer readings and what FASTER reflects as sold. This process would also allow Trak to monitor fuel levels in the tanks that feed the fuel pumps, giving an accurate reading of daily quantities on hand.

Recommendation:

- Fleet Management should complete the process of establishing data connections to receive real time reports from totalizers at each Fleet location. Management should collaborate with fuel technicians to streamline reports in Faster and send the information directly to finance without the need for entering data manually.
- Fuel technicians should continue to monitor tank levels and verify the equipment is in working order by becoming familiar with new reports and what, when and where data is being retrieved.
- Fleet should create written internal policies and procedures to adopt the new method of reporting fuel purchases, inventory and sales and ensure that all fuel related employees are trained on new methodology.
- The Department should report qualifying monthly fuel differences to the Florida Department of Environmental Protection.

County Management Response:

"Management concurs with this finding. Fleet Management has developed a new process for reporting tank inventory. On a daily basis the inventory is reconciled against the tank sales. This process will alert staff to any malfunctions to the fuel system. The new process depends on more automation, minimizing the risk of data entry errors. The new calculation method is (Beginning Balance – Tank sells = Ending Balance). The new procedures are now being tested and, when perfected, written procedures will be prepared and all involved employees will be trained.

Fleet Management will communicate with Collier County's Petroleum Tank Environmental Specialists to investigate any tank discrepancy."

2) Review process for fuel exceptions is in place.

An exception report called a “fuel interface log” is printed daily through the Trak system and then downloaded directly into FASTER for the Fuel Technician to review.

The “fuel interface log” shows the status of transactions. When mileage does not reconcile, the system will accept the entry and note the entry as a “warning” that something is not accurate. The system will accept the transaction to allow the person to obtain fuel. When this occurs, the Fuel Technician will perform additional review and research.

There is a feature to lock the pumps when inaccuracies or exceptions are entered for mileage after three entries; however, users would then be unable to pump gasoline. There is also a time limit of 30-45 seconds to begin pumping fuel before the transaction is terminated.

Note: the exception is not always an issue; such as, when someone has purchased fuel elsewhere using a credit card and submits via expense report. The mileage would be shown as inaccurate when in fact it is accurate and fuel costs have been reimbursed to the employee.

Technology is available to record the mileage when the nozzle is inserted into the vehicles tank or when the vehicle drives by a County pump. The Senior Operations Analyst completed a cost-benefit analysis and, at this time, the cost of the technology outweighs the benefits of the technology.

Recommendation:

- Fleet Management should continue to monitor, approve and investigate notable exceptions on the fuel reports in accordance with its policy.

County Management Response:

“Management concurs that adequate fuel exception review processes are in place.”

3) WEX fuel card use varies from the purpose stated in CMA 5204.

In accordance with CMA section 5204-4 F.3 Commercial Fuel Cards, Fleet Management issues commercial fuel credit cards for emergency fuel requirements and for travel outside of Collier County. Fleet maintains an account with WEX, Inc., which supplies the fuel cards used.

The County’s Vehicle Operator’s Handbook describes the fuel card program as offering “access to commercial fuel stations outside Collier County or when County-owned sites are not accessible.”

Internal Audit tested 31 of 376 transactions (8%) on the August 2014 WEX statement. Despite the CMA’s direction that fuel cards are for emergencies and travel outside Collier County, County staff made 27 of those 31 purchases in Collier County, and three more in Bonita Springs. It appears that fuel cards are being used more for convenience than for emergencies and travel outside the county. When County staff purchases fuel locally with fuel cards, the taxpayers lose the benefit of Fleet’s bulk fuel pricing.

Recommendations:

- County management should reinforce to employees the intent of CMA section 5204-4 F.3, i.e., that fuel credit cards are “for emergency fuel requirements and for travel outside Collier County,” and not merely for convenience.

County Management Response:

“Management partially concurs with this finding. While technically a violation, management encourages staff to take cost saving measures. The wording in the CMA will be changed to allow more discretion to fuel at commercial stations when travel to County pumps would be more costly than the savings realized by

County pricing or when the travel time would take emergency vehicles out of service for too long of a period.”

4) Fuel keys remain active for former County employees.

On August 29, 2014, Fleet provided Internal Audit a listing of personnel fuel keys that were active. Personnel fuel keys are inserted into Fleet gas pumps in conjunction with vehicle fuel keys to provide the ability to dispense gas for County vehicles and/or equipment. Internal Audit reviewed the list to validate that these personnel fuel keys were assigned to current County employees.

Internal Audit performed discovery testing on one of 50 pages for active fuel keys. The page reviewed contained 55 personnel fuel keys that were active. Internal Audit reviewed these fuel keys to verify that the individuals assigned personnel fuel keys were current County employees.

Eight of 55 employees (14.5%) who were no longer current County employees remained on the “active” page tested. This means the fuel key was not deactivated to suspend its use when the employee separated from County employment. Further testing found two fuel keys that had been used after their assigned employee’s last day of work. Management in those departments had reassigned the keys internally without updating Fleet Management.

