Vehicle Fleet Operations – Assessment of Internal Controls and Procedures

Internal Audit Report

March 10, 2021

Carson City, Nevada

Submitted By

Eide Bailly LLP

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Executive Summary

Eide Bailly LLP ("We", or "Our") performed an independent assessment of the Vehicle Fleet operations on behalf of Carson City ("City"). This review was focused primarily on the operational aspects of the fleet rather than the financial reporting records. Eide Bailly's methodology was designed to address procedures outlined in the audit program approved by the Audit Committee in order to assess the internal controls over the management of fiscal resources and evaluate maintenance costs, vehicle utilization, and general operations to determine if adequate controls were in place to ensure an efficient and cost-effective Vehicle Fleet.

The 'Methodology' section of the report describes procedures we performed for each functional area of fleet operations. The list of the internal controls identified during review is provided in **Appendix A**.

During the assessment, we identified 6 (six) findings that represent process improvement opportunities and developed the associated recommendations to increase overall efficiency and effectiveness of City's Vehicle Fleet operations.

Background Information

The City's Vehicle Fleet is administered by the Transportation Division that is overseen by the Transportation Manager, Deputy Director of Public Works (PW), the Director of PW, and the Fleet Services Supervisor. The highest level of authority is the Board of Supervisors ("BOS") that is comprised of five (5) elected officials. The BOS reviews and approves the annual operational and financial budgets including the procurement of Vehicle Fleet assets based on the 5-year purchase plan that is updated annually. The Internal Finance Committee (IFC) has an authority delegated by the BOS to review and approve supplemental asset purchase requests from other departments of the City that may come after the annual budgets have been approved.

Vehicle Fleet Services is comprised of the following 10 staff:

- Transportation Manager
- Fleet Services Supervisor
- Fleet Services Foreman
- Fleet Technicians (6 Technicians)
- Office Specialist

In fiscal year 2020 (FY20), vehicle fleet was comprised of approximately 687 units including 535 vehicles and 152 units of equipment with an approximate total value of $47MM.

Asset Type	Quantity*	Total Value*	Value Description
Vehicles	535	$ 35,733,650	Actual Cash Value
Equipment	152	$ 11,016,963	Replacement Cost
Total	**687**	**$ 46,750,613**	

*Disclosure: Since the fleet management software ("Ready Asset") was not designed for financial reporting purposes, it does not show asset values, and it was designed to generate asset listing only for a point in time vs. historical records. The listing of assets and values shown above were derived from the asset listings filed with the City's insurance company for FY20. The values were determined by the City's Finance Department at the time of the policy renewal in the beginning of a fiscal year. Therefore, the actual values at 6/30/2020 might be slightly less because the asset listings reviewed at year-end showed approximately 50% fewer units of equipment and almost the same quantity of vehicles.

Table 1 below shows an approximate allocation of all vehicles and equipment within vehicle fleet by department as of June 30, 2020.

Department	% of Population (approx.)
Public Works	46.2%
Sheriff's Office	21.8%
Parks, Recreation, and Open Space	14.6%
Fire Department	12.0%
Health Department	2.2%
Executive office	1.3%
Community Development	0.8%
District Attorney	0.5%
Library	0.3%
Information Technology	0.3%
Grand Total	**100.0%**

Table 2 below shows an approximate allocation of all vehicles and equipment for the top 10 functional asset categories as they were assigned and used by the individual departments as of June 30, 2020. There were approximately 40 functional categories.

Functional Category	Department	% of Population (approx.)
Street Maintenance	Public Works	16.3%
Sheriff Operations	Sheriff's Office	13.8%
Park Maintenance	Parks, Recreation, and Open Space	12.1%
Water Maintenance	Public Works	10.3%
Wastewater Operations	Public Works	5.0%
Fire Operations	Fire Department	4.8%
Landfill	Public Works	4.3%
Facilities Management	Public Works	3.0%
Jump Around Carson (JAC)	Public Works	2.8%
Sheriff Investigation	Sheriff's Office	2.5%

Key Systems:

The Vehicle Fleet operations of the City utilize the following two independent standalone systems and are not integrated to share data electronically.

