



# CITY OF SAN ANTONIO

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September 12, 2006

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Ladies and Gentlemen:

**SUBJECT: Audit of Fleet Management with Specific Focus on Rates and Charges**

We are pleased to send you the report and Management responses for an audit of Fleet Management with Specific Focus on Rates and Charges. Fleet Management and Staff should be commended for their cooperation and assistance during this audit. City Management's Corrective Action Plan indicates acceptance of the majority of the report recommendations.

The Internal Audit Department appreciates the opportunity to have performed this review and is available to discuss this material with you individually at your convenience.

Respectfully submitted,

Mark S. Swann CPA, CIA, CISA  
Interim City Auditor

cc: Leticia Vacek, City Clerk



**CITY OF SAN ANTONIO**  
**INTERNAL AUDIT DEPARTMENT**

**Purchasing and General Services**

**Audit of Fleet Management  
with Specific Focus on Rates and Charges**



**Project No. AU06-006**

**Release Date: September 12, 2006**

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## EXECUTIVE SUMMARY

### Overview

The Internal Audit Department has completed an audit of Fleet Management (Fleet), which at the time of the audit was a division of the Purchasing & General Services Department (Purchasing). The objective of this audit was to evaluate management controls over fleet maintenance and repair, parts stockroom, fuel management, the Vehicle Replacement Program (VRP) and the Motor Pool. Specific testing was performed in the areas of labor rates and charges, parts inventory, fuel and the VRP.

Purchasing has a budget of \$27 million for Fiscal Year (FY) 2006 that supports a staff of 219 full-time employees. Of that number, 180 employees are allocated to Fleet. The VRP has a separate budget (i.e. projected vehicle replacement cost) of \$22 million for FY 2006.

### Results in Brief

Fleet's overall goal is to support City of San Antonio (City) departments by providing quality fleet services and customer satisfaction, at the lowest cost possible, while addressing air quality and environmental concerns. To accomplish this goal in an effective and efficient manner, the appropriate strategic plan and internal control framework are required.

A successful framework should include a strategic plan that consists of specific objectives for each section of Fleet, strategies to support these objectives, and performance measures to evaluate results. Additionally, such a framework should include proper internal controls design to provide reasonable assurance of effectiveness and efficiency in operations, as well as reliability and completeness of reporting information, compliance with applicable regulations and policies and protection of assets. Neither a strategic plan nor a set of comprehensive internal controls currently exists at Fleet. As a result, Fleet Management is at risk of not satisfying its overall goal. For more details, see the Internal Audit Department's complete audit report on Fleet Management.

## INTRODUCTION

### Background

Fleet Management (Fleet) at the time of the audit was a division of the Department of Purchasing & General Services (Purchasing). It maintains approximately 4,800 City-owned vehicles for 24 departments and 1,226 vehicles for outside agencies including Bexar County, San Antonio Housing Authority and City Public Service. The Administrative Office is located at 329 Frio Street, with six Service Centers and eleven fueling facilities distributed throughout the City. Some locations function as both a Service Center and a fueling facility. In addition to fleet maintenance and repair (M&R), Fleet Management also maintains a storeroom for parts inventory, supplies fuel for the City's fleet, manages a Vehicle Replacement Program (VRP) and operates a Motor Pool.

Fleet's goal is to support City departments by providing quality fleet services and customer satisfaction while addressing air quality and environmental concerns. This goal includes the following areas, as stated in the adopted budget for Fiscal Year (FY) 2006:

1. Provide City departments with vehicle maintenance and repairs at the lowest possible cost.
2. Continue air quality inspection and maintenance programs.
3. Review Fleet contracts to ensure vendor compliance and maximize service delivery from outside contractors.
4. Research, develop and review specifications on vehicles and equipment in order to utilize more efficient automotive technology to reduce maintenance repair costs.
5. Expand Motor Pool operations.
6. Maximize Fleet Technician/Service Center productivity.
7. Begin the implementation of the five-year alternative fuels strategy being developed during FY 2005.
8. Increase the number of staff members who obtain certifications in their professional fields.

A summary of Fleet provided services are as follows:

#### Fleet Maintenance/Repair and Parts Inventory

The Central Shop and Service Centers maintain gasoline, diesel and propane-powered vehicles/equipment in the City's fleet. **Exhibit 1** shows fleet size by department. Fleet provides full-scale maintenance and repair services, including a Preventive Maintenance Program, brakes, oil changes and annual state inspections. Minor body repairs that cost less than \$2,000 are also conducted in-house.

Fleet also manages a central Parts Stockroom, which provides supplies and support to six satellite stockrooms.

Fleet applies service-based charge-back rates to recover fleet operation costs, including management, maintenance, fueling and Motor Pool. Properly developed and employed service-based rates facilitate cost awareness allowing users to link incurred cost to the use of specific fleet resources, and motivate Fleet to monitor and control the value of its services.

**Exhibit 1 – City of San Antonio Fleet**

City Department		Number of Vehicle	City Department		Number of Vehicle
1	Police	1,350	13	Community Initiative	46
2	Public Works	987	14	Convention Center	42
3	Parks and Recreation	768	15	Library	15
4	Environmental Services	458	16	ITSD (Note 1)	11
5	Fire	364	17	Municipal Integrity	9
6	Aviation	185	18	Human Resources	3
7	Development Services	99	19	Neighborhood Action	3
8	Purchasing	94	20	Municipal Courts	2
9	Code Compliance	90	21	Planning	2
10	Health	83	22	International Affairs	1
11	Asset Management	81	23	Mayor & Council	1
12	Alamodome	73	24	City Clerk	1
			<b>Total</b>		<b>4,768</b>

Source: Provided by Fleet

Note 1: ITSD stands for Information Technology Service Department.

**Fuel Management**

Fuel Management is comprised of three staff members supervised by the Fuel Coordinator. These employees maintain and monitor the purchase, transport and inventory for approximately 5 million gallons of unleaded, diesel and propane fuel on an annual basis. Vehicle drivers use fuel cards to obtain fuel at any of eleven fueling stations located throughout the City. Fuel cards are assigned to vehicles, not employees, and only one card should be active at any time for each vehicle. Prior to pumping fuel, an employee must enter the current odometer reading into the card reader located near the pump. As a general control over fuel cards, Fuel Management issues a replacement card only after the existing card is deactivated.

Fleet Operations uses a separate system called WinC6 to accumulate all fuel usage information, including date and time of pumping, gallons obtained, type of fuel and the related odometer reading. This information is transferred to FASTER (a fleet management system) on a daily basis. **Attachment 1** displays fuel usage by City department for FY 2005.

