



Fleet Management Audit - #848

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Fleet Management Division.

The Fleet Management Division is responsible for motor vehicles and equipment owned or leased by the city and its independent agencies. The division performs maintenance and repairs, keeps detailed maintenance records, ensures quality control of repair orders, and manages the City's fueling operations. The division also purchases, maintains ownership records, coordinates transfers, and prepares replacement schedules for all motor vehicles and equipment. The motor vehicles and equipment are sold by the Surplus Area, which is within the Procurement Division.

As of September 30, 2019, the City owned and operated 3,888 motor vehicles and equipment. From October 1, 2017 through September 30, 2019, the City acquired 1,233 motor vehicles and equipment and decommissioned 1,120. During this period, the City sold 950 motor vehicles and equipment via auction generating a total of \$2,870,843 in revenue.

What CAO Found

Overall, the Fleet Management Division maintained accurate inventory records of City vehicles. Motor vehicle purchases were also accurate and in accordance with procurement policies and revenue generated from the sale of surplus vehicles was accurately collected. However, we did find some issues that need to be addressed.

- Agencies were not always billed for the cost of all their vehicle replacements.
- Not all municipal code reporting requirements of Fleet Management to City Council and approval processes for deferring replacement of vehicles were followed.
- Surplus vehicles were not always placed on auction in a timely manner.
- Acquisition of new vehicles and the disposition of old vehicles were not always timely updated in the Capital Asset Inventory System maintained by the Accounting Division.

What CAO Recommends

We recommend that the Fleet Management Division:

- Take corrective action relating to vehicles not properly billed to their respective agencies.
- Comply with the municipal code reporting requirements and obtain approval outlined in the municipal code for deferring replacement of vehicles.

The Procurement Division should sell decommissioned vehicles as quickly as possible.

The Accounting Division should perform periodic reconciliations of their capital assets inventory.



Council Auditor's Office

Fleet Management Audit

June 30, 2020

Report #848

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EXECUTIVE SUMMARY

AUDIT REPORT #848

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June 30, 2020

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Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Fleet Management Division. The Fleet Management Division, within the Finance and Administration Department, is responsible for motor vehicles and equipment owned or leased by the city and its independent agencies. The division performs maintenance and repairs, keeps detailed maintenance records, ensures quality control of repair orders, and manages the City’s fueling operations. The division also purchases, maintains ownership records, coordinates transfers, and prepares replacement schedules for all motor vehicles and equipment. The motor vehicles and equipment are sold by the Surplus Area, which is within the Procurement Division of the Finance and Administration Department.

As of September 30, 2019, the City owned and operated 3,888 motor vehicles and equipment. The City acquired 1,233 motor vehicles and equipment from October 1, 2017 through September 30, 2019 with a total cost of \$52,912,437 and decommissioned 1,120 motor vehicles and equipment during the same period. See table below for counts by equipment type.

Equipment Type	Inventory as of 9/30/17	Acquisitions	Decom	Inventory as of 9/30/19
Vehicles (e.g. police cars, pickups, vans, rescues)	3,197	1,121	(1,031)	3,287
Trailers	253	38	(8)	283
Golf Carts / ATVs	92	28	(22)	98
Farm Equipment (e.g. farm tractors)	47	6	(9)	44
Construction Equipment (e.g. excavators, loaders)	69	7	(16)	60
Maintenance Equipment (e.g. lawn mowers, sweepers)	34	2	(6)	30
Vessels (e.g. boats)	29	3	-	32
Motorcycles	29	28	(28)	29
Forklifts / Aerial Lifts	18	-	-	18
Other Equipment (e.g. air compressor, mobile stage)	7	-	-	7
	3,775	1,233	(1,120)	3,888

During the audit scope period, the City sold 950 vehicles via auction, generating a total of \$2,870,843 in revenue, and made a direct sale of an old fire apparatus to a surrounding county generating an additional \$10,000 in revenue. The City also had 161 vehicles on hand awaiting disposition, donated 5 vehicles, had 2 vehicles in active auction, and 1 was reported as lost/stolen.

The Fleet Management Division is utilizing an auction company to auction off vehicles and equipment online that the City no longer needs and has deemed surplus. The City does not pay any fee to the auction company for their services. Instead, it is the buyer's responsibility to pay a fee (a buyer's premium) that is 12.5% of the bid amount, plus any applicable sales taxes and recording fees.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine if Fleet Management had proper and accurate inventory records of City motor vehicles and equipment.
2. To determine if motor vehicles and equipment purchases were accurate and in compliance with City procurement policies.
3. To determine if decommissioned motor vehicles and equipment were properly disposed of, and revenue generated from the sale was accurately collected and deposited.