- "ReadyAsset" by Llumin Company – Fleet Management Software utilized by Fleet Services.

- "Munis" ERP system by Tyler Technologies – Financial Accounting and Reporting system implemented on 07/01/2019 and replaced the old ERP system called "HTE".

Objective & Scope

The objective of this project was to obtain an understanding of the business processes and procedures of the City's Vehicle Fleet operations in order to identify and assess the internal controls and processes to ensure Vehicle Fleet is operating efficiently and effectively. The procedures described in this report were performed for FY20, a period from 07/01/2019 to 06/30/2020 and were completed in December 2020. In order to accomplish the objective, we designed and organized our procedures by the following five functional areas of the fleet operations for its primary process components as given below:

1. Inventory Management
   - Purchase, transfer, and sale of the vehicles and equipment
   - Tracking mechanism for vehicles and equipment
   - Inventory observations for parts
   - General accounting processes related to inventory management

2. Maintenance Services
   - General internal processes and procedures
   - Procedures for preventative maintenance, in-house repair services, and outsourced services including warranty work.
   - Work order handling and internal billing for maintenance costs

3. Vehicle Use
   - Vehicle usage monitoring and tracking
   - Re-assignment of low usage vehicles
   - Fuel consumption and mileage monitoring and accounting for fuel cost
   - Driving safety guidelines, vehicle use standards, and fleet safety performance

4. Security
   - Fleet management software – appropriate user access, roles and responsibilities
   - Facility access badges
   - Security measures to prevent theft and vandalism

5. Compliance
   - Driver / operator license information, requirements, limitations
   - Training for drivers / operators. Tracking and documentation of completed trainings
   - Vehicle and equipment insurance policies, coverage requirements, and monitoring process to prevent policy lapse.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient and 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. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

Methodology

Our assessment of the business processes, identification of internal controls, observations, and the associated recommendations were developed based on the review of the City's written policies and procedures (P&Ps), interviews with key personnel over Vehicle Fleet Operations, as well as detailed testing of assets and supporting records. The key personnel interviewed included the Transportation Manager, the Fleet Services Supervisor, the Fleet Services Foreman, the Risk Management Coordinator, the City's insurance broker, IT Systems Technician, and the Fiscal Analyst of Public Works.

Our methodology was designed to gain an understanding of business processes in all the five functional areas and identify internal controls for independent evaluation as well as evaluation against the established P&Ps. As a result, we created process narratives describing the processes and procedures in each functional area including one process flowchart for the asset procurement process.

We designed and performed the following procedures specifically for each of the five functional areas:

1. **Inventory Management and Maintenance Services**
   - Reviewed the City's Purchasing Policy and Fleet Replacement Criteria policy document, and performed walkthroughs of the processes related to procurement, tracking, and accounting for vehicles, equipment, parts, and maintenance services performed both in-house and outsourced.
   - Reviewed a sample of vehicles and equipment that were _purchased_ in FY20 and performed the following:
     - Inspected the "Staff Report" to verify BOS's valid and timely approval of the purchase prior to the approval of the associated requisitions and purchase orders (POs).
     - Inspected the quotes, POs, invoices for consistency of the PO numbers, requisition numbers, and amounts ordered verses paid.
     - Reviewed Munis ERP system workflow approvals.
     - Inspected system screen prints from ReadyAsset and Munis to verify that the assets were timely entered in the system for tracking.
     - Inspected examples of work orders for service records, repairs, and inspections to ensure they were adequately handled and completed as evidenced by work order comments, invoices, invoice account coding, and approvals.
   - Reviewed a sample of vehicles and equipment that were _transferred_ between departments in FY20 and performed the following:
     - Inquired about the transfer initiation and proper processing of the transfer in ReadyAsset for tracking.
     - Inspected samples of service records for unscheduled and scheduled work orders for preventative maintenance.
   - Reviewed a sample of vehicles and equipment that were _sold_ in FY20 and performed the following:
     - Inquired about tracking of assets sold and verified that tracking was performed for all assets sold in FY20 with appropriate management approvals on the inventory change forms.
     - Reviewed auction settlement statement and reconciled the VIN and / or asset description, and net cost of sale between the statement and the Fixed Asset Change Form for assets sold.
     - Reviewed auction settlement statement (used as check detail) and copy of the check payment received to verify that the City received the payment for the asset sold.
     - Reviewed fleet management software records to verify that the asset was marked "Retired" in the system in the same fiscal year.