**Vehicle Replacement Program**

The VRP Program supports the replacement of City vehicles/equipment by collecting lease payments from City departments on a monthly basis. Lease payments are accounted for in Fund 72 of the City's SAP system. The Management Analyst of the Purchasing Fiscal Office is responsible for calculating these lease payments, projecting future capital outlays, and maintaining an appropriate fund balance.

The major benefit of financing fleet replacements through this program is to build a reserve in advance to accommodate replacement expenditures. In the absence of a replacement reserve fund, the City's budget may not be able to accommodate spikes in replacement expenditures.

In 1996, Purchasing Management engaged a consulting firm, David M. Griffith & Associates (DMG), to conduct a study of fleet funding and costs. The firm recommended a charge-back approach that would provide for the timely replacement of fleet vehicles and prevent fund shortages or the accumulation of excessive replacement reserves. This DMG Model is currently used by the Management Analyst to manage vehicle replacements.

The City budget states the goal of the VRP Program is to “strategically implement vehicle replacement parameters” and “monitor vehicle replacement program for maximum utilization.” For FY 2006, the budget for this program is \$22 million. The proposal outlined for FY 2006 provides \$1.5 million in net savings by extending the life of 783 vehicles in the current fleet from 84,000 to 96,000 miles. The FY 2005 Adopted Budget realized net savings of \$2.2 million by extending the replacement threshold mileage from 72,000 to 84,000 miles for 1,038 vehicles.

#### Motor Pool

The Motor Pool provides vehicles for rental to City departments. In FY 2005, there were 24 vehicles, which generated \$177,000 in revenue and incurred expenditures totaling \$187,000. Vehicle rental is \$5 per hour with a maximum of \$40 per day. Motor Pool services are under the direct supervision of the Assistant Fleet Operations Manager who reports to the Fleet Services Administrator.

#### Charges for Services

The abovementioned services are provided on a charge-back basis to City departments and other entities. The Purchasing Internal Service Fund (SAP Fund 71) budget is \$27 million for FY 2006, which supports a staff of 219 full-time employees. Of that number, 180 employees are allocated to Fleet.

**Exhibits 2 and 3** show Fleet’s actual revenues and expenditures for FYs 2001 through 2005 that are related to each of the functions noted above.

#### **Information Systems**

FASTER is a fleet management system, which was installed in 1996 to track vehicles/equipment, parts inventory, work orders, fuel activities and billing. The system can generate various reports for daily operations or for management’s review. Charges for vehicle M&R, parts, fuel and Motor Pool services are converted to SAP on a monthly basis for billing purposes. SAP is used for accounting and financial reporting. Due to the adoption of SAP as the City’s enterprise-wide resource management system, FASTER will most likely be phased out along with other non-SAP computer systems.

In addition to FASTER and SAP, Fleet also uses three other systems in operations including:

1. INFORM system is connected to the tank monitor located at each refueling site. It reads the tank level at 6:00 am daily to facilitate reconciliation of the fuel tanks for inventory purposes, including the calculation of re-order points and comparison of daily sales.
2. WinC6 information system is used by Fuel Management to track fuel card activity. Fuel card transactions are transferred to FASTER on a daily basis.
3. Shop Key is used at the Central Shop to compare standard repair time with actual labor hours for a particular repair type (RTY). However, it was not consistently used by all Service Centers.

Purchasing engaged a consulting firm, CCG System, in December 2005 to evaluate its business processes and the utilization of FASTER. The consulting firm provided a seven-day training session on the various functions of FASTER and fleet management operations.

#### **Criteria**

This audit referenced the following documents to evaluate the performance of operations:

- City Ordinances and Local Government Codes
- City’s Adopted Annual Budget
- Internal Control – Integrated Framework by Committee of Sponsoring Organizations of the Treadway Commission
- International City Management Association Center for Performance Measurement for FY 2004

### **Objectives and Scope**

A general review was performed on Fleet that includes vehicle M&R, Parts Stockroom, and Fuel Management. The VRP is closely related to fleet management, so this program was also reviewed. Detailed testing was not performed in all areas, including Motor Pool services. The audit specifically focused on the following:

- Reasonability of labor rates and charges for vehicle M&R, fuel, and parts to recover the costs of goods and services provided to user departments and other entities.
- Accuracy of Vehicle Replacement Program projections for future vehicle/equipment expenditures, revenue and fund balance.

The scope of the audit was October 1, 2004 through January 31, 2006.

### **Methodology**

The audit methodology consisted of the following:

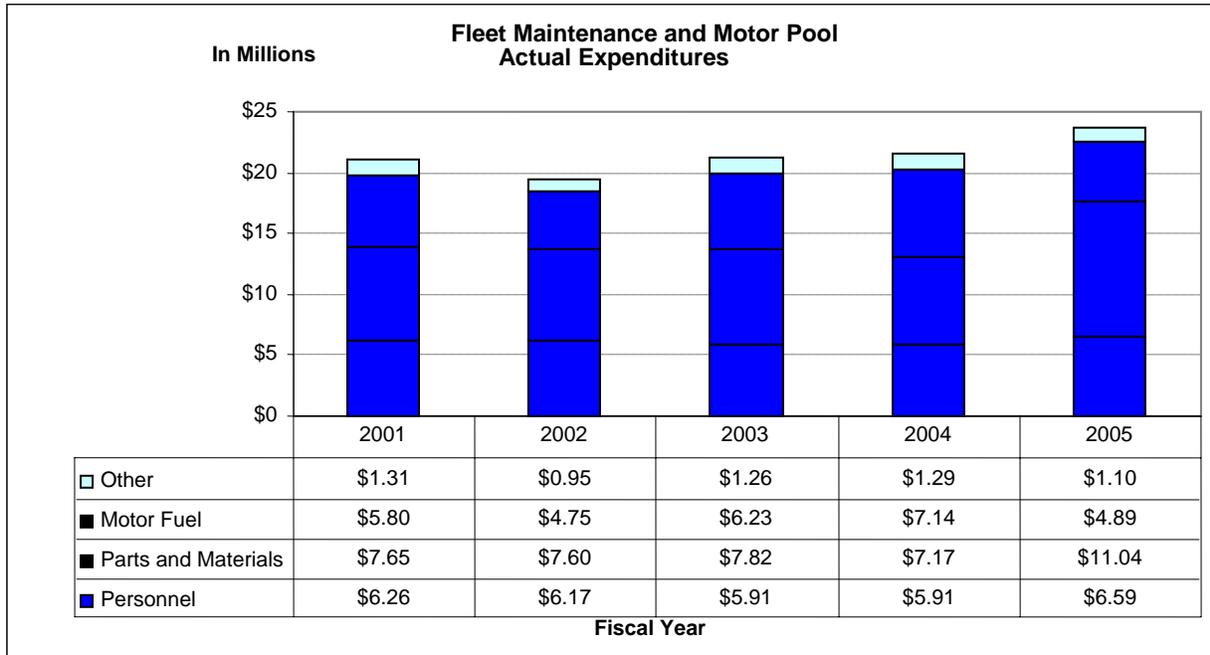
- Gathering and reviewing information and documentation from the City, the audited department, and other entities
- Conducting risk and control analysis
- Conducting interviews and having discussions with the staff
- Touring the Fleet and selected service centers and fueling stations to observe operations
- Testing and analyzing data files and evaluating test results

The audit was performed in compliance with government auditing standards issued by the U.S. Government Accountability Office.