When fuel keys are not deactivated when an employee separates from County employment, the County is exposed to theft, fraud, inappropriate use of fuel keys, and loss. Dispensing fuel from Fleet pumps requires a vehicle key in addition to a personnel fuel key, thus mitigating some of this risk. Nonetheless, upon employee separation from the County, personnel fuel keys should be returned to Fleet or immediately deactivated to ensure that these keys do not continue to be used by other County employees and/or by the separated employee.

Recommendations:

- Management should review and ensure all former County employees’ fuel keys are deactivated.
- Management should create and implement Policies and Procedures to retrieve and deactivate fuel keys immediately when employees separate from County employment.

County Management Response:

“Management concurs with this finding. Steps are being taken to develop an automated notification system.”

Observations – Payroll

The County does not have a policy or procedure for payroll. Each department is responsible for its own processes, policies, and procedures.

On August 14, 2013, Internal Audit observed the department's payroll process and selected pay period 23 (July 27, 2013, through August 9, 2013) for testing. Internal Audit reviewed 100% of employee timecards and leave slips submitted to the fiscal technician; 23 employees submitted timecards for the period. The sampled period was for two weeks for a total of 46 employee timecards. Employees also submitted 16 leave slips documenting absences for the period. The review resulted in observations #1-#3.

1) It appears employees have been improperly paid as a result of calculation errors.

Ten of 46 (21.7%) sampled timecards contained calculation errors. Five of the calculation errors were based on improper calculation unrelated to meal periods / breaks. Five of the calculation errors may have been based on meal periods / breaks. Exceptions were noted where the timecard was not properly calculated for the actual daily hours worked, indicating the employee may have been improperly paid.

Fleet Management indicated errors were a result of paid breaks provided to employees. Fleet Management Department's Policies and Procedures #21 indicates "**Breaks** - ...The afternoon break may be taken in conjunction with a 30-minute lunch period if approved by your supervisor..." The timecards submitted containing the calculation errors do not contain a notation or any indication a break was used in conjunction with the meal period. It appears the employee may have been overpaid.

Without proper review and management oversight, employees may be under- or over-paid exposing the County to a liability or loss.

Recommendations:

- Employees should carefully review their timecards prior to submitting them for approval.
- The supervisor and timekeeper should review timecards to validate that they are accurately calculated prior to approving payment for hours worked.
- The County should determine if there is a liability to employees for hours worked and not paid, or if employees were paid for hours not worked.

County Management Response:

"Management does not concur with this finding. The Director personally reviewed in detail and approved all time cards. The Director was fully aware of the employees that took a combination 30-minute unpaid lunch period and 15-minute paid work break. There are no known instances of employees being underpaid or overpaid. Fleet Management has established new time card policies and procedures that include requirements for original cursive signature by the employee and supervisor. Employees have received personal copies of the new policies and have been trained on the procedures."

2) Employees and/or supervisors have not properly signed and certified timecards or leave slips.

Employees have not properly signed and/or initialed timecards certifying the hours actually worked. Of 46 sampled timecards, 18 (39.1%) were not properly signed by employees. Employees have not properly signed and/or initialed timecards or leave slips. Five of 16 (31.2%) sampled leave slips were not properly signed by employees. Employees did not sign or initial the timecards or leave slips; rather the employee's name was typed on the timecard or leave slip in a cursive font, which does not identify the typist certifying the document. When documents are signed electronically, a securely controlled application should be used.

Supervisors have not properly signed and/or initialed timecards certifying the hours employees actually

worked. Four of 46 (8.7%) timecards were not properly signed by supervisors. Two timecards were not signed by the supervisor, and two others were completed in a cursive font, which does not identify the person approving the timecard for payment. When documents are signed electronically, a securely controlled application should be used.

When employees do not properly sign and certify their timecards, those timecards may be considered unreliable. This can cause differences between documents, inaccurate payment for hours worked, overpayment for hours not worked, or allocation of hours to the wrong person or period. Employees and supervisors should properly review and sign timecards once all discrepancies have been resolved. A supervisor should not approve a timecard without a proper signature. Care should be used when completing and/or reviewing timecards to ensure employees receive proper payment for hours worked.

Recommendations:

- Employees should be trained to complete a timecard properly (i.e. signature method).
- Supervisors should review timecards to ensure they have been properly completed and certified by the employee then properly sign approving the timecard.
- Improper or incomplete timecards should not be accepted by the supervisor.
- Time should not be entered in SAP without proper approval and verification.

County Management Response:

“Management partially concurs with this finding. Employees in our three satellite shops were permitted to complete their time cards, type in their names, and send them to their supervisors from their computers using their login and password. This electronic signature with each individual using his/her official login and password seemed adequate for verification. Fleet Management has established new time card policies and procedures that include requirements for original cursive signature by the employee and supervisor. Employees have received personal copies of the new policies and have been trained on the procedures.”

3) Original time entry documents were altered and corrections were not approved by the employee.

One of 16 (6.2%) leave slips and three of 46 (6.5%) sampled timecards had revisions without approval from the employee. The corrections were not initialed by the employee and/or the supervisor. It cannot be determined who altered the timecard. It does not appear the employee approved the changes. Without proper approval, revisions to timecards may not be considered valid.

When timecards are altered without proper approval or authority, the integrity of the timecard/information is compromised. Unauthorized alterations circumvent the controls in place that ensure the accuracy and legitimacy of reported time. This can cause the under or over payment of an employee and/or discrepancies in the submitted timecards.