- Reviewed the most recent count sheets for parts and performed the following:
  - Verified the physical inventory observation for parts was performed by the Fleet Services Department for FY20.
  - Verified discrepancies found between the physical inventory observation and ReadyAsset were accurately calculated and identified (i.e., physical count versus ReadyAsset).
  - Verified that physical inventory discrepancies were investigated and corrected in ReadyAsset.

2. **Vehicle Use**
   - Reviewed the Safety Guidelines, Vehicle Use Policy, and Vehicle Safety and Warning Devices Policy to gain an understanding of safety guidelines and vehicle use standards.
   - Reviewed vehicle usage reports to determine if low usage vehicles were reassigned as needed with the following procedures:
     - Verified that vehicles were properly identified as 'Low Usage' in the Utilization Report by recalculating the start and end mileages.
     - Verified each vehicle that was identified as 'low usage' had manager review comments on the report and performed inquiries to obtain a better understanding of the conclusions reached as a result of the review.
     - Verified that the ReadyAsset system was appropriately updated for department account numbers for assets that were marked for re-assignment if applicable.
   - Reviewed fuel consumption reports for four months from four different quarters in FY20 and performed the following:
     - Verified that fuel purchases were accurately recorded by department (i.e., Fleet Services and all other departments combined).
     - Reconciled department general ledger (GL) accounts between ReadyAsset Vehicle Listing and Fuel Consumption Report to verify that monthly fuel expenses incurred by each department were allocated to the appropriate respective GL accounts.
     - Inspected Munis journal entry records to verify that monthly fuel charges were recorded in the proper accounting period.
     - Verified that fuel purchases were appropriate for locations of the fuel purchases.
     - Verified that odometer readings for each vehicle were reported by drivers at the time of fuel purchase.
   - Inquired about a monitoring process to ensure overall fleet safety performance including the review of critical GPS Data (e.g., speeding, harsh breaking, harsh turning, etc.). No detail testing deemed necessary as most of the vehicles are not equipped with GPS systems.

3. **Security**
   - Reviewed the Key and Access Control Card Policy and held discussions related to security functional area focusing on fleet management software user access, facility access badges, and security measures in place to prevent theft and vandalism.
   - Inspected fleet management software user access report for the listing of all users to determine if access was granted in accordance with employees' roles and responsibilities and whether the access was disabled timely due to change in roles, terminations, or as needed, by verifying appropriate supporting documentation.
   - Inspected facility access badge reports to determine if access to facility was within reasonable timeframe. The badge access is granted to access the facilities 24/7 for full time employees and with

limited hours to contractors (6:55 am to 5:15pm) due to the nature of the operations (e.g., technicians are on call). Therefore, the detailed testing of the access reports deemed unnecessary and was not applicable.

- Held discussions with key personnel to identify and verify security measures in place to prevent theft and vandalism and that the measures followed the established guidelines, where applicable.