### **Risk Management Capability Matrix**

To evaluate the maturity of Fleet management and the Vehicle Replacement Program, five risk management capabilities were considered. **Attachment 2** presents detailed descriptions of each capability: strategies, processes, people, technology and information. The maturity stages have five levels for each capability: Ad Hoc, Repeatable, Defined, Managed and Optimized. Most entities achieve at least the "Managed" stage while fewer achieve the "Optimized" stage for mature processes. The maturity level of Fleet and the Vehicle Replacement Program are mostly at the Repeatable Stage in all five capabilities.

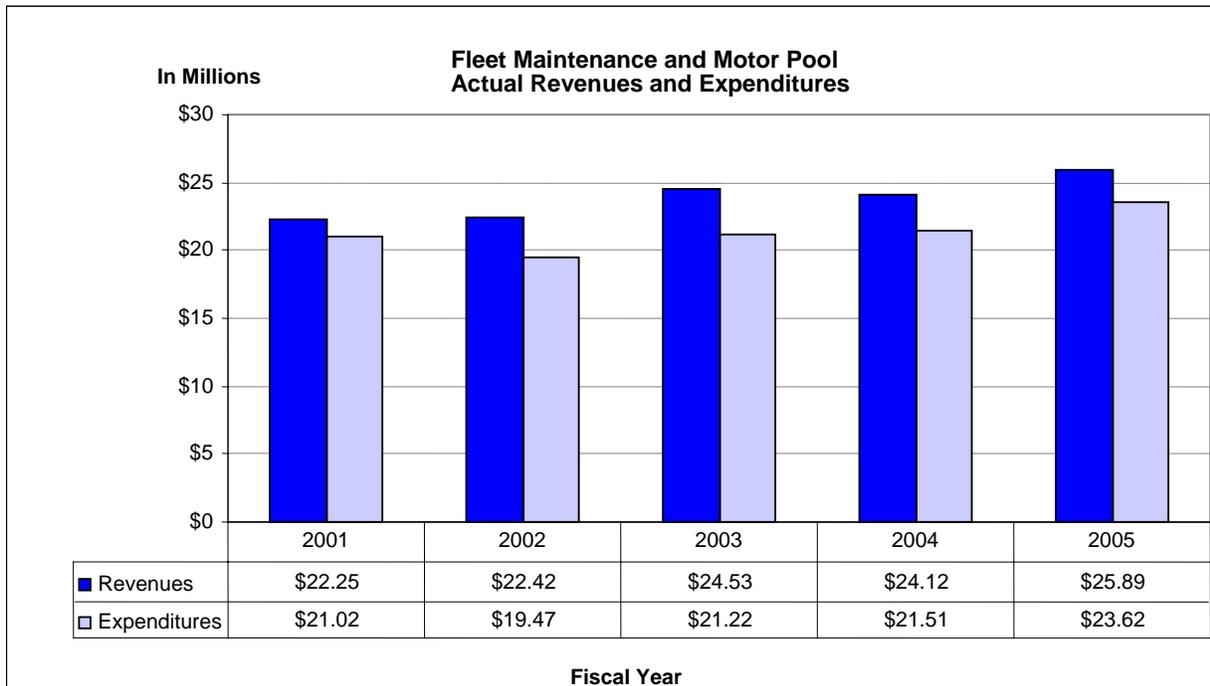
**Exhibit 2**



Source: F Y 2001-2004 from FAMIS Report 69, FY 2005 from SAP

Note: Fleet indicated that FY 2005 information is not accurate in SAP. According to FASTER, actual expenditures were \$7 million for parts and sublets and \$9 million for fuel.

**Exhibit 3**



Source: F Y 2001-2004 from FAMIS Report 69, FY 2005 from SAP

## OBSERVATIONS AND RECOMMENDATIONS

### Section I. General Observations

#### 1. Lack of Strategic Planning

##### Observation

Fleet has a budget of \$27 million for FY 2006 with 180 staff members located in six Service Centers and 11 fueling stations to support this essential function of the City. In order to ensure that business objectives are met with effectiveness and efficiency, it is important to have an appropriate strategic plan that communicates goals and objectives for each section within Fleet, along with strategies to support these goals and objectives, and performance measures to evaluate results. The following observations regarding the lack of a holistic strategic plan were made during the review:

##### (a) **Goals, Objectives and Strategies**

Management had established high-level goals for Fleet as a whole. However, more specific objectives that flow from broad goals have not been developed for each section within Fleet: vehicles/equipment M&R, Fuel Management and Motor Pool. Objectives specific to each section define how operational level management expects to focus and accomplish goals. Some employees in management positions did not seem to be familiar with all the goals. No strategies had been developed to support these goals and objectives.

##### (b) **Performance Measures**

The Balanced Scorecard results were presented in the City's Annual Budget. The accuracy of these results could not be verified during the audit due to lack of supporting documentation.

Our concern is that calculation results, such as average maintenance cost per mile and fleet availability, depend on accurate information from FASTER. FASTER data integrity is in question, as described in **Observation 2** of this Section, and Fleet management personnel are generally unfamiliar with FASTER. Therefore, reliable operation reports cannot be generated.

##### (c) **Organizational Structure and Job Descriptions**

A strategic plan should be supported by a sound organizational structure that defines authority and establishes appropriate lines of reporting. The organizational chart had not been updated as of the completion of the audit fieldwork.