STATEMENT OF SCOPE AND METHODOLOGY

The scope of the audit included all vehicles and equipment owned by the City as of September 30, 2019 that were purchased with City funds. The audit scope also included all vehicle and equipment transactions (acquisitions and dispositions) from October 1, 2017 through September 30, 2019.

We excluded from this audit any motor vehicles and equipment purchased and maintained by the independent agencies, purchased with State funds (e.g., Public Defender), and vehicles seized by the Jacksonville Sheriff's Office. Below is an explanation of the procedures taken to reach a conclusion for each audit objective. Unless specifically stated otherwise, based on our selection methods and testing of testing transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

Objective 1

We obtained from the City's fleet management information system a listing of all motor vehicles and equipment that were owned or previously owned by the City. Then, we extracted from the inventory master file all vehicles and equipment owned by the City as of September 30, 2019 (3,888 motor vehicles). We also obtained from the Fleet Management Division a listing of all fuel transactions from the City's fueling system that had occurred since January 1, 2019. We compared that listing against the inventory of City-owned vehicles to reasonably establish existence of the vehicles based on current fuel activity. For any vehicle that had not had a fuel transaction in 2019, we looked in the fleet management information system to confirm if there had been any preventative maintenance or safety inspection within the last year. If there had been no fuel or maintenance history in the previous year, then we physically inspected the vehicle or requested current pictures of the vehicle to verify existence. We also selected a sample of 153

vehicles and verified there was a paper title on file with the City listed as the owner. Additionally, we selected a sample of 50 non-road vehicles and equipment (e.g., trailers, mowers, etc.), and physically inspected them or obtained pictures to confirm existence.

Objective 2

We randomly selected a sample that included invoices for 195 vehicles out of the 1,233 vehicles acquired within the audit scope. During our testing, we first recalculated the total vehicle price per the invoice and compared it to the purchase order and the amount paid by the City to confirm the amount paid was accurate. Next, we ensured all supporting documentation was on file for each purchase and that all purchases and payments had been properly authorized. Lastly, we verified that the vehicles tested had been correctly added to the fleet management information system.

Objective 3

We traced the revenue generated from all auctioned vehicles (950 motor vehicles) and direct sales (1 motor vehicle) to the City's accounting system to confirm that we accurately collected the sale proceeds. We also verified that all donated vehicles were properly authorized by City Council (5 motor vehicles). For all vehicles declared surplus that had not been sold yet (163 motor vehicles), we physically inspected the vehicles and determined how long the vehicles had been retained as surplus to test for timeliness. Lastly, for any asset reported as lost or stolen (1 vehicle), we reviewed any relevant documentation such as the police incident report and determined if further investigation was necessary.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective(s). Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

SUGGESTED ADDITIONAL AUDIT WORK

In limiting the scope of this audit, we did not pursue the following areas, and as such they should be considered for future audit work:

- To determine whether parts and tires are being properly purchased, recorded into inventory, issued, and charged to the using department.
- To determine whether the City is accurately paying for repairs and maintenance services performed by vendors.

- To determine whether fuel and oil are being properly purchased, recorded into inventory, and charged to the using department.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Finance and Administration Department, via Patrick “Joey” Greive, Chief Financial Officer in a memorandum dated May 7, 2021.

AUDIT CONCLUSIONS

By Objective

1. It appears that the Fleet Management Division had proper and accurate inventory records of City vehicles.
2. It appears that motor vehicle purchases were accurate and in compliance with City procurement policies.
3. It appears that revenue generated from the sale of decommissioned vehicles was accurately collected and deposited. However, we did notice that surplus vehicles were not always disposed of in a timely manner.

AUDIT OBJECTIVE #1

To determine if Fleet Management had proper and accurate inventory records of City motor vehicles and equipment.

No issues noted.

AUDIT OBJECTIVE #2

To determine if motor vehicles and equipment purchases were accurate and in compliance with City procurement policies.

No issues noted.

AUDIT OBJECTIVE #3

To determine if decommissioned motor vehicles and equipment were properly disposed of, and revenue generated from the sale was accurately collected and deposited.