4. **Compliance**
- Reviewed the Employee Safety Manual and Anti-drug & Alcohol Misuse Prevention Program policy document.
- Obtained a listing of all drivers and operators and performed the following:
  - Inspected copies of driver licenses for current status to ensure validity of the licenses as of 6/30/20.
  - Reconciled driver license numbers between the copies of the licenses and CDL Log maintained by the Risk Management Coordinator.
  - Examined Alcohol and Drug Testing Log maintained by the Risk Management Coordinator to ensure that Fleet Services drivers did not test positive if they were flagged for random drug and alcohol testing.
- Inquired about the internal and external trainings required for the drivers and operators, reviewed the associated documentation to verify the successful completion of on the job training to obtain Commercial Driver License (CDL) and management's validation process of the CDLs to verify the licenses were obtained within the first 8 months of employment in compliance with job requirements for drivers and operators when applicable.
- Inquired about on-the-job trainings and other internal trainings required by Human Resources to verify that training is monitored for completion in compliance with the established P&Ps.
- Inspected insurance policies and made inquiries with the City's Risk Management Coordinator and the insurance broker to ensure that all vehicles and equipment were adequately insured in FY20.

Testing Results

This section of the report provides a general description of the testing results and specific observations. A combination of these observations, our discussions with various stakeholders, and the inspection of various policies and procedures resulted in identifying process improvement opportunities that are summarized in 6 (six) findings and associated corresponding recommendations provided in the *'Findings and Recommendations'* section of the report as well as cross-referenced below.

- **Physical Inventory Counts**: The physical cycle counts for parts inventory was adequately performed for FY2020. The need for the quarterly cycle counts has been re-enforced by management for FY2021. Test count discrepancies have been appropriately identified and corrected when needed. However, process improvements over inventory tracking were identified. See **Finding #1**.

- **Fleet Sample:** The review of a sample of newly purchased, transferred and decommissioned vehicles and equipment indicated that the asset management was handled appropriately within the established policies and procedures. We sampled and reviewed a sample of 2 assets from each category (purchased, transferred, and sold). We identified an inappropriate segregation of duties in handling live checks received by the Fleet Services for the assets sold in auctions. See **Finding #2**.

- **Low Usage Assets:** The listing of vehicles and equipment was adequately reviewed for low usage vehicles and equipment to ensure proper and timely re-assignments in FY20. We've identified an opportunity to increase effectiveness of the associated internal control. See **Finding #3**.

- **GPS Data:** Detail testing deemed unnecessary as most of the vehicles are not equipped with GPS systems. An installation of GPS units is optional and is not required by the City. See **Finding #4**.

- **Driver License Status:** The current status of CDLs for the drivers and operators in Fleet Services have been verified for validity. No issues were noted in inspection of the CDL training logs for driver participation and completion. The review of the "Alcohol and Drug Testing Log" did not indicate any violations or instances of non-compliance. However, we found that the City has an ineffective verification process of driver licenses. See **Finding #5**.

- **Driver and Operator Training Records**: We identified a risk of non-compliance with the City's Employee Safety Manual which requires that the training records and the associated processes and procedures are forwarded to the Risk Management Coordinator. This process wasn't performed in FY20 and there is no indication that the process is currently being performed. See **Finding #6**.

- **Fleet Insurance Coverage**: The vehicles and equipment in FY20 were adequately insured as verified with the City's insurance broker and the review of the insurance policy documentation obtained from the broker.

Conclusion

Vehicle Fleet Services appears to have a good number of well-designed internal controls for efficient and effective operations of the fleet along with highly qualified and experienced staff, Supervisors, Deputy Directors, and Directors in Fleet Services, Transportation Division, and Public Works Department. We greatly appreciate and thank the input of all individuals who contributed to enhancing our understanding of the City's Vehicle Fleet operations as well as helping to identify opportunities for process improvements. We hope and believe that, at a minimum, addressing and resolving the findings and recommendations provided in this independent audit report would directly and positively contribute and add value to the overall efficiency and effectiveness of the operations of Vehicle Fleet including, but not limited to, an increase in accuracy in spend monitoring with fewer deviations from approved budgets, an appropriately designed process for inventory tracking, an increase in wrenching hours, an improved fleet utilization review with a frequent and consistent assessment of fleet utilization across all departments that use vehicles and equipment, and an improved monitoring mechanism and control over driving behavior of the drivers and operators to reduce risks associated with the safety of the drivers as well as the general public.