Additionally, job descriptions of key positions are not in alignment with the current organizational structure. For example, the Fleet Services Administrator's job description includes an essential duty of operating the City's Vehicle Replacement Program. This program is, in practice, under the supervision of the Assistant Purchasing Director. The Assistant Fleet Operations Manager's job description does not include fuel, parts stockroom and Motor Pool services; however, this position is currently assigned these responsibilities. The Parts & Equipment Supervisor's job description includes receiving and checking-in all new vehicles, which is now performed by the Vehicle Acquisition Section.

Management acknowledges the discrepancies and is working with the Human Resources Department to conduct a job position study. The department will be reorganized using the results of this study.

##### (d) **Service Level Agreement (SLA)**

Fleet has not implemented service level agreements with user departments. The SLA defines the parameters of the service for the benefit of both Fleet and users. The objective of the SLA is to ensure that Fleet consistently delivers high quality services to meet business needs of user departments.

## **Section I. General Observations**

### **Risk**

Fleet may fail to achieve its goal of providing quality services at the lowest cost possible to City departments. Further, Fleet may be unable to support City departments in accomplishing their missions. In addition, if Fleet Management cannot meet the needs of City departments, they may take their businesses to commercial vendors.

### **Recommendation**

For overall operational effectiveness and efficiency, Fleet or its management should:

- Develop specific goals and objectives, supported by a strategic plan, for each section or work unit.
- Define performance measures to provide a means for management to review operations and determine how well goals and objectives are achieved.
- Complete the job study and design an organizational structure that optimizes the functionality of fleet, and communicate roles and responsibilities to employees so that they can work toward achieving departmental defined objectives.
- Begin a partnership with each user department by setting up a SLA. The SLA should set out not only objectives and performance criteria but also remedies and penalties if established service levels are missed by either party. SLAs can be crafted to generate a win-win situation for both parties.

## Section I. General Observations

### 2. Information Systems Not Fully Utilized

#### Observation

The City implemented SAP in FY 2005, and City management intended for SAP to be used for fleet management purposes. So far, Fleet has not developed a plan for SAP utilization.

Fleet currently uses FASTER as its primary fleet management information system. Given the fact that FASTER became operational in 1996, the system should be fully functional and should produce useful operation reports. Yet it was noted that a number of system functions had either never been utilized or were incorrectly implemented (i.e. duplicate data entry into two systems, manual procedures existing in lieu of using FASTER). Consequently, benefits of using FASTER are not realized, as detailed below:

#### (a) **Under-utilization of FASTER.**

Examples of the under-utilization of FASTER include the following:

- i. Vehicle warranty information has not been entered into FASTER. Thus, warranty information cannot be easily identified, and reliable warranty reports utilized.
- ii. The VRP is not maintained in FASTER. The Management Analyst uses Excel spreadsheets for complex calculations to project future expenditures, revenue and funds availability.
- iii. Shop Key software is used to provide standard time for each type of M&R, which can be compared to the actual time spent by mechanics. This comparison is then used to determine technicians' work efficiencies. Shop Key information has not been entered into FASTER, so management cannot use this capability.

Management indicated that the FY 2006 version of FASTER includes Shop Key functionality, which is expected to be utilized.

#### (b) **Incorrect Utilization of FASTER**

Certain FASTER settings were not implemented correctly. For example, a number of different Repair Types (RTY) is set up in the system for the same work. Additionally, work order "status" is not consistently entered by mechanics. "Status" reflects how a vehicle is handled once it enters the shop until M&R is completed. This information, if gathered, allows management to identify inefficiencies in operations. The following status codes are established in FASTER:

- Active, work in progress
- Waiting approval to begin repair
- Mechanic not available for repair
- Waiting for non stocked parts
- At vendor for sublet repair
- Repairs complete, waiting supervisors review

Management recognized the inconsistency of data entry by mechanics, and is currently considering training of the Service Advisors or Crew Leaders to conduct the task.

#### (c) **Duplication of Efforts**

Ordering and receiving of parts are entered twice: once into SAP and once into FASTER. This task is duplicated because the aforementioned systems are not interfaced.

#### (d) **Access to Databases Not Restricted**

All mechanics and personnel in the vehicles/equipment shops can access all work orders. All parts clerks have the ability to change the prices of inventory items. This unlimited access could compromise the information integrity and confidentiality of the database.

## **Section I. General Observations**

### **(e) Redundant Manual Processes**

Despite the implementation of FASTER, unnecessary manual procedures are still being used. Examples, which were noted in the parts stockroom include:

- i. The parts distribution process where mechanics and parts clerks manually complete parts descriptions and parts numbers on paper forms (i.e. Parts Issue Log, Parts Back Order Log or Vehicle Repair Form). This information should be generated by FASTER and mechanics should initial or sign the forms to speed up parts distribution.
- ii. The re-order of inventory items which, according to the Stock Supervisor, is based on a daily visual observation of shelf items. FASTER has the capability to set a minimum and maximum re-order point which would automatically alert staff when to order needed inventory items.

### **Risk**

Information system benefits are not realized if automation is under or incorrectly utilized. For example, the system could not provide management with accurate, complete and timely information for planning and decision making purposes. Additionally, unrestricted access to the database can jeopardize information integrity and confidentiality. Manual processes and the lack of documented policies and procedures can lead to operating ineffectiveness and inefficiency, and non-compliance with regulatory requirements.

### **Recommendation**

The SAP Fleet module may not be implemented by the City's Enterprise Resources Management Team for two or three years, consequently Fleet must rely on FASTER in the interim for its information systems needs. Purchasing engaged CCG System to provide Fleet key personnel with training on FASTER functionality in February 2006. Management should leverage the FASTER training so that current technology is utilized fully and correctly. While carrying on this endeavor, the following strategies should be implemented:

- Provide training to the Service Advisors or Crew Leaders who are responsible for the accuracy of data entry into FASTER.
- Explore the possibility and cost benefit of interfacing FASTER into SAP. Interfacing the two systems without human intervention would significantly increase the efficiency and accuracy of data transfer.
- Restrict access to the FASTER database. Mechanics should be able to access only the work orders that they are assigned, and only authorized staff members should be able to change part prices.
- Utilize FASTER or other automation to reduce redundancy resulting from manual processes.

**Section II. Fleet Maintenance/Repair and Parts Inventory**

**1. Current Labor Rates and Charges Not Supported**

**Observation**

Purchasing engaged a consulting firm, David M. Griffith & Associates, Ltd. (DMG), in 1996 to conduct a review of fleet funding and cost. The purpose for the study was to determine the competitive chargeback rates for vehicles/equipment M&R, fuel, and Motor Pool services.

