

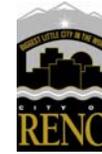
Fleet Operations Audit Follow-up

Status of Corrective Actions - Fleet Management

As of October 2017

Original Report Issuance - March 2017

Follow-up result: All findings are closed.



City Auditor's Office
 Emily E. Kidd, CIA, CGAP
 Internal Auditor

Finding	Recommendation(s)	Management Response	Corrective Action Status
Minimum Vehicle Use Review			
Annual Minimum Vehicle Use Review and Analysis was Not Performed for Fiscal Year 2016.	We recommend the minimum vehicle use review process as outlined in the Fleet Policies & Procedures be updated to reflect thresholds identified by Public Works Management. Those procedures should then be followed in a timely manner to ensure an appropriate evaluation is made concerning minimum vehicle use and the resulting conclusions are based on the metrics in those evaluations.	<p>The last formal minimum vehicle use review and analysis was performed in January 2014. There has been significant turnover in user department/division heads (Community Development; Information Technology; Police; Parks, Recreation, and Community Services; Building and Safety; and Public Works Maintenance & Operations) since that time. The current Maintenance & Operations Manager in Fleet began in July 2015. In addition, the Office Assistant II, and two mechanics have been hired to replace retiring employees. As part of training for the Fleet employees, a review of past practices and policies has been conducted. Going forward, Fleet Management will provide a list of minimal use equipment to the user department heads annually and request justification for any underutilized vehicles to remain in the fleet. The process currently defined in the Fleet Management Program Procedures Manual will be updated to reflect this slightly revised procedure.</p> <p>During the "Great Recession", several vehicles were analyzed due to minimum use and reassigned to user departments in lieu of purchasing new vehicles. This practice has continued, but has not been recorded formally. The Fleet Manager will produce an annual report of minimum use vehicles and reasons by the user department for keeping vehicles as well as a list of vehicles removed from the fleet. This report will be shared with the City Manager, Director of Public Works, and as an attachment to the annual vehicle buy request to City Council.</p> <p>The list of minimal use equipment and the procedure review as mentioned above will be completed in calendar year 2017. Fleet Management will adhere to the final revised procedure outlined in the Fleet Management Program Procedures Manual annually.</p>	<p>It was determined that the procedure for minimum use of vehicles outlined in the Fleet Management Procedures Manual is sufficient and does not need revising.</p> <p>Fleet Management conducted an inventory, that was completed in September of 2017, of minimum use pieces of equipment (less than 5,000 miles, 200 hours, or 165 days of operation). All equipment was warranted as needed by meeting specialized need, days of operation, etc. This inventory will be used as the basis for minimum use moving forward. The minimum use procedure outlined in the Fleet Management Procedures Manual will be utilized for FY19.</p>
Facility Use and Safety			
Firearms are Unnecessarily in the Possession of Fleet Employees	We recommend access to City issued firearms be precluded from Fleet employees.	<p>Fleet Management and the Director of Public Works will meet with the Reno Police Department fleet liaisons and determine whether a change in the current operation is necessary.</p> <p>The current internal procedure within Fleet Management seems to be working well for operations as vehicles are able to be serviced without interruption, regardless of firearms. Employees within Fleet Management volunteered to receive training taught by the Reno Police Department Range Master. The procedure that Fleet Management adheres to was established primarily by the Reno police department range master with assistance by the maintenance & operations manager within Fleet. There doesn't seem to be any additional unnecessary safety issues of risk or liability by trained Fleet staff removing and storing weapons than if police officers were performing the same actions. Obviously, the current procedure allows for higher efficiency in servicing and maintaining vehicles.</p> <p>This will be pending the meeting as mentioned above, and that meeting will be scheduled by the end of FY17.</p>	Fleet Management communicated the audit finding and Fleet's gun handling procedures with a Reno Police Department Lieutenant Commander. The current procedure was approved by RPD. No procedural changes were made.

