

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

TRANSPORTATION DEPARTMENT
FLEET SERVICES DIVISION AUDIT

INTERIM AUDIT REPORT

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I N T E R I M A U D I T R E P O R T

The Internal Audit Department is conducting a financial and operational audit of the Fleet Services Division for the audit period January 1, 2002 through December 31, 2002. The audit is being performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. For the purpose of this interim report, only the financial section and completed portions of the operational section of the audit program will be addressed.

BACKGROUND:

The Fleet Services Division is under the Transportation Department. The Fleet Services Division is an Internal Service Fund, which provides fleet management and maintenance services for all County vehicles, including administering a replacement program for vehicles. Administration of the Fleet Services Division is located at the 26th Avenue East location. The Division operates three garage facilities for the repair and maintenance of over 1,050 vehicles: one at 26th Avenue East and another at 66th Street West. The third is a satellite location at the Lena Road Landfill, where two mechanics service landfill vehicles and are supervised by the management of the 26th Avenue East location. In addition, Fleet maintains two warehouses of auto parts to be able to supply parts necessary for maintaining and repairing all County vehicles.

PURPOSE/OBJECTIVES:

The main audit objectives include, but are not limited to, the following:

To verify the accuracy and input timeliness of financial data processed by the Division.

To verify an adequate system of internal control exists to safeguard assets.

For the operational audit, the objectives were limited to verifying the adequacy and efficiency of the organizational chart, policies and procedures, reports, and inventory management.

Major operational areas that will be reviewed in the final audit will include EDP controls, vehicle recovery, repairs and maintenance, controls over auto parts, and a user satisfaction survey.

SCOPE:

The interim audit completed 46% of the Fleet Services Division audit. The scope consisted of reviewing the operations and related financial transactions for the Division for the year ended December 31, 2002.

METHODOLOGY:

Internal control evaluations were accomplished by reviewing key operations of this specified area through discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the Interim Fleet Services Division Audit for the period ending December 31, 2002.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with regulations and other policies established by the Fleet Services Division.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the financial and operational audit of the Fleet Services Division for the year ended December 31, 2002, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we did not note any matters involving internal control weaknesses.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be given for each Area for Improvement. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Fleet Services Division Manager and the Internal Audit Department.

MANAGEMENT SUMMARY:

The Fleet Services Division appears to be staffed with highly trained and dedicated individuals whose priority is to provide quality service in a timely and cost-efficient manner. Based on the interim audit performed, it appears that the Division has been properly managing the vehicle recovery and maintenance fees and has been billing the departments according to the work orders generated. In addition, the Division emphasizes accountability and security for the assets, especially the tools and auto parts inventory, and the facility in general.

For the areas reviewed, we commend the Fleet Services Division for a job well done. The interim audit identified a few areas where improvements can be made; although reportable, these areas are considered relatively minor in relation to the overall operations of the Fleet Services Division.

- The Fleet Services Division is maintaining two computer programs; one for its perpetual inventory and the other for its work order system. Additional interfaces could be created improving efficiencies. The Management Team through its Management Action Plan will continue to work with the Information Services Department to create additional interfaces between the two systems for improved efficiencies. **(See Area for Improvement #1 on page 6.)**
- Incompatible duties should be separated for the processing of the warranty claims to create a proper segregation of duties. The Management Team through its Management Action Plan will implement procedures to divide the duties between operations and administration. **(See Area for Improvement #2 on page 6.)**
- The Division is responsible for maintaining documentation evidencing competition for small purchases under \$500. Currently, quote documentation could be improved for the small purchases done by the Auto Parts section. The Management Team through its Management Action Plan will continue to improve competition through the use of the Purchasing Card and to pursue obtaining a non-stock parts contract. **(See Area for Improvement #3 on page 7.)**

MANAGEMENT SUMMARY: Continued

- The Fleet Services Division's Policy and Procedures Manual could be improved to address all significant financial and operational areas. The Management Team through its Management Action Plan is in the process of revising the Policies and Procedures Manual. **(See Area for Improvement #4 on page 8.)**

We would like to thank the Fleet Services Division's management and staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and aggressively seeking solutions to these matters. We look forward to Fleet's continued effort on monitoring controls and maintaining accountability over all of their operations.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA FOR IMPROVEMENT #1

Subject: IFAS To FASTER Interface

The Fleet Services Division maintains an inventory of low dollar value auto parts that are frequently needed for repair and maintenance work. The inventory is maintained perpetually on IFAS, the County's Accounting System. When a part is taken out of inventory, it is assigned to a work order to properly capture the cost of the work performed on the vehicle and bill the end user, if appropriate. The work order and billing system is maintained on Fleet's FASTER system. Currently, the two systems do not interface with each other, except for the billing module. Therefore, several extra manual entries have to be made to transfer the part from IFAS to FASTER. The Division recognizes the efficiency gains if the two systems were able to communicate and exchange information.