**Exhibit 4** shows the rates and charges recommended by DMG in 1996, which were re-calculated by Fleet and are currently being used for FY 2006. The review results indicated that re-calculations contain errors and current rates are not supported, which significantly impacts Fleet’s ability to recover its costs.

**Exhibit 4**

	Heavy Equipment Labor Rate	Fleet M&R Labor Rate	Parts Markup	Fuel Surcharge	Vehicle Acquisition Charge	Motor Pool Rental
1996 DMG Model	\$47/Hour	\$58/Hour	14%	15¢	\$6	\$6/Hour
Fleet Calculation for FY 2006	\$43/Hour	\$59/Hour	19%	5¢	Not Available	Not Available
Current Charges	\$44/Hour	\$44/Hour	15%	15¢	\$7.50	\$5/Hour

**(a) Current Labor Rates and Charges Not Supported**

The current labor rate charged to user departments is \$44 per hour for either heavy equipment or vehicles/equipment M&R. No documentation exists to support this rate.

It was also noted that parts markup and fuel surcharge have remained the same since 1996. Parts markup recommended by DMG was 14 percent; yet 15 percent mark up is the current practice. Additionally, the DMG Model recommended that parts markup be capped at some level to avoid excessive markup for expensive items. However, the cap was not implemented by Fleet.

**(b) Re-calculated Rates Not Accurately Computed**

Fleet management indicated that the re-calculated rates were not implemented because they were not approved by City management. Further review of the computation identified numerous errors. Major issues are detailed below:

- Re-calculation of FY 2006 rates was based on FY 2004 revenue and expenditures, which is two-year old information. Using historical data will not allow accurate recovery of future costs.
- In the process of computation, expenditures were allocated to the six activity areas in Fleet: Heavy Equipment, M&R, parts, fuel, Vehicle Acquisition Section and Motor Pool. The allocation was based on the same percentages as they were in 1996. Management did not assess activities each year to update allocation percentages.
- Administrative costs, including Office of the Purchasing Director and other indirect cost, were allocated to Fleet. The same rate, 89.6 percent, has been applied since 1996.
- Depreciation expenses were not allocated at all.

## **Section II. Fleet Maintenance/Repair and Parts Inventory**

### **Risk**

When charge-back rates cannot be supported, or are based on inaccurate data, it may raise questions in customers' minds as to why a charge-back system is used in the first place. This may suggest that Fleet's work is unreliable in general and as a result Fleet's public relations may be tainted. Customers may outsource their activities to other service providers.

Most importantly, Fleet may not recover all costs from users if the rates are set too low. Conversely, Fleet may build up the fund balance too large if the rates are too high.

### **Recommendation**

It has been ten years since DMG conducted its study, so Fleet is proposing to have a new study conducted to update rates and charges. While this effort should be undertaken, management should also ensure that the following happens to optimize the value of the study:

- Use current and appropriate revenue/expenditure information when calculating rates and charges.
- Calculate rates and charges each year and implement supervisory reviews when making such calculations.
- Apply the same methodology consistently from year to year.
- Maintain documentation of communication with City Council for rate changes and analyze how they will impact Fleet operations.
- Allocate indirect cost properly, including administrative and depreciation expenses.

**Section II. Fleet Maintenance/Repair and Parts Inventory**

**2. Insufficient Controls in Parts Inventory Management**

**Observation**

Parts inventory includes approximately 22,000 different part numbers, and 18,000 of them are categorized as non-stock items. Review of inventory process identified a potential for improvement in the following areas:

**(a) Segregation of Duties**

Duties are not properly segregated in the stockroom. Any parts clerk can order parts and receive parts upon delivery. Their routine duties also include test counts on the parts to which they are assigned. Purchasing and receiving parts should be separated, and test counts should be conducted by an employee who is not responsible for the inventory.

**(b) Inventory Adjustments**

- Inventory adjustment procedures have not been put in writing. Written procedures should include authorization(s) and instructions on how to make adjustments, including the approval process for supervisors.
- Of 8,000 different adjustments made in FY 2005 (as shown in **Exhibit 5**), “Delete Order” and “Delete Receipt” made up 4,747 adjustments (59 percent). The former occurred, as parts clerks could not locate the original order in FASTER when parts were received. The clerk then entered the same order again, resulting in a duplicate order that required the original order to be deleted. The latter was derived from incorrect or incomplete orders receipted in FASTER, requiring the erroneous orders to be deleted. The high number of adjustments reflected that controls are lacking over data entry in FASTER, and employees are not held accountable for errors.

**Exhibit 5 – Inventory Adjustments**

Adjustment Type	FY 2005		Oct. 2005 – Mar. 30, 2006	
	Number	Amount	Number	Amount
Delete Order	3,300	(\$315,977)	1,211	(\$100,223)
Delete Receipt	1,447	(\$260,736)	476	(\$71,871)
Adjust Quantity	2,250	\$49,652	108	(\$911,330)
Adjust Cost	894	\$811	120	\$880
Key Change	173	\$0	43	\$0
<b>Total</b>	<b>8,064</b>	<b>(\$526,250)</b>	<b>1,958</b>	<b>(\$1,082,544)</b>

Source: FASTER Report 221, Parts Audit Trail

- FASTER provides a Note Section for the user to document the details for making the inventory adjustment; however, this capability is rarely used. The Note Section should be used to establish accountability and provide a detailed audit trail for adjustments made.

**(c) Data Cleansing**

Many items, such as tires and motor oil, are listed more than once in inventory. Data entry to parts inventory was not controlled in the past as any parts clerks in the Service Centers could enter data into the database. Fleet Management is aware of this problem and currently is in the process of cleansing data.

Additionally, the current procedures require that parts clerks review inventory items on a quarterly basis and identify obsolete items that have not moved in six months. Such items could be returned to the vendor or sold at auction. Our review identified 94 items in FASTER that had no activity in the last twelve months.

## **Section II. Fleet Maintenance/Repair and Parts Inventory**

### **Risk**

The parts stockroom is an area highly vulnerable to loss and theft of inventory. Lacking segregation of conflicting duties, an employee can order, receive and record inventory. Errors or inappropriate actions can occur in the normal course of business and go undetected.

The high frequency of adjustments suggests that data integrity may be an issue in FASTER. If the inventory does not provide reliable information, the efficiency of stockroom operations can be significantly compromised.