Internal Control Weakness 3-1 *Certificate of Titles Are Signed Without a Buyer*

We observed that an Equipment Control employee in the Fleet Management Division signed the certificate of title and left the buyer information section blank. Then, the employee handed over the signed title to the Property Control Administrator in the Surplus Area within the Procurement Division. At that point in the process, the Property Control Administrator in the Surplus Area maintained custody of both the vehicle and the signed certificate of title until the day the vehicle was sold. When the vehicle was sold, the Property Control Administrator would write down the name of the buyer on the certificate of title that had been previously signed but not dated by the Equipment Control employee.

Recommendation to Internal Control Weakness 3-1

Most importantly, we recommend that the title not be signed off on until payment is received from a buyer.

We also recommend that the Fleet Management Division maintain custody of all the certificates of title until the day the vehicles are sold. When a vehicle is sold, the Property Control Administrator in the Surplus Area should go to the Equipment Control Office in the Fleet Management Division to obtain the paper title. The Property Control Administrator would provide proof of sale to the Equipment Control employee and then the title could be signed and delivered to the Property Control Administrator. This would keep the certificate of titles separate from the employees with physical control of the vehicles. We understand there may be some operational issues that would need to be further considered, but given the proximity of the locations of the two areas, it appears reasonable that revised processes could be put in place. The certificate of title being maintained by Equipment Control within Fleet Management until after the sale of the vehicle helps provide a better control structure over the disposition of the asset.

Fleet Management Response to Internal Control Weakness 3-1

Agree Disagree Partially Agree

Fleet will maintain the custody of the certificates of title until the vehicles are sold. When a vehicle is sold via GovDeals the Property Control Administrator (Surplus) will provide the Fleet Equipment Control Administrator a proof of sale and in turn Fleet will make the certificate of title available to the Property Control Administrator (Surplus).

Finding 3-1 *City Vehicles Not Always Auctioned in a Timely Manner*

On February 13, 2020, we physically observed 114 vehicles located in the Surplus Area that had not been put up for auction as of that date. We calculated the number of days that had passed since the date the motor vehicles were transferred to the Surplus Area per the respective surplus transfer form on file at the time of our physical observation. The average number of days that the 114 motor vehicles were in the Surplus Area was 270 days and all but one had been there for at least 60 days. While some of the delays were caused by the time it takes to remove decals and other equipment (e.g., police cars), the process for auctioning vehicles should occur in a more timely manner.

Recommendation to Finding 3-1

We recommend that the City ensure it is selling decommissioned City vehicles as quickly as possible to avoid further deterioration of the vehicles while they await being auctioned. One way to achieve this could include changing how the vehicles are provided to Surplus (i.e., having them ready to be sold).

Procurement Division Response to Finding 3-1

Agree Disagree Partially Agree

The largest contributing factor(s) delaying the sale of vehicles are decal removal of police vehicles and sporadic large increases in volume of vehicles delivered to Surplus to be auctioned. For example, in one particular month, Surplus received 180 vehicles at one time to be surplusd and prepared for auction when we typically may see 20. The Surplus activity employs two fulltime workers which are enough to meet demand in typical months but require more time to process vehicles in months with spikes, thus resulting in delays of selling quickly in those months. Procurement used to rely on the assistance of Corrections Trustees to assist with decal removal, but the availability of Trustees and work quality was largely inconsistent and inefficient. This process was discontinued with the onset of the COVID-19 pandemic. Fleet Management and Procurement explored the option of hiring a private contractor, but our search for interested and available contractors at a reasonable price was unsuccessful. Effective immediately, Fleet Management will take steps to prepare vehicles, to include removing decals, to assist Surplus in having the vehicles ready for auction. When large influxes of vehicles are ready to be surplusd, Procurement and Fleet will work together for decal removal as necessary and when practical. Additionally, Fleet Management and Procurement (Surplus) will work together to provide a more consistent even flow of vehicles delivered to Surplus that can be

efficiently managed. The end goal will be to have vehicles advertised for sale within 60 days of declaration of surplus provided there are no unusual circumstances preventing meeting this timeframe.

Finding 3-2 *Non-compliance with Vehicle Replacement Reporting Requirements*

We found that the Fleet Management Division was not providing to the Director of Finance or the Budget Office, a list of older vehicles with a score of over 10 points or higher that were requesting to be retained for another year, as required by Municipal Code Section 106.216. Per Municipal Code Section 106.216, the Chief of Fleet Management is to prepare a list of vehicles recommended for replacement in the upcoming fiscal year and transmit it to the Budget Office no later than April 1 of each year. The recommendations are to be based on a point system generally based on vehicle age, mileage, and operating maintenance cost. The more points a vehicle receives, the more appropriate it would be to replace it. The Chief of Fleet Management is to recommend replacement of any vehicle with ten or more points to the Director of Finance and Administration. However, the Chief of Fleet Management may defer replacement with prior written approval from the Director of Finance. We did not have documentation of prior written approval received from the Director of Finance for deferrals as required by Municipal Code Section 106.216.