Recommendations:

- Supervisors should review all timecard changes with the employee and the employee should initial all changes.
- Timecards with changes and without employee and supervisor approval (i.e. initials) should not be entered into the payroll system by the timekeeper without proper validation.

County Management Response:

“Management concurs with this finding. The Director confirmed all changes to the time card with the supervisor and employee. No County policies or directives prohibited this practice. Fleet Management’s new time card procedures require employee initials on all manual changes.”

4) Time differences between Fleet's FASTER management system and manually prepared timecards create a risk of overtime liability.

Fleet Management employees should fill in, sign, and submit time cards for each biweekly payroll period. The supervisor compares time card hours to hours recorded by FASTER, Fleet's management software system. Due to potential variables in FASTER timekeeping, e.g., forgetting to log back in after lunch, time cards are the official records on which employees' pay is based.

For the payroll period beginning April 5, 2013 and ending April 19, 2013, Internal Audit examined the time cards for employee and supervisor signatures, documentation of leave taken, and mathematical accuracy. Internal Audit compared employees' time card hours to the hours reported on their respective Technician Workstation Review (TWS) reports from FASTER.

The comparison of time card hours to TWS hours logged revealed twelve employees with at least thirty minutes of TWS time not reflected on their time cards. Of those twelve, six had more than one hour of apparent overtime. In section 29 CFR 785.11 (Code) it states that "Work not requested but suffered or permitted is work time." Further the Code gives examples wherein the employer knows or has reason to know that the employee is continuing to work beyond the end of a shift. The Wage and Hour Division of the U. S. Department of Labor holds that an employer who permits certain employees to work overtime is required to pay the employee for such overtime work.

Fleet Management *Policies and Procedures 3. Work Day Starting Time*, reads "All members are expected to be present in their designated workplace and begin work at their scheduled starting time (emphasis added)." The Fleet Management Director stated that employees are not allowed to come in early and make their own hours. Further, CMA section 5341-2 O. mandates that except for emergencies, the Department Director must approve all overtime work in advance. *Policies and Procedures 23. Overtime*, mandates that "The Director must approve all overtime." However, section 29 CFR 785.13 says "In all such cases it is the duty of the management to exercise its control and see that the work is not performed if it does not want it to be performed. It cannot sit back and accept the benefits without compensating for them. The mere promulgation of a rule against such work is not enough. Management has the power to enforce the rule and must make every effort to do so." When hours worked are not properly monitored, the County may be exposed to additional liability (underpayment of hours worked) or incur a loss for the overpayment of hours not worked.

Employees may be logging into FASTER before they actually begin working, or management may be permitting employees to work before their scheduled starting times. Either situation creates a risk of overtime liability for the County.

Management clearly represented that the signed, manually-prepared time card is the official payment record for the department; FASTER has only been used to measure accuracy of the time cards.

Recommendation:

- Management should monitor employees' starting and ending work times in order to avoid exposure to unnecessary overtime liability and overpayment of employees who fail to work the hours stated.
- Management should adopt a formal procedure for dealing with discrepancies between the signed time cards and FASTER.

County Management Response:

"Management concurs with this finding. Fleet Management used FASTER for documenting work orders, parts processing, customer billing, and vehicle/equipment history. FASTER entries were not used for time card calculations or verification. FASTER is now partially tied to time card preparation and verification in Fleet Management's new time card policies and procedures. The time card process is partly automated to draw work times from FASTER and automatically tally the times entered on the time card. This process has reduced the chances of error as compared to manual entries and also gives us a check and balance system to ensure overtime is properly captured."

5) Due to a lack of timely information from County Divisions, Fleet Management's list of assigned take-home vehicles was not current.

In February 2015 the Clerk's Finance Operations Manager found four former Growth Management Division employees on the list of assigned take-home vehicles. Finance uses this list in part to determine whether those vehicles constitute a taxable benefit to the employees. CMA 5204 directs Fleet Management to maintain this list based on information provided by the County Manager and Division Administrators. Fleet Management had not updated the list since April 2014. Failure to keep the list of take-home vehicles current could lead to loss of control of these assets in addition to improper tax consequences.

Recommendations:

- Fleet Management must be apprised of any and all changes in take-home vehicle assignments, especially involving separated (former) employees.
- County management should implement an immediate notification process to update Fleet regarding take-home vehicle assignments. This information must be communicated to payroll each pay period to ensure proper pay.

County Management Response:

“Management concurs with this finding. Current biannual practice will be revised to quarterly or possibly bimonthly. Personnel change reports now provided to Fleet by HR will assist in the process.”

Internal Audit Additional Comment:

Human Resources or Fleet should verify take-home vehicle assignments as a control of taxable benefits.

Observations – Contracts and Outsourcing

1) BCC did not approve split Purchase Orders for original equipment manufacturer (OEM) parts.

Fleet Management (Fleet) formally contracts with certain vendors for goods and services in accordance with Collier County's adopted Purchasing Ordinance. Fleet's selection of vendors for OEM Ford parts appears to circumvent Collier County's competitive bid process.