### **Recommendation**

Fleet should enhance and update their written procedures for parts inventory operations to be more comprehensive and to reflect current practices. The procedures should address operational areas, such as segregation of duties, data entries, inventory accuracy, inventory adjustments, obsolete items, and physical inventory. Communicate procedures to employees and update them periodically. Management should take immediate actions, as follows:

- Review or redesign stockroom processes to establish accountability for employees' performance.
- Provide employees with on-the-job training in the use of information systems to ensure data integrity and operational efficiencies.
- Ensure supervisors are held accountable for the implementation of key controls, which include segregation of duties, restriction of access to the FASTER database, proper initiation and approval of inventory adjustments, review of inventory data anomalies and general compliance with the procedures manual.
- Complete data cleansing on a more frequent basis to properly reflect inventory count and value.

## Section II. Fleet Maintenance/Repair and Parts Inventory

### 3. Inconsistent Part Markups

#### Observation

As stated in **Observation 1** of this Section, DMG recommended a 14 percent part markup, yet 15 percent is applied in the current practice. A test was performed on 12 part types (i.e., part numbers) that were judgmentally selected from the population of 22,000 part types to determine if the same rate was consistently applied. The results showed that of 4,400 transactions tested, approximately 113 (2 percent) were marked up 16 percent or more and 1,466 (32 percent) were marked up 14 percent or less. **Exhibit 6** showed results of this sample testing.

**Exhibit 6 – Sample Testing of Parts Markups**

Markup / Markdown	Percentage of Transactions Tested
Parts Markups Greater Than 20%	1%
Part Markups 16% - 20%	1%
Part Markups between 0% - 14%	32%
Part Markdowns Lower than Cost	1%

Source: FASTER report 221, Parts Audit Trail, as of March 22, 2006

Also noted was that employees could sell the same part at different markup rates. Sometimes items were sold below cost, as indicated in **Exhibit 6**.

This is mostly caused by parts clerks being granted unlimited access to changing part prices. Previous management's philosophy was that employees should correct their own mistakes. Present management was not aware of different percentages being applied to part markups; however, after being informed of the situation, management has taken corrective actions to restrict access to part prices.

#### Risk

Data integrity may be compromised when unlimited access to the database is granted. Errors and mistakes can occur and go undetected. Additionally, data can be damaged, lost, or corrupted.

If a service level agreement is signed with user departments going forward, charging different parts markup percentages would trigger contract non-compliance, which could possibly lead to disputes.

#### Recommendation

To ensure parts markups are consistent, Fleet management should:

- Investigate the causes of various markups and take action accordingly.
- Restrict access to the database so that only authorized staff makes the necessary price changes. In case of errors or mistakes, it should be relatively easier to identify who is responsible and the offender should be properly trained or otherwise held accountable.
- Periodically monitor access and review part rates to ensure correctness.

### **Section III. Fuel Management**

#### **1. Insufficient Controls in Fuel Cards Management**

##### **Observation**

A fuel card is issued to a vehicle, instead of the driver, for fueling purposes. For FY 2006, 5,000 fuel cards are in active status. A strong control over fuel cards in current practice is that missing cards will not be replaced unless the existing ones are deactivated. Our review reveals the following weaknesses:

- Vehicles in use are accounted for in "Company 001" in FASTER. A vehicle is moved by the Vehicle Acquisitions Section from Company 001 to Company 006 when it retires from City use and is being prepared for auction. According to the Fuel Coordinator, Fuel Management is not notified by the Section in a timely manner when a vehicle is moved into Company 006, resulting in active fuel cards for the retired vehicles.
- Fuel cards are not required for fueling in certain locations. For example, the Parks and Recreation and Alamodome Departments have fuel facilities that do not require fuel cards to obtain fuel. However, fuel logs are to be maintained by these departments. Such logs are to be returned to Purchasing so fuel usage can be captured and reconciled against records documenting the fuel originally provided to such departments.
- Replacing fuel cards does not require a supervisor's authorization. Fuel Management issues replacements for \$5 per card, which is lower than cost when considering the value of City's resources used to process the fuel card replacement. Based on the FASTER report, Fuel Management processed 3,000 replacement cards in FY 2005, including those issued to Bexar County and the San Antonio Housing Authority.

##### **Risk**

If fuel cards are not cancelled in a timely manner, such cards can continue to be used. Additionally, in those locations where fuel cards are not required to access fuel, it is difficult to monitor fuel usage. Fuel theft could occur and not be detected.

Further, if employees are not required to report loss of fuel cards or obtain approval for re-issuance of cards, they are less likely to safeguard the cards. It is an inefficient use of resources to process a large number of replacements.

It is also noted that fuel can be used for personal vehicles, since no detective device is in place to ensure only authorized vehicles are fueled.

##### **Recommendation**

Fleet should conduct a comprehensive review of fuel card operations to ensure that adequate controls over fuel usage are in place. Particularly, this review should cover the vehicle retirement process, fueling stations that lack fuel card devices, and potential abuses in requesting replacement cards. Key controls should include the following:

- Address proper use of fuel cards in the City's Administrative Directive 1.8 on City Vehicle Use.
- Improve communication and approval process to ensure active vehicles are moved to retired status in a timely manner.
- Work with user departments and take corrective actions for misuse or abuse of fuel cards
- Ensure departments, that do not use fuel cards, properly maintain and submit fuel usage logs for reconciliation purposes.
- Explore advanced technology for tracking and monitoring devices for fuel usage.
- Research fuel usage controls at other entities with large fleets.
- Establish fuel management controls at facilities that do not use fuel cards.
- Assess if detective devices are warranted to guard against the fueling of unauthorized vehicles

#### **Section IV. Vehicle Replacement Program**

The DMG Model was implemented in 1996 to manage the replacement program for a fleet of approximately 4,000 vehicles. The projected budget for vehicle replacements has grown to \$22 million for FY 2006. Despite the longevity of the program and the significant dollar amount involved, the program has not clearly set its goals or established strategies. As a result, management has not been able to evaluate its overall performance.

##### **1. Undefined Program Goals, Policies and Procedures**

###### **Observation**

The program goals and strategies have not been clearly defined. Guidelines have not been established and technology is not utilized to build a solid foundation for the program, as detailed below:

###### **(a) Absence of Formal Approved Program Policies and Procedures**

Program policies and procedures have not been developed. A written program was drafted by the Management Analyst of the Purchasing Fiscal Office to cover various issues such as assignment of fund ownership, pre-established criteria for life cycle, responsibility for upgrading, early replacement, and retirement of vehicles not replaced. This draft was completed approximately five years ago; however, it has not yet been reviewed by management.

Policies and procedures support goals and objectives and ensure that the program does not lose its focus. In daily operations, they maintain consistency for all department vehicles participating in the program. The written program based on the policies is also a communication tool with departments to explain how the program works.