Findings & Recommendations

We have provided 6 (six) findings and associated recommendations in this report related to improvement opportunities or additional considerations that may be necessary to properly and adequately address risks and achieve business objectives. These recommendations were designed to strengthen current controls, improve oversight of operations, and increase overall efficiency and effectiveness of the City's Vehicle Fleet Services.

Finding #1: Inventory Security & Tracking
Risk Rating: High

The Fleet Services Division facility is secured as discussed in Control IC22 below. However, at the Fleet Services staff level, an effective and secure mechanism for tracking auto-parts inventory could be established. Additionally, there isn't one secure location within the facility to ensure safekeeping of a large portion of the inventory that is retained at fleet's facility. The inventory remains exposed for potential theft by anyone who can access the facility. As a result, there is an increased risk of missing parts, increased costs, and potential delays in service.

Recommendation #1:

Security: As a short-term solution, we recommend that the Fleet Services Supervisor improve the security of the existing inventory location at the facility by installing locks if feasible and restricting access to the Fleet Services personnel who have business needs to access the inventory including Transportation Manager, Fleet Services Supervisor, Foreman, and Fleet Mechanics. After tracking mechanism is established, the access should be limited to the designated person responsible for tracking.

Tracking: As a long-term solution, we recommend that the Transportation Manager and Fleet Services Supervisor collaborate to design and establish a tracking mechanism by implementing parts tracking sheet where Fleet Services Technicians can sign, date, and identify the parts used and taken out of the available parts inventory. Fleet Services should consider using bar code scanning technology that is currently owned by the City but is not being used. The parts inventory tracking should be managed by one designated Fleet Technician. If there is an insufficiency of internal human resources, the Transportation Manager is to determine if hiring a new employee is the best option for the Fleet Services.

Establishing a new tracking mechanism and having one designated person responsible for tracking will provide several benefits including the following:
- reduce the risk of misappropriating assets
- increase managements visibility over the parts inventory

- enable management to move the parts at the facility to a secure location where the parts can be accessed only by the designated parts person (e.g., a Technician who does not have an ability to make purchases.)
- enable the Fleet Services Foreman and the Supervisor to spend more time on managing the fleet than tracking and purchasing the parts.
- increase wrenching hours as the shop technicians would spend less time on the phone, in the computer.

Management Response:

As documented in Control IC22, the Fleet facility is secured within the Public Works Corporate Yard and restricted to badge-only access. To date, there is no known instance of inventory loss, however, management agrees that there are opportunities to reduce risk and improve security of parts inventory within the fleet facility and across fleet staff. Absent a dedicated employee to manage and track inventory at fleet, these responsibilities are currently shared across fleet supervisors and technicians, which continues to provide opportunity for risk. The recommendation to hire a dedicated employee for these tasks was provided during the previous (2015) operational audit, however, the position was not funded by the Board of Supervisors at the time. Management recommends funding this position and will submit a supplemental budget request for the position with the FY 2022 budget requests for consideration by the Board of Supervisors.

Finding #2: Segregation of Duties for Check Handling
Risk Rating: Medium

There is an improper segregation of duties related to live check handling. When the assets are sold at auction, the auction company sends the live check payments to Fleet Services Department. The checks received are handled by the same individual in the Fleet Services who processes the assets for sale and has an ability to put the assets in a *"retired"* status in the fleet management software ('ReadyAsset'). While receiving checks by various departments is technically in compliance with the City's Cash Handling Policy, the lack of segregation of duties, in this case, increases the risk of misappropriation of City assets.

Recommendation #2:

We recommend that the City's Accounts Payable Department instruct the auction company to send all check payments along with settlement statements directly to Treasury, the Finance Department or the City's lockbox, as applicable, and stop sending the check to Fleet Services. Only copies of the checks and statements should be forwarded internally to Fleet Services if such documentation is needed for internal tracking purposes.

Management Response:

Management agrees with this recommendation. Starting with the next auction (anticipated Spring 2021), live check payments will be directed to the Carson City Treasurer's Office.