Formal Competitive Threshold (Purchases in Excess of \$50,000) of Collier County's Purchasing Ordinance 2013-69, Section 8 (§ 2-193) states "All such purchases shall be accomplished by competitive sealed bid, by competitive selection and negotiation (per Section 11 (§ 2-196)) or by competitive proposals (per Section 12 (§ 2-197)). Award of contracts shall be made by the Board to the lowest, qualified responsive bidder except where otherwise provided for in this Purchasing Ordinance or unless an exception is granted by the Board. Bid limits for requirements utilizing federal or state funds will be those required by said agency granting the funds or the County's requirements, whichever is more restrictive." The Purchasing Ordinance also notes that the Purchasing Department sends solicitation notices to trade groups comprised of vendors/contractors who ordinarily handle commodities or services similar in nature.

Fleet Management, with assistance from the County Purchasing Department, issued an Invitation to Bid (ITB #14-6308) to solicit responses from multiple vendors for "Fleet Management services, repair parts and accessories." This was to replace, in part, bid contract #10-5513 that previously extended a bid contract to Tamiami Ford and Sam Galloway/Coconut Point Ford which expired 9/27/2014. However, Fleet and Purchasing excluded Tamiami Ford from their recommendation on 9/23/2014 deeming it non-responsive. Sam Galloway/Coconut Point Ford was not listed on the bid tabulation for ITB #14-6308.

The Executive Summary (Item 16.E.9) for Bid #14-6308 presented to the Board of County Commissioners on 9/23/2014 states: "The services and related repair parts or equipment that is typically Original Equipment Manufacturer (OEM) authorized dealers will be awarded in a manner most beneficial to the County using the labor rates and discounts offered by the vendors. A proposed vendor award sheet is attached. Staff intends to re-solicit a similar ITB for other OEM/authorized of vehicles and equipment currently owned by the County. Purchases will be made using the County's standard purchase orders or procurement card." These bid terms are imprecise and result in inconsistent responses from vendors. Vendors responding to these solicitations offered different parts or services. For example, a vendor may only sell parts or service passenger vehicles, while another may only handle heavy equipment. As a result, it is difficult to identify the lowest competitive bidder.

Instructions

Completed waiver requests must be submitted to the department's procurement professional for any amount above \$3,000.

Purchases above \$3000 require three quotes or formal competition. The department must provide justification to Purchase to request consideration to waive the competitive purchasing process and purchase from a single vendor. Waivers of greater than \$50,000 will require approval by the Board of County Commissioners. To qualify for a waiver: select a waiver category, provide an explanation of the research conducted and the supporting rationale, and acquire the approval signature from your director. Send the waiver request, any research information and contract materials to your purchasing professional in Purchasing.

Requester Name:	Mario Menendez	Vendor Name:	Sam Galloway/Coconut Point Ford & Tamiami Ford
Department:	Fleet Management	Item / Service:	Original Equipment Manufacture of Parts (OEM)
Requisition # (if applicable):		Anticipated Cost:	49,900

Emergency: Describe the public health or safety issues that requires the immediate product or service (i.e., The supply of vaccination was completely depleted within hours of delivery to the employee health center; the current vendor will not receive another shipment for 2 weeks).

Compatibility / Proprietary (One of a Kind or No Substitute Available): Describe the research completed to determine that there is only one product or service capable of meeting the County's existing conditions and that no other vendor can provide a product, component, or replacement part that may be substituted.

Only Ford dealers can supply OEM parts necessary to repair the majority of cars and light trucks including 18 ambulances on Ford chassis for Collier County.

Authorized Distributor: Describe the research completed to find similar features and operability, and a letter from the manufacturer naming the single source authorized distributor(s) in the southwest Florida region.

Local Ford Dealers: Sam Galloway/Coconut Point Ford and Tamiami Ford are the closest Ford Dealers that can provide these parts. Map from Ford web site attached.

It is a felony to knowingly circumvent a competitive process for commodities or services by fraudulently specifying sole source. Florida Statute 838.22(2).

*Local vendors
 up to \$50,000 per Purchasing Ordinance
 per vendor until bid/contract in place + approved by BCC.*

During the following weeks, parts were purchased from Tamiami Ford and Sam Galloway/Coconut Point Ford vendors using P-Cards since their contract was expired. When the amounts charged on the P-cards neared the \$3,000 spending limit, parts were then purchased from Sarasota Ford using P-Cards (from approximately 11/4/14-11/6/14). On 11/4/14 the Purchasing Director signed a Waiver Request allowing for "up to \$50,000 per purchasing ordinance per vendor until bid/contract in place approved by BCC." This resulted in the creation of two Purchase Orders (one for Sam Galloway/Coconut Point Ford and one for Tamiami Ford) in the amounts of \$40,000 each (\$80,000 in total):

Print Preview Messages Personal Setting Accounting Documents

Standard PO 4500155483 Vendor 102633 SAM GALLOWAY FORD Doc. date 11/07/2014

Delivery/Invoice Conditions Texts Address Communication Partners Org. Data Status Customer Data

Payment Terms 2010 Currency USD

Payment in 30 days 0.000 % Exchange Rate 1.00000 Exch. Rate Fixed

Payment in 0 days 0.000 %

Payment in 0 days net

Incoterms FOB DESTINATION GR Message

S	Itm	A	Material	Short Text	PO Quantity	O	Delv. Date	Net Price	Per	O	Matl Gr	Requisitioner	T	Purchase R
	10	X		SS-PARTS	40,000.000	EA	09/30/2015	1.001		EA	AUTO P.			10217272