###### **(b) Computer Technology Not Utilized to Promote Efficiency and Accuracy of Operation**

The DMG Model consists of a complex set of spreadsheets implemented by the Management Analyst. The spreadsheets contain a database for vehicles/equipment and multiple worksheets with numerous formulas that calculate lease payments, salvage values and future replacement costs. By their very nature, end-user developed spreadsheets are typically developed without formal IT controls and thus prone to data integrity, programming, and efficiency problems.

#### **Section IV. Vehicle Replacement Program (VRP)**

##### **Risk**

Strategies, policies and procedures, and computer technology are critical tools to ensure success of the program. Without these, the success can be jeopardized.

##### **Recommendation**

We recommend that Fleet policies and procedures, and an appropriate utilization of computer technology. The policies should outline a specific tolerance level for the projection model to promote accuracy of the projection.

Due to the complexity of computer software/models that require specialized knowledge and techniques, management is considering outsourcing expertise in this area. Prior to committing to any purchases, Fleet should take the following steps:

- Work with the Information Technology Service Department (ITSD) to ensure that the selected product complies with and be adequately supported by ITSD standards.
- Test a trial version of the product if possible to ensure that it meets Fleet requirements.
- Obtain training from the vendor in the proper use of the selected product.

**ATTACHMENT 1**  
**Fuel Usage by Department**

Department Number	Department Name	Unleaded		Diesel		Propane	
		Gallons	Amount Paid	Gallons	Amount Paid	Gallons	Amount Paid
1	Mayor and Council	289	\$ 540	-	-	-	-
2	City Clerk	126	\$ 232	-	-	-	-
3	Municipal Courts	126	\$ 232	-	-	-	-
4	Library	5,628	\$ 10,488	1,580	\$ 3,204	354	\$ 381
7	City Attorney	447	\$ 806	-	-	-	-
9	Information Technology	3,144	\$ 5,808	444	\$ 1,104	-	-
15	Purchasing & General Services	25,834	\$ 48,138	11,478	\$ 23,986	31,129	\$ 34,992
17	Police Department	1,704,117	\$3,151,912	2,382	\$ 4,792	-	-
20	Fire Department	79,209	\$ 144,124	39,051	\$ 79,209	3,149	\$ 3,513
23	Public Works	200,242	\$ 373,512	826,309	\$ 1,693,138	85,752	\$ 94,719
24	Asset Management	28,851	\$ 54,027	3,661	\$ 7,389	847	\$ 932
26	Parks and Recreation	221,116	\$ 411,410	85,391	\$ 175,132	58,479	\$ 64,298
29	Development Services	94,676	\$ 176,831	-	-	676	\$ 765
30	Code Compliance	77,942	\$ 145,348	-	-	-	-
33	Aviation	43,715	\$ 81,245	66,085	\$ 134,119	16,435	\$ 18,232
36	Health Department	97,435	\$ 180,629	7,011	\$ 14,425	1,370	\$ 1,543
38	Community Initiatives	49,423	\$ 91,237	-	-	324	\$ 346
42	Convention Facilities	2,610	\$ 4,884	410	\$ 851	1,482	\$ 1,684
45	Alamodome	3,052	\$ 5,677	1,903	\$ 4,365	2,739	\$ 2,999
50	Planning	560	\$ 1,022	-	-	-	-
55	Environmental Services	71,903	\$ 133,713	1,031,816	\$2,096,413	40,017	\$ 43,783
61	Neighborhood Action	859	\$ 1,626	-	-	-	-
80	Council Action Team	5,255	\$ 9,818	-	-	-	-
99	New Equipment Inventory	2,207	\$ 4,574	15	\$ 28	8	\$ 8
	<b>Totals</b>	<b>2,718,766</b>	<b>\$5,037,833</b>	<b>2,077,536</b>	<b>\$ 4,238,155</b>	<b>242,761</b>	<b>\$ 268,195</b>

Source: FASTER Report 400, Fuel Transaction Report, for FY 2005

## ATTACHMENT 2 RISK MANAGEMENT CAPABILITY MATRIX

The matrix below outlines the characteristics of each capability needed for effective risk management. The matrix is organized by the respective capability development stage.

### Strategies Capabilities

Stage	Strategies/Objectives	Goals	Policies
Ad Hoc	<ul style="list-style-type: none"> <li>No formal <i>strategies</i> or <i>objectives</i> exist.</li> </ul>	<ul style="list-style-type: none"> <li>Annual <i>goals</i> are either not developed, or are poorly communicated to employees.</li> </ul>	<ul style="list-style-type: none"> <li><i>Policies</i>, if any, are broad and general.</li> </ul>
Repeatable	<ul style="list-style-type: none"> <li><b>Informal <i>strategies</i> or <i>objectives</i> exist, but are not broadly understood.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Annual <i>goals</i> are established, but are either not broadly understood or are assumed to apply only to management.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Some <i>policies</i> exist, but they are not consistently applied and enforced throughout the company.</b></li> </ul>
Defined	<ul style="list-style-type: none"> <li>Some formal <i>strategies</i> and <i>objectives</i> exist, but they are not aligned across different areas of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Annual <i>goals</i> are well defined and understood, but measurement of goal achievement is not well understood or articulated.</li> </ul>	<ul style="list-style-type: none"> <li><i>Policies</i> are well defined and communicated, but many are out-of-date or misaligned with current strategies and objectives.</li> </ul>
Managed	<ul style="list-style-type: none"> <li>Formal <i>strategies</i> and <i>objectives</i> exist and some measurements of success are established, but strategies and objectives are not consistently reviewed and updated based on changing business conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Annual <i>goals</i> are formalized and measurable, but the goals are not reviewed periodically throughout the year to ensure they still align with the broader strategies and objectives of the company.</li> </ul>	<ul style="list-style-type: none"> <li><i>Policies</i> are clear, generally current, and consistently enforced, but there is no articulation of management's broader risk-taking philosophy.</li> </ul>
Optimized	<ul style="list-style-type: none"> <li><i>Strategies</i> and <i>objectives</i> are consistently reviewed and enhanced to ensure they remain current, and success is consistently measured and evaluated.</li> </ul>	<ul style="list-style-type: none"> <li><i>Goals</i> are reviewed periodically throughout the year to ensure they continue to make sense and are consistently aligned with the company's goals.</li> </ul>	<ul style="list-style-type: none"> <li><i>Policies</i> are consistently updated and enforced, and clearly outline management's overall risk tolerance.</li> </ul>

Source: 2004 Auditor's Risk Management Guide, CCH Incorporated, 2004. Paul J. Sobel, CPA, CIA