Management Action Plan:

- Internal Audit continues to support management's efforts in working with the Information Services Department to obtain an interface between the systems. Management anticipates having the interface by September 30, 2004.

AREA FOR IMPROVEMENT #2

Subject: Warranty Claims

The Fleet Services Division performs warranty work on County buses and one trolley. The Fleet Maintenance Superintendent is responsible for completing the claim form. Due to a vacant administrative position, the Superintendent also authorizes the warranty claims to be filed, maintains possession of the claim forms, mails the forms to the vendor, and sometimes receives the check.

AREA FOR IMPROVEMENT #2 (CONTINUED).....

Management Action Plan:

- The administrative position will be filled as of March 27, 2003. Management will implement new procedures, to be included in the Policies and Procedures Manual, designating an administrative employee to process the warranty claims and recover the funds. The operational supervisor will continue to be responsible for initiating the claim, but the other duties will be transferred to Administration. The anticipated implementation date is March 31, 2004.

AREA FOR IMPROVEMENT #3

Subject: Processing of Small Purchases

The Division is responsible for maintaining documentation evidencing competition for small purchases under \$500. Currently, quote documentation could be improved for the small purchases done by the Auto Parts section. From the 154 transactions tested, 114 (or 74%) did not have any documentation, physical or electronic, regarding the 3 quotes.

Management has been trying to obtain contracts with a couple of auto parts vendors for the non-stock parts. Having a contract would allow the Division to purchase the parts from pre-approved vendors, and thereby, eliminate the need to constantly obtain quotes.

Management Action Plan:

- Effective March 31, 2003, management will continue to improve competition through the use of the Purchasing Card for auto parts purchases and require written forms documenting quote information for each small purchase. In addition, Internal Audit supports management's efforts to obtain a non-stock parts contract.

AREA FOR IMPROVEMENT #4

Subject: Policies and Procedures

The Fleet Services Division Manager has been reviewing the Division's Policies and Procedures Manual to the current operations with the intention of completely transforming the manual. To date, the manual does not address several areas of the operations. Some examples of sections still requiring improvement are as follows:

- Removing job titles and references to procedures that no longer exist;
- Including all of the steps necessary for operational tasks;
- Addressing areas where potential control weaknesses could exist, such as for cash handling, billing, returning core parts, and adjusting parts inventory at year end;
- Maintaining documentation to explain changes that are made when a supervisor re-opens a work order;
- Checking that required certifications and licenses are active during employee reviews;
- Researching variances found during the annual inventory of auto parts and defining the variance percentage for which further research would be required.

The organization of the manual could be improved by dividing procedures into short, logical sections. In addition, adding the date of the previous procedures being superceded and the current effective date would further improve the procedures.

Management Action Plan:

- Management is in the process of updating the current procedures and creating procedures for areas not previously covered. Also, management will include an audit trail of dates on each page of the policies and procedures. The anticipated implementation date is March 31, 2004.



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

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MEMORANDUM

TO: Larry Mau, Transportation Department Director

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: April 1, 2003

RE: Fleet Services Division Interim Audit

Enclosed is the Interim Internal Audit Report for the Fleet Services Division Audit as of December 31, 2002. Our Internal Audit Department will perform a follow-up audit on the areas of improvement included in this report, together with those areas identified in the final audit report, to verify implementation of Management's Action Plan.

I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at extension 4170.

RBS/RJO

Enclosures

cc: Manatee County Board of County Commissioners
Ernie Padgett, County Administrator
Ron Schulhofer, Fleet Services Division Manager



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MEMORANDUM

TO: City Desk Editor, Bradenton Herald
City Desk Editor, Manatee AM
Islander Bystander
Sid Thomas, Editor
WHNZ, Newsroom
Longboat Key Observer (Attn: Shay Sullivan)

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: April 1, 2003

RE: Announcement of the Release of an Internal Audit Report

My office is releasing today the Interim Internal Audit Report for the Transportation Department's Fleet Services Division Audit, which was performed as of December 31, 2002. Copies may be obtained by contacting the Internal Audit Department at (941) 741-4017. Copies of the report can either be mailed or picked up at the County Courthouse room 158.