Finding #3: Asset Utilization Reviews
Risk Rating: Medium

There is a risk that Fleet Services may not be re-assigning assets as efficiently and effectively as possible due to the inconsistent *frequency* of fleet utilization reviews that results in re-assignment of assets. Currently, re-assignments are primarily performed based on a verbal request from department managers. Additionally, the Finance Department completes the asset re-assignments among departments annually at fiscal year-end as part of its "Internal Billing Transfer" process; whereas the Fleet Services reviews asset utilization for potential re-assignment, sale, or replacement every 2 to 3 years. An infrequent review of the asset utilizations may result in delayed asset re-assignments and / or result in assets available in the fleet that are not being utilized as effectively as possible.

Recommendation #3:

We recommend that the Transportation Manager and Fleet Services Supervisor review the Low Usage Asset Report at least annually prior to fiscal year-end (June 30) in order to ensure consistency with management's review and increase effectiveness of asset utilization by identifying opportunities for asset re-assignments in addition to the ones that are completed based on random requests from department heads.

Additionally, due to 'ReadyAsset' system limitations, we recommend that the Transportation Manager generate and retain fleet utilization reports as of June 30 of each fiscal year to enable the Transportation Manager, Public Works Management, and / or auditors to review an asset listing as of each fiscal year-end.

Management Response:

Management agrees with this recommendation. This review will be conducted annually moving forward. Fleet utilization reports will be generated at the end of each fiscal year, as close to June 30 as it is practical.

Finding #4: Monitoring for Driving Violations

Risk Rating: Medium

Currently, not all City vehicles are equipped with global positioning system (GPS) devices nor are the existing devices periodically rotated among the existing vehicles. In fact, they are rarely rotated. Resulting in the City not having a mechanism in place to monitor driving behavior for the vehicles that don't have GPS systems installed. Additionally, there is a risk that driving violations may go undetected and are not properly and timely addressed due to unsafe driving that may result in increased liability to Carson City.

Estimated cost for all City vehicles to have a GPS device based on the current size of the fleet is approximately $220k annually ($100k for GPS devices and $120k for cost of service).

Recommendation #4:

As a temporary solution to address the risks identified, we recommend that the Vehicle Fleet begin rotating the existing GPS systems among all high usage vehicles at least annually, to begin as soon as possible, and monitor the pattern of violations by driver(s) in accordance with the current process performed for vehicles with GPS units.

As a long-term solution to address the risks identified, we recommend that the Vehicle Fleet management perform a cost benefit analysis to determine whether the City should purchase and install GPS devices on all City vehicles or just those with high annual usage.

If it is determined to be cost prohibitive to have GPS units on all City vehicles, the cost benefit analysis should be expanded to include alternative solutions for monitoring driving behavior for all City vehicles. Additionally, if it is determined that GPS devices on all City vehicles is cost prohibitive it is recommended that the Transportation Division develop and implement a methodology and policy to define which vehicles should have GPS devices based on criteria, including but not limited to, asset risk, purpose of use, value, and usage.

Lastly, Vehicle Fleet should update Section 6 of the Vehicle Use Policy to align with the outcome of the cost benefit analyses.

Management Response:

Although there are some benefits that could be realized by installing GPS in all City vehicles, Management believes that the current approach of rotating limited GPS devices through vehicles has been a cost effective solution and does not feel that additional efforts need to be made at this time. The City currently experiences a very low instance of accident/crashes in City vehicles or known instance of violations. Additionally, all City vehicles are badged, such that if an infraction is occurring while out in the line of work, anyone would be able to recognize it being a City vehicle and report it. Therefore, when weighing added benefit versus the

significant cost to implement (purchase new GPS devices and pay monthly service fees), Management feels that addressing this recommendation does not represent the highest and best use of limited City funds at this time. We will continue to monitor accidents and violations in the future and pursue if necessary, at that time.