Finding	Recommendation(s)	Management Response	Corrective Action Status
Expenditures Testing			
On one occasion, the purchase was over the amount authorized for the employee.	We recommend employees do not approve expenditures that exceed their authorization limit.	<p>This was a mistake by Fleet Management. The Public Works Director had already discussed this issue with management in Fleet prior to the audit and further reviewed the signing authority limits with management in all of the Public Works Maintenance and Operations Divisions.</p> <p>This had been done before the audit was complete. Management within Fleet is fully aware of the purchasing limits and continues to stay aware of invoices from vendors that are usually large in nature, such as fuel purchases.</p>	Fleet staff is constantly reviewing purchasing limits and invoices to ensure that proper signing authority is obtained.
On four occasions, the purchase was not applied to the correct account.	We recommend greater care be taken when assigning accounts to expenditures during the pCard review process.	<p>The majority of the miscoding happened within the first couple months of a new employee starting in the office assistant II position as well as the first six months of the Maintenance & Operations Manager beginning in his position. As these two individuals code and verify the code for the majority of invoices, it is understandable that there would be a few mistakes from previous administration. To be clear, the miscoding was generally an invoice that should have been charged to "Outside Services – Other" but was coded to "Supplies" or vice versa. The charges remained in the appropriate fund. As both of these employees have gained experience, purchases have been coded correctly. Any mistakes made going forward should be caught by the final signature authority.</p> <p>We are currently in process and constantly reviewing. Administrative staff within Fleet will review this audit and continue to put added emphasis on correctly coding expenses.</p>	Fleet staff continues to put added emphasis on invoice coding, both when an invoice is coded and reviewed for approval.
On two occasions, the purchase order was dated after the invoice.	We recommend employees create a purchase order for expenditures requiring such prior to order.	Fleet has come across this issue several times. It sometimes happens due to rushing to get a much needed piece of equipment back into operation, and the invoice associated with the repair exceeding purchasing limits. Fleet Management had been notified of this issue by Finance prior to the audit. Since then the maintenance and operations manager of Fleet has reviewed the purchasing policy with all of Fleet staff to ensure that everyone knows the purchasing limits. Additionally, Fleet Management is reaching out to vendors when this occurs, and notifying them of our purchase order limits and having them note in their system to request a PO if the part or service needed exceeds the city purchase order policy.	Fleet staff is constantly being reminded about the amount at which a purchase order is required.
Equipment Testing			
On one occasion, the vehicle listings did not agree for the vehicle. The Capital Asset report from Finance indicated the vehicle is assigned to Public Works, Pickup Dodge 3/4 Ton Sewer, service date 6/30/02; Fleet's equipment listing indicates the vehicle is a 2001 Dodge, Dept. 0800 Police.	We recommend the correct department be identified for the vehicle and the appropriate report be updated to assign the vehicle to the proper department. In addition, the accounting associated with the vehicle should be assessed and adjusted as necessary for proper tracking.	<p>Fleet Management was able to immediately identify that the vehicle was properly coded in its Fleet Management software. This finding presented the Capital Asset report with an asset department assignment that Fleet Management was unaware of. Fleet Management plans to request the Capital Asset Report and reconcile it to the up-to-date Fleet Management software.</p> <p>Fleet Management will complete this reconciliation by the end of FY17. Fleet Management will establish this as an annual procedure.</p>	Reconciliation was completed and updated information was provided to Finance. Annually, Fleet Management will reconcile Fleet assets to the Capital Asset report to ensure that equipment is properly coded to the correct department and account.
On five occasions, the item was not included on the IT related asset inventory list or another equipment tracking list. Items include: large monitor, TPMS tool, a heavy duty scan tool, and two tablets.	We recommend the tablets be communicated to IT for inclusion on the IT related asset inventory list and similar additional purchases be likewise communicated to IT. In addition, we recommend Fleet maintain a sensitive equipment listing as outlined in MPP 404 and add the remaining items identified above to the listing.	<p>Fleet Management plans to do an inventory of what it would deem to be sensitive-to-loss assets. Once the inventory is created, we'll send it to Finance for their review to see what needs to be and what doesn't need to be included.</p> <p>Fleet Management will establish an inventory to send to Finance by the end of FY17. We will take an annual inventory of the Finance approved list.</p>	Finance keeps track of all capital assets. Given that the items noted here are not capital assets, we have created a sensitive equipment listing inventory in Fleet Management. This inventory consists of items that are greater than \$500 in value, but less than capital asset requirements. Annually this inventory will be reviewed and verified by Fleet staff.

Status of Corrective Actions - Finance Management

Finding	Recommendation(s)	Management Response	Corrective Action Status
Expenditure Testing			
<p>On one occasion, the purchase was over the amount authorized for the employee.</p>	<p>We recommend Finance issue error notifications if improper signature authorizations are submitted and obtain proper authorization prior to processing payment on such expenditures. In addition, we recommend error notifications are tracked for future evaluations.</p>	<p>The Finance Department has and will continue to notify Departments of noncompliance with submission of documents that may not comply with City policies and procedures. The process to notify Departments of non-compliance is through a "Returned Items Form" that is sent with the invoice in question and the documents to the originating individual. The Form will be maintained for statistical reporting effective February 1, 2017. The Finance Department has noted a very de minimis number of issues in regards to non-compliance.</p> <p>The perceived error noted by this audit, was for an invoice of fuel purchase that had been authorized by the City Council. The Finance Department had on file a memorandum dated April 19, 2013 from the City Manager authorizing the Public Works Department to sign for fuel purchases. On January 4, 2016, per memorandum, the Public Works Department was again authorized by the City Manager to sign for fuel purchases.</p> <p>The Finance Department will continue to review all invoices for proper signature authority as is the current process. The Finance Department will continue to review all invoices for proper signature authority on a daily basis. Staff will review the invoices as received into the Finance Department for compliance prior to processing of the invoice.</p>	<p>The Finance Department has continued to notify departments of noncompliance. The Returned Items Form has been used to indicate where an error has occurred.</p> <p>The Finance Department continues to review all invoices for approved signature authority.</p>
<p>On two occasion, the purchase order was dated after the invoice.</p>	<p>We recommend Finance issue error notification if purchase orders are submitted after the purchase. In addition, we recommend error notifications are tracked for future evaluations.</p>	<p>The Finance Department has and will continue to notify Departments of noncompliance with submission of documents that may not comply with City policies and procedures. The process to notify Departments of non-compliance is through a "Returned Items Form" that is sent with the invoice in question and the documents to the originating individual. The Form will be maintained for statistical reporting effective February 1, 2017. The Finance Department has noted a very de minimis number of issues in regards to non-compliance.</p> <p>The current City policy (# 403) does not mandate that a purchase order be issued prior to invoicing. It is however, best practice, and the practice of the City to have a purchase order issued prior to ordering. The Finance Department has drafted an update of the policy that will mandate the practice.</p> <p>Staff will review the invoices as received into the Finance Department for compliance prior to processing of the invoice. Staff will review the invoices as received into the Finance Department for compliance prior to processing of the invoice.</p>	<p>The Finance Department has continued to notify departments of noncompliance. The Returned Items Form has been used to indicate where an error has occurred.</p> <p>The Finance Department does not accept Purchase Orders subsequent to purchase and notifies the offending departments controls were not followed correctly.</p> <p>The City policy (#403) is awaiting approval by the City Manager's Office.</p>