**Processes Capabilities**

Stage	Procedures	Controls and Process Improvements	Metrics
Ad Hoc	<ul style="list-style-type: none"> <li>No formal <i>procedures</i> exist.</li> </ul>	<ul style="list-style-type: none"> <li><i>Controls</i> are either non-existent, or are primarily reactionary after a “surprise” within the company.</li> </ul>	<ul style="list-style-type: none"> <li>There are no <i>metrics</i> or monitoring of performance.</li> </ul>
Repeatable	<ul style="list-style-type: none"> <li><b>Some standard <i>procedures</i> exist.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Detective <i>controls</i> are relied upon throughout the company.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Few performance <i>metrics</i> exist, thus there is infrequent monitoring of performance.</b></li> </ul>
Defined	<ul style="list-style-type: none"> <li><i>Procedures</i> are well documented, but are not regularly updated to reflect changing business needs.</li> </ul>	<ul style="list-style-type: none"> <li>Both preventive and detective <i>controls</i> are employed throughout the company.</li> </ul>	<ul style="list-style-type: none"> <li>Some <i>metrics</i> are used, but monitoring of performance is primarily manual.</li> </ul>
Managed	<ul style="list-style-type: none"> <li><i>Procedures</i> and <i>controls</i> are well documented and kept current.</li> </ul>	<ul style="list-style-type: none"> <li>Best practices and benchmarking are used to <i>improve</i> process in certain areas of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Many <i>metrics</i> are used, with a blend of automated and manual monitoring of performance.</li> </ul>
Optimized	<ul style="list-style-type: none"> <li><i>Processes</i> and <i>controls</i> are continuously reviewed and <i>improved</i>.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive use of best practices and benchmarking throughout the company helps to continuously <i>improve</i> processes.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive, defined performance <i>metrics</i> exist, with extensive automated monitoring of performance employed.</li> </ul>

**People Capabilities**

Stage	Experience and Competence	Direction and Development	Authority and Accountability
Ad Hoc	<ul style="list-style-type: none"> <li><i>Inexperienced</i> personnel in most areas; no formal training programs are followed.</li> </ul>	<ul style="list-style-type: none"> <li>In most areas of the company there is little job guidance or other formal <i>direction</i>.</li> </ul>	<ul style="list-style-type: none"> <li>Vague or conflicting <i>authority and accountability</i> across business areas throughout the company.</li> </ul>
Repeatable	<ul style="list-style-type: none"> <li><b><i>Competent</i> personnel in most areas; limited training; many functions tend to be under or over-resourced.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Some understanding of the basic job requirements in most areas, but still not much formal <i>direction</i> from management.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Lack of clear <i>authority and accountability</i> across business areas throughout the company.</b></li> </ul>
Defined	<ul style="list-style-type: none"> <li><i>Experienced</i> personnel in most areas, but limited bench strength.</li> </ul>	<ul style="list-style-type: none"> <li>Job responsibilities and skill requirements are defined for all areas, but career <i>development</i> focus is lacking.</li> </ul>	<ul style="list-style-type: none"> <li><i>Authority and accountability</i> are defined across the company, but not broadly or consistently understood by all affected areas.</li> </ul>
Managed	<ul style="list-style-type: none"> <li><i>Strong</i> team in place with adequate bench strength in most areas.</li> </ul>	<ul style="list-style-type: none"> <li>A formal <i>development</i> program exists company-wide, with focus on both enhancing existing skills and developing new skills.</li> </ul>	<ul style="list-style-type: none"> <li>Clear articulation of <i>authority and accountability</i>, and consistent understanding among all affected areas.</li> </ul>
Optimized	<ul style="list-style-type: none"> <li>Formal succession planning and integrated resourcing program ensure <i>multiple sourcing options</i> for all key positions throughout the company.</li> </ul>	<ul style="list-style-type: none"> <li>Cross-training programs provide <i>job enrichment</i> opportunities for all employees and <i>multiple sourcing options</i> for all key positions.</li> </ul>	<ul style="list-style-type: none"> <li>A culture of empowerment engages employees throughout the company in exercising the <i>authority and accountability</i> they have been granted.</li> </ul>

Source: 2004 Auditor's Risk Management Guide, CCH Incorporated, 2004. Paul J. Sobel, CPA, CIA

**Technology Capabilities**

Stage	Integration	Enhancements	Security
Ad Hoc	<ul style="list-style-type: none"> <li>Limited, <i>stand-alone</i> systems and technology.</li> </ul>	<ul style="list-style-type: none"> <li>System and technology <i>enhancements</i> are rarely done unless they crash or are proven to be obsolete.</li> </ul>	<ul style="list-style-type: none"> <li>Lax to nonexistent technology infrastructure throughout the company for physical and logical <i>security</i>.</li> </ul>
Repeatable	<ul style="list-style-type: none"> <li><b>Viable, but <i>non-interfacing</i> systems and technology.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>System and technology <i>enhancements</i> consistently trail business needs.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Limited technology infrastructure, resulting in inconsistent application of physical and logical <i>security</i> across the company.</b></li> </ul>
Defined	<ul style="list-style-type: none"> <li>Systems and technology are adequate to meet most of the company's current business needs, but most do not <i>interface</i>.</li> </ul>	<ul style="list-style-type: none"> <li>System and technology <i>enhancements</i> are typically reactive to business changes, but are implemented timely.</li> </ul>	<ul style="list-style-type: none"> <li>A formal technology infrastructure exists company-wide, but some physical and logical <i>security</i> exposures exist in certain areas.</li> </ul>
Managed	<ul style="list-style-type: none"> <li>Systems and technology are mostly <i>integrated</i>, effectively meeting most current business needs, and should be adequate in the near-term.</li> </ul>	<ul style="list-style-type: none"> <li>System and technology <i>enhancements</i> are planned to be proactive, and are generally implemented effectively.</li> </ul>	<ul style="list-style-type: none"> <li>A sound and formal technology infrastructure exists, and physical and logical <i>security</i> is generally effective throughout the company.</li> </ul>
Optimized	<ul style="list-style-type: none"> <li>Fully <i>integrated</i> systems and technology effectively enable the business and are generally considered a competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>Systems and technology are <i>continuously improved</i> to maintain the competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>A strong technology infrastructure exists, with best practice physical and logical <i>security</i> procedures operating throughout the company.</li> </ul>

**Information Capabilities**

Stage	Accuracy, Completeness, and Availability	Reporting	Access Restrictions
Ad Hoc	<ul style="list-style-type: none"> <li>Information