Finding #5: Verification of CDLs and Driver Licenses
Risk Rating: Medium

There is a risk that some of the commercial driver licenses (CDLs) and regular non-commercial drivers' licenses for Carson City employees are either not valid or expired as a result of an ineffective verification process. Currently, the Risk Management Coordinator verifies all license renewals via email without requesting and reviewing copies of the actual renewed licenses for validity.

Recommendation #5:

We recommend that the Risk Management Coordinator or the Department Supervisors perform verification of the license renewals by requesting and reviewing the copies of the actual licenses.

We also recommended that the Department Supervisors query the Department of Transportation DOT Clearinghouse for each Commercial Motor Vehicle driver at least annually as required by the new Clearinghouse rules and in accordance with the City's ''Anti-Drug and Alcohol'' policy. Such search was designed to enable employers to check if employees are prohibited from performing safety-sensitive functions.

Management Response:

The policy will be updated to clarify the following: (1) Individual Divisions where CDL employees are working will retain the scanned copies as required. (2) Risk Management will add a column to their tracking spreadsheet and request scanned copies of renewed driver's licenses. When received and verified, the column will be updated. (3) The City has elected to use Sinnett Consulting as our third-party administrator for the Clearinghouse, and Sinnett does the queries on the City's behalf for a fee.

Finding #6: Training Records for Drivers & Operators
Risk Rating: Medium

There is a risk of non-compliance with the City's Employee Safety Manual which states that the Department Directors and Supervisors are expected to document the records of initial and refresher trainings on all equipment, processes, and procedures and forward them to the Risk Management Coordinator. This policy requirement is not currently being performed either due to lack of communication between the City's Senior Management and the Department Directors/Supervisors or a lack of clarification on the specific procedures and expectations for tracking training records.

Recommendation #6:

We recommend that the City Manager update the Employee Safety Manual or issue an internal management memo to provide clarification and specifics on the procedures for retaining and monitoring training records to ensure expectations for individual departments and the Risk Management Coordinator are clearly communicated. The specifics may include a complete list of periodic mandatory trainings to be completed annually and type of internal trainings (formal vs. informal) that are required to be documented as practically possible. The Safety Manual should also enable the individual departments to identify the training courses they are expected to complete during any given fiscal year and ensure monitoring mechanism is in place to ensure compliance with the Employee Safety Manual.

Management Response:

The Citywide Employee Safety Manual will be reviewed and updated as necessary. All employee certifications and trainings are not meant to be tracked and maintained in one place as it would require additional FTEs to do so. Each department is responsible for ensuring that their employees have the proper

training to perform their functions. OSHA requires that we provide safety training to employees annually, and the Risk Department does ensure that classes are available during the year for employees who would like to participate.

Appendix A — Internal Controls

The following internal controls (IC) were identified within the five functional areas:

<u>Inventory Management Controls:</u>

IC1. The annual asset purchasing budget including quotes, contracts, and purchase orders for large purchases greater than $50K are reviewed and approved by BOS. This control includes review and approval of the tentative budget and the Capital Improvement Program (CIP). The CIP contains a 5-year capital improvement plan that is updated annually.

IC2. Large purchases greater than $5K require POs and are reviewed by the Purchasing and Contracts Administrator for compliance with the Procurement Policy including the review of requisitions, quotes, vendor contracts, dollar amounts, BOS approval for large purchases, and department approvals as applicable.

IC3. Purchase requisitions for purchases greater than $5K are reviewed and approved by the PW Deputy Director. If he is not available, the PW Director can perform the review.

IC4. Small purchases including various auto-part purchases under $5K, which are made with purchase cards (P-cards), are approved by Fleet Services Supervisor.

IC5. All P-card transactions are reviewed monthly by Transportation Manager for validity and accuracy of the charges.

IC6. Before payments are released, vendor invoices and PO support are reviewed and approved by Accounting Clerk and Accounting Manager.

IC7. High level review of invoice payments by the CFO and City Manager before payments are released by the Treasury.

IC8. All journal entries related to inventory asset movements (e.g., additions, deletions, assets that need to be capitalized) are reviewed and approved by either CFO or Deputy CFO.