Standard PO 4500155484 Vendor 104638 TAMIAMI FORD INC Doc. date 11/07/2014

Delivery/Invoice Conditions Texts Address Communication Partners Org. Data Status Customer Data

Payment Terms 2010 Currency USD

Payment in 30 days 0.000 % Exchange Rate 1.00000 Exch. Rate Fixed

Payment in 0 days 0.000 %

Payment in 0 days net

Incoterms FOB DESTINATION GR Message

S	Itm	A	Material	Short Text	PO Quantity	O	Delv. Date	Net Price	Per	O	Matl Gr	Requisitioner	T	Purchase R
	10	X		SS-PARTS	40,000.000	EA	09/30/2015	1.001		EA	AUTO P.			10217273

It appears that competition was waived for these two vendors contradicting the Purchasing Ordinance (Ord. No. 2013-69, § 21) Sec. 2-207. - Prohibition against Subdivision. “No contract or purchase shall be subdivided to avoid the requirements of this Purchasing Ordinance or of State law.” In addition, both vendors are deemed “sole source” in the Waiver. The Purchase Ordinance states “Purchases of commodities and services from a single source may be exempted by the Board of County Commissioners from formal competition upon certification by the Purchasing Director of one the following conditions:

1. The item(s) is the only one available that can properly perform the intended function(s);
2. The recommended vendor/contractor is the only one ready, willing and able to meet the County's requirements; or
3. The requested exemption is in the County's best interest.”

Not only were there two “single source vendors,” one was deemed “non-responsive” on the ITB and the other wasn’t listed at all. Two purchase orders of \$40,000 each equal \$80,000, which exceeds policy limits. Purchasing cards were used for transactions to circumvent policy limits.

It does not appear Fleet Management and Purchasing are soliciting bids for like items or analyzing vendor responses to determine the lowest bidder(s). Additionally, it is difficult to track expenditures to contract limits based on multiple types of spending through purchase orders and purchasing cards. As of April 30, 2015, solicitation of OEM parts has not been completed, and goods received have exceeded the \$50,000 limit.

Recommendation:

- Fleet needs to comply with current the Purchase Ordinance and conduct the competitive bid process in a manner which easily identifies lowest bids.
- Purchasing is required to update their Policy to comply with the most current Ordinance and prescribe and maintain a Standard Purchasing Manual for all using agencies.
- Transactions should be reviewed to ensure policies are not circumvented.

County Management Response:

“Management does not concur with this finding. Two vendors were selected for OEM Ford parts due to the nature of immediate need to Ford parts. Collier County’s light duty Fleet including ambulances has been standardized to Ford products. One local dealer could not supply the variety and volume of parts often needed for daily operations. This waiver was to be used until a competitive bid could be put in place. Purchasing cards were not used to circumvent purchasing policy. Purchasing policies allows the use of the purchasing card, up to \$3,000 per vendor, when there is no existing contract. Fleet followed these policies, purchasing from different Ford dealers, until a contract or waiver could be approved by the Board.”

Internal Audit Response to County Management:

The Purchasing Policy prohibited splitting purchases in order to avoid that Policy’s limits or thresholds. Fleet used additional vendors to remain under the purchasing card \$3,000 limit.

2) Inconsistent supporting documentation obfuscated vehicle cost validation.

On February 12, 2013, the BCC awarded bid 12-5935 for Fleet Vehicles to Tamiami Ford, Inc., for three years, with three one-year renewal options. Tamiami Ford, the only bidder, proposed 2.25% below total dealer invoice price. The bid solicitation required the vendor to provide “a copy of a Vehicle Order Confirmation Report or other confirming documentation provided to the Dealer by Ford Motor Company showing dealer invoice prices.” Per the solicitation, actual cost would be computed as: dealer invoice (including base price, factory options, and freight) less factory fleet and other incentives, less the dealer bid discount. To that sum the County would add any special equipment or after-market additions at dealer cost, thus establishing the total purchase price.

From a population of 50 vehicle purchase orders issued between October 1, 2014, and January 14, 2015, Internal Audit sampled four (8%) purchase orders. The four purchase orders had seven invoices for seven different vehicle purchases. Fleet had approved and submitted those invoices to Clerk’s Finance for review and payment processing.

Fleet submitted the seven invoices to the Clerk without dealer invoices or Vehicle Order Confirmation Reports. Upon Finance’s request, Fleet provided five dealer invoices and two Vehicle Order Confirmations. These subsequent documents did not reconcile to vehicle purchase agreement amounts. Without dealer invoice prices, the purchase amount cannot be validated and paid in compliance with the contract.

When the Department does not review and validate invoices and amounts due for compliance with contract terms, the vendor may overbill the County. These discrepancies could cause a payment variance. Bids should be clear on required documentation, and the dealer invoice should be used if it is the basis of the bid discount. Additionally, dealer cost invoices should be provided for all special equipment or after-market additions to validate dealer cost.