Municipal Code Section 106.216(e) requires Fleet Management provide a list of all special exceptions for the acquisition of SUVs or large sedans and the respective written requests annually with the Fleet budget to City Council. We did not find evidence this was occurring.

Recommendation to Finding 3-2

We recommend that the Fleet Management Division comply with the Municipal Code requirement that:

1. vehicles with a score of over 10 points receive prior approval by the Director of Finance to not be included on the replacement list.
2. a list of all special exceptions for SUV and large sedans and their respective written requests be provided to City Council during the budget review process.

Fleet Management Response to Finding 3-2

Agree Disagree Partially Agree

1. No later than April 1st of each year, Fleet will prepare a list of vehicles which scored 10 points and above, and that will be deferred for replacement, and send it for the approval of the Director of Finance and Administration.

2. Fleet will provide the list of vehicles, along with justification, that are being replaced by a SUV or Large Sedan to the City Council (Council Secretary/Director) during the budget process.

SUPPLEMENTAL ISSUES

Supplemental Finding 1 *Agencies Not Always Billed for All Their Vehicle Replacements*

We tested to determine whether vehicle replacement costs were being billed to the appropriate area and found the following issues:

- a) The costs of 13 new vehicles were not charged to their respective using area. This resulted in an underbilling of \$385,316.
- b) The costs of 16 new vehicles were only partially billed to their respective using agency due to a computer error per the Fleet Management Division. This resulted in an underbilling of \$216,185.

This resulted in the Fleet Management Vehicle Replacement Fund not receiving \$601,501 that could have been used in lieu of borrowing for vehicles or to buy additional vehicles that may have been needed.

Recommendation to Supplemental Finding 1

We recommend that the Fleet Management Division take corrective action relating to the vehicles identified that were not properly billed. Fleet Management should also implement a reconciliation process to ensure that all vehicles are properly charged back to the using agencies.

Fleet Management Response to Supplemental Finding 1

Agree Disagree Partially Agree

Fleet Management has set the system to bill the remainder of these vehicles to the agency over their original term. To prevent this from occurring in the future, Fleet has instituted a two (2) person review. Once the vehicles are entered into the Loan Fund, the Equipment Control Officer and the Equipment Procurement Coordinator are now reviewing the B4C (vehicle schedule) to ensure all vehicles are entered into the Loan Fund correctly.

Supplemental Finding 2 *Capital Asset Inventory Not Always Updated*

We found that the acquisition of new vehicles and the disposition of old vehicles were not always reflected in the capital assets access database maintained by the Accounting Division. Specifically, we found:

- 1) That 6 out of 10 assets randomly selected for testing were not added to the capital assets database maintained by the Accounting Division as of December 31, 2019.
- 2) Fleet Management provided to the Accounting Division a listing of 543 mobile assets on April 30, 2019, that were not included in the capital assets database per the 2019 inventory count performed city-wide. We randomly selected 54 of those items and found that 13 (or 24%) were still not entered into the capital assets database as of December 31, 2019 (eight months later).

Note that on March 1, 2020, the City started using a new capital assets management system within 1Cloud (the newly acquired enterprise resource planning system). We did not test the accuracy and business processes of the new system. Our findings were based on testing performed on the legacy system.

Recommendation to Supplemental Finding 2

The Accounting Division needs to add new acquisitions and remove retired assets in a timelier manner when they are reported by the Fleet Management Division. If needed, the Accounting Division may need to perform a more regular periodic reconciliation of their capital assets inventory against the Fleet Management Division’s inventory than just the annual inventory. Lastly, the Accounting Division should ensure that all asset discrepancies identified above are properly and accurately corrected in the new capital asset management system.

Accounting Division Response to Supplemental Finding 2

Agree Disagree Partially Agree

The Accounting Division agrees with Council Auditors' recommendations. We will add new acquisitions and remove retired assets in a timelier manner when they are reported by Fleet Management. The Capital Assets group experienced a high level of personnel turnover during FY20 and is committed to stabilizing personnel so that Capital Assets can fulfill its commitments.

We appreciate the assistance and cooperation we received from Finance and Administration Department throughout the course of this audit.

Respectfully submitted,

Kim Taylor

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Council Auditor

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