IC9. The Fleet Services Foreman goes into Munis, accounting software, to verify that the requesting department has enough funds in the repair account before processing the work order.

IC10. Only for the Sherriff Office (S.O.) purchases greater than $500, the Fleet Services obtains an approval from the S.O. Business Manager when providing a vendor quote before completing the requested purchase.

IC11. Monthly, the Finance Department performs a reconciliation between ReadyAsset and Munis to ensure appropriate accounting for the parts purchased during the month. The reconciliation is a part of the month-end close process.

<u>Maintenance Services Controls:</u>

IC12. When work orders are completed, the Technicians enter notes in the system describing the work performed, add direct labor hours to the associated work orders, and notify the Fleet Services Supervisor or the Foreman. To ensure mechanical issues are resolved and resolved appropriately, the Fleet Services Supervisor or Foreman inspects the completed maintenance services or repair work before closing the associated work orders in ReadyAsset.

IC13. When newly purchased vehicles and equipment arrive, the Fleet Services Supervisor or the Foreman verifies assets' registration, checks the existence of first aid kits and fire extinguishers, verifies there are no body damages, checks the conditions of tires and lighting system, and verifies overall functionality of the assets before the assets are placed in use.

Vehicle Use Controls:

IC14. The Fiscal Analyst reviews the accuracy and verifies the validity of charges on the fuel consumption reports and the associated invoices before the invoices are processed for payment.

IC15. Approximately every 2-3 years, the Transportation Manager and Fleet Services Supervisor review low usage vehicles and equipment to identify opportunities for potential asset re-assignments and determine whether it is cost effective to keep, reassign, or sell the vehicles.

IC16. The Fleet Services Supervisor randomly monitors the drivers' driving behavior for the vehicles with GPS units. Driving violations are communicated to and addressed by the related department heads. The Risk Management Coordinator is copied in the email distribution from the Fleet Services Supervisor. This control applies only to the vehicles that are equipped with GPS systems.

Security Controls:

IC17. EAM user access is granted and terminated by IT Department based on the review and approval by the Fleet Services Supervisor.

IC18. The Facilities Maintenance Manager oversees access systems and maintains access controls files for the City.

IC19. Department Directors, or a designee, complete the "Key & Card Request Form" that is reviewed and approved by the employee's supervisor in order to issue an access badge. An additional access to other departments is approved by the respective Department heads.

IC20. The Fleet Services Supervisor sends a request to the Facilities Maintenance Manager for the access badge to be deactivated the same day the staff's employment is considered terminated. In addition, on as needed basis, the Facilities Maintenance Department performs a badge screening for expiration dates and evaluate the access badges for possible extensions.

IC21. Security cameras are installed throughout the Fleet facilities and are monitored by Fleet Services daily.

IC22. Access to Fleet facilities require badge access.

Compliance Controls:

IC23. Quarterly, the Risk Management Coordinator tracks drug and alcohol random testing results and communicates instances of ''positive'' test results to an employee's supervisor for remediation.

IC24. As needed, the Fleet Services Supervisor verifies the completion of CDL training and drive test requirements by obtaining and reviewing copies of the CDLs for employees in Transportation Division, Fleet Services who are required to hold CDLs. This control activity is performed within the (first) 8-month grace period from the hire date.

IC25. Annually, the Fleet Services Supervisor verifies the accuracy of the asset listings for vehicles and equipment before the Risk Management Coordinator sends the listing to the insurance broker for the annual insurance policy renewal that occurs before the fiscal year-end. Note: the vehicle listing is updated throughout the year while the equipment listing is updated only once a year.

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Caring for our external and internal clients with a passion to go the extra mile.

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Conducting ourselves with the highest level of integrity at all times.

Trusting and supporting one another.

Being accountable for the overall success of the Firm,
not just individual or office success.

Stretching ourselves to be innovative and creative, while managing the related risks.

Recognizing the importance of maintaining a balance between work and home life.

Promoting positive working relationships.

And, most of all, enjoying our jobs ... and having fun!

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