Recommendation:

- Fleet Management should ensure compliance with the vendor contract and payment terms.
- Fleet Management should insist on complete documentation from its vendor, and provide such documentation to the Clerk as necessary to validate the purchase price of vehicles.

County Management Response:

“Management does not concur with this finding. Fleet does not process invoices for new vehicles. That process is handled by the Divisions placing the order. As a courtesy and at the suggestion of Finance, Fleet started sending scanned Tamiami Ford invoices directly to “bccapclerk” in 2014 to minimize processing time. When asked, Fleet supplies any additional information available and assists in clarifying pricing including written samples of calculations. The vendor has also changed the invoice form format as requested by Finance. Tamiami Ford is also working directly with the Clerk’s office to clarify invoices.”

3) Outsourcing of services complied with the Purchasing Policy.

Internal Audit's objective was to ensure that the solicitation process for vehicle maintenance services outsourced to third party vendors complied with the County's Purchasing Policy. Internal Audit identified 11 services outsourced to 12 vendors. A sample of two services (18%) was selected based on the highest purchase order dollar amount for FY 2015. Bid solicitation documents, vendor responses, and executive summaries submitted to the Board of County Commissioners were reviewed for those two services:

- Tire-related and after-hours service
- Collision repair and oil changes

Internal Audit determined that the solicitation process and vendor bids received complied with Collier County's Purchasing Policy, and that the BCC approved the tested contracts.

Recommendation:

- Fleet Management should continue to contract with vendors in accordance with the Purchasing Policy.

County Management Response:

"Management concurs that outsourcing of services complies with the Purchasing Policy."

Observations – Purchasing Cards

1) Purchasing card transaction violated CMA 5808.

Fleet Management personnel made 766 Purchasing Card (P-card) transactions between October 1, 2012, and June 4, 2013. Internal Audit randomly sampled 31 transactions (4%), and also selected eight more transactions by employees not captured in the random sample. These 39 transactions represent 5% of the total population.

Internal Audit tested this sample for compliance with the Collier County Purchasing Policy and the County Manager's Purchasing Card Policy and Procedure, CMA 5808. In particular, Internal Audit sought to determine whether the vendor, amount (sales tax excluded), and date matched supporting documentation. Internal Audit also verified that the transactions were properly approved and looked for restricted items among the purchases.

Testing revealed one transaction out of 39 (2.56%) that disregarded selected strictures of CMA 5808. Transaction 1775-34, posted February 6, 2013, paid Swift Oil Change \$1,107.45 for 30 oil changes. Section 5808-2, C. (2) states "The cardholder agrees to: (d) Account Restrictions: The following items may not be purchased using the purchasing card: [2] Gasoline, fuel or oil."

The Purchasing Department's Purchasing Card Administrator emailed Internal Audit that Fleet was buying a service and not a product. This particular P-card transaction paid for 168 quarts of oil as part of the oil change "service." This appears to be a purchase of product in addition to service.

On September 12, 2013, the Purchasing Card Administrator emailed that the restriction for gasoline "is simply for travel...There is no restriction for Fleets' use of the P-Card for oil changes." CMA 5808 was effective May 1, 2004, and most recently revised October 1, 2008. Internal Audit could not find any support in CMA 5808 for the assumption that the restriction on oil purchases does not pertain to oil changes.

Recommendation:

- If the reasoning behind prohibiting P-card purchases of gas and oil relates solely to travel, the County Manager should clarify CMA 5808 to that effect. If not, then Fleet Management should consider service contracts which can be billed back directly to the County for A/P payment.

County Management Response:

"Management does not concur with this finding. The Purchasing Ordinance and the County Manager's Practices and Procedures allows for the strategic use of purchasing cards to maximize rebate revenue. This purchase was coordinated with and approved by the Purchasing Director."

Internal Audit Response to County Management:

It is our understanding that the Purchasing Director cannot override specific provisions of the County Manager's CMA's.

2) Tool allowance expenditures complied with Fleet Management policy.

Fleet Management's "Career and Pay Incentive Policy for Automotive Technicians #12" provides a tool allowance for technicians to purchase and replace personal tools required for diagnostics, maintenance and repair of County equipment. The Fleet Maintenance Supervisor determines tools' suitability, and approves all tool allowance purchases. The amount of the tool allowance is determined for each fiscal year, depending on availability of funds. In FY 2013, the tool allowance was \$450.

The former Fleet Maintenance Supervisor supplied a worksheet of technicians' purchases of approved personal tools in FY 2013. Internal Audit recalculated totals spent and remaining balances for all technicians. Internal Audit judgmentally sampled 24 (35.8%) of the 67 technicians' tool purchases,

selecting at least one purchase for each technician. Internal Audit traced the sampled purchases to supporting documents in Xi-Buy. Three of 18 technicians had overspent their tool allowances by a combined \$25.89, but they reimbursed the County in full.

Recommendation:

- Fleet Management should continue to monitor, approve and record technicians' tool allowance purchases in accordance with its policy.

County Management Response:

"Management concurs that tool allowance purchases complied with Fleet Management policy."

Observations – Work Order Processing

1) Core credits are not being applied to cost centers accurately.

Fleet purchases parts for vehicles and equipment that will sometimes accompany a core credit option at the time of purchase. When the part is returned and the credit redeemed, the cost center is credited the amount billed for the core part including an automatic mark-up of 28.5% on parts. In two cases in the test sample (5%) a total of \$314.20 was not credited back to cost centers for mark-up charges initially billed on work order. Subsequently, Internal Audit looked at all core credits in the date range of 7/1/14-9/30/14 and found an additional three cases totaling an additional \$200.45 not credited back to cost centers for mark-up charges initially billed on work orders.

Recommendation:

- Fleet's parts department needs to track all core parts coming back and credit cost centers the correct amounts.
- Management should include a procedure in Fleet's policy and procedure manual to ensure that all personnel handling core parts follow consistent procedures.

County Management Response:

"Management concurs with this finding. Fleet Management has developed automated controls within the software to rectify the incorrect billing of cores."

2) Billing procedures for closing work orders are not followed.

In reviewing work orders with status code "R," the Senior Operations Analyst stated that there were approximately 300 work orders with a status code "R," indicating that the unit is ready for pick-up (and in most cases has been) but a supervisor has not yet reviewed and closed out the work order. This creates a backlog in billing cost centers and receivables for Fleet.

Recommendation:

- Follow Fleet Management's Billing Procedures Performed in Faster Accounting Center Software Program (Section 6, Page 1) to ensure work orders are processed in a timely manner.

County Management Response:

"Management concurs with this finding. Reviewing completed work orders is a quality control measure to ensure all work was completed, labor time was reasonable, proper parts were charged out, and technician notes were thorough and understandable. This is a time-consuming procedure and Fleet Management fell behind in closing work orders especially during staff shortages in 2014. Open work orders in ready (R) status now average 40-60 at any given time with a goal of each work order being closed within one week of work completion."

Observations – Accounts Payable

1) Excessive shipping charges incurred without prior approval.

On August 18, 2014, Fleet staff placed an order with Gillig for a window assembly requiring overnight delivery to replace a window broken by Fleet staff. The cost of the parts was \$1,050.28 (including an order discount), and shipping was an additional \$1,472.50. Fleet Management did not approve the shipping cost prior to staff completing and receiving the parts order. The cost of shipping for the delivery appears excessive.

Without validating costs prior to placing orders, staff may incur excessive costs causing the County to have less funds available. Management should properly monitor, oversee, and verify costs prior to orders being placed to ensure the County is not exposed to unnecessary charges and/or losses. Overnight shipping may benefit the County in the event of emergencies, but should not be used when it increases costs for regular and/or routine purchases.

Recommendations:

- Fleet Management and staff should verify costs for shipping and parts, in advance, prior to placing and approving orders.
- Fleet should not use overnight shipping except in emergencies.

County Management Response:

“Management does not concur with this finding. The Shop Supervisor making the order did obtain a quote, however, misunderstood the shipping cost. He thought the \$1472.50 was the cost of both the window and shipping, which would have been consistent with other windows he had ordered in the past. He did not understand that the \$1472.50 shipping cost was in addition to the price of the window. This particular case was considered urgent because we were critically short of operationally available transit buses. With the criticality of transit bus availability, we might have made the same decision even with knowledge of the high shipping costs. Fleet Management makes it a practice to verify shipping and parts cost but in this case we made a mistake. Overnight shipping is used only for urgent requirements.”

Observations – Imprest (Petty Cash) Fund

1) Fleet Management returned its former Imprest (Petty Cash) Fund.

The review objectives of the \$100.00 imprest fund were to determine whether:

- The petty cash fund exists;
- Internal controls over the petty cash fund are adequate;
- Imprest fund data is reliable; and
- Custodians are in compliance with policies and procedures related to the audited processes.

An unannounced review for the petty cash fund was completed on August 16, 2011 and follow-up on August 14, 2013. The following observations were made:

1. Independent validation of the year-end information did not occur for FY 2013's annual confirmation.
2. Petty cash did not balance to the authorized fund amount and has not been replenished and balanced quarterly.
3. Annual Confirmations have not been returned to Clerk's Finance by the due date and have not been returned on a yearly basis.

The Department subsequently returned the funds to Clerk's Finance on February 19, 2014. Based on the Department returning the funds, there are no further actions necessary to resolve the observations.

County Management Response:

"Management concurs with this finding."

Other Observations

1) Unauthorized removal of County property (Missing tires investigation).

On June 24, 2013, Internal Audit received a reported concern regarding tire disposal methods for County property used by Fleet Management Service employees. On August 15, 2013, Internal Audit received a reported concern regarding tires being replaced on vehicles when the replacement was not necessary, disposal methods, and the possibility of theft.

The reported concern indicated employees may be taking the tires without proper authorization. Internal Audit completed review in conjunction with Facilities Management. Security tapes were reviewed for the period available. Security cameras were not initially aimed at the tire disposal area, so review was limited. During review it was discovered, in a two day period, there were three separate instances where two separate employees removed tires from the disposal area without proper authorization.

Technicians replaced ambulance tires and placed the tires behind the Fleet facility in a tire disposal area. The condition of the tires could not be validated by Internal Audit because tires were removed from the location without proper authorization. A consultant's review indicated the tires had no value at the time of unauthorized removal. The consultant determined the tires had no value through review of photographs of the tires and interviews with County staff.

In the consultant's review, one of the employees admitted to taking tires approximately one month prior using the same method of removal. Based on the limited review above, three incidents in two days by two different employees, including the employee admission of prior unauthorized removal, indicate these are not isolated events. The department should take precautions to strengthen internal controls to prevent further incidents of unauthorized removal of County property.

CMA 5311.1, Standards of Conduct, indicates "...B. Proper authorization is required for removal of County property or others' personal property, or property belonging to a member of the public...C. County property, including but not limited to equipment, supplies, materials, intellectual property, proprietary information, logos, graphics, etc., will be utilized only for that which it was intended and will not be destroyed, damaged or used for personal purposes...M. Section, department or division work rules will be followed." Fleet Management Department Policy and Procedure #35 indicates "**Removal of County Property from Premises** – Members of Fleet Management shall not remove County property, including used or discarded items, from any County facility for personal use without the approval of the Fleet Management Director."

The Department confirmed the findings including unauthorized removal of County property and policy violations. The Department disciplined employees through Behavioral Action Plans and suspension.

Moreover, on September 19, 2013, Internal Audit observed the year-end inventory count at the Immokalee Fleet Location. During observation, it was noted there was a pile of tires outside the Fleet bay doors. Fleet staff indicated the tires were removed during repairs and replaced. Fleet staff indicated the tires are not secured, tracked, or monitored and are considered to have no value once removed from a vehicle. Care should be taken to ensure all items are properly disposed to ensure the County is not exposed to loss and/or risk of theft.

Removing parts and/or tires from a facility without proper authorization may be considered theft and is a policy violation. When parts and/or tires are not properly secured or monitored at the time of disposal, the County is exposed to increased risk for theft, fraud, misappropriation, and loss.

Recommendations:

- Removal of parts and/or tires from vehicles should be verified as necessary. Returning used parts for new parts issued from the Parts stockroom would be one control option.

- Parts and/or tires replaced by technicians should be properly disposed in compliance with agreements and/or County policies and procedures.
- The Department should secure used parts and tires until they can be properly disposed to reduce risk and unauthorized removal.
- The Department should provide employees training for proper protocols.
- Management should consider modifying Policy and Procedure #35 to restrict the Director's latitude to approve removal of County property for personal use.

County Management Response:

“Management does not concur with this finding. Fleet Management practices were followed with regard to replacement of the tires, with both technicians obtaining approval for replacement. These technicians were not involved in the unauthorized removal of property. The missing scrap tires were noted by Fleet Management staff and an internal investigation was well underway when the Internal Auditors got involved. The employees involved were identified and received severe disciplinary action. It is not feasible to secure scrap tires with zero dollar value. However, Fleet Management established a policy that all disposed tires will have a hole punched or a slit cut in the sidewall of each tire to prevent reuse of these tires on other vehicles. Our tire changing policies and practices have been put in writing and all employees have copies. Fleet Management Policies and Procedures were changed to prohibit removal of County property from any County facility for personal use.”

2) Social Security numbers have not been properly safeguarded.

On August 29, 2014, Internal Audit received a fuel key report. The fuel key report identified personnel by Social Security numbers rather than personnel ID. Social Security numbers were readily available in the report and in the computer system. Many employees have access to the computer system and it does not appear the Social Security number used as the identifier is protected or properly secured to limit access.

Information containing Social Security numbers should be properly safeguarded to protect employees' identities and sensitive legally protected information. Social Security numbers should not be used to identify employees in subsystems without security measures and policies in place.

Recommendations:

- Social Security numbers should not be used as an identifier.
- The Department should remove the Social Security numbers from fuel key records and use other identifying information, such as assigned SAP numbers unrelated to Social Security or payroll information.

County Management Response:

“Management concurs with this finding. Social Security Numbers were used as identifiers for personal fuel keys in the TRAC fuel management system up until 2003. We are now working with the vendor to determine how we can delete the social security numbers without corrupting our TRAC system. Until we can delete the numbers, we will limit access to TRAC for report running.”

Conclusion

Fleet Management has opportunity to improve internal controls and adherence to policies. The Department should enhance controls over assets and expenditures to further safeguard County assets. Differences noted in records of payroll, inventory, capital assets, and fuel should be explained and reconciled to make those records more accurate. Strong policies, procedures, and controls help to minimize the risk of fraud.

Enhanced oversight and process review would benefit Fleet Management. Additional comprehensive written policies and procedures would aid consistency, standardize training for employees, and strengthen controls. Staff should be properly trained to ensure they understand policies and be held accountable for compliance by management.

Audits do not relieve managers of their responsibilities. It is the responsibility of County management to understand and implement the proper procedural controls in order to reduce the risk of fraud, error, and misappropriation of County assets. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County management to formulate processes and controls that ensure compliance with applicable laws, rules, and regulations.

Recommendation:

- Fleet Management should provide additional training to employees to ensure they understand the procedures, policies, and forms governing operations.

County Management Response:

“Management provides continual training to its staff regarding procedures, policies, and forms, as well as safety and operational matters.”

Internal Audit Comments:

Internal Audit acknowledges the cooperation and assistance from the County staff and Clerk’s Finance staff. The assistance provided by the departments greatly assisted in the audit process for review and investigation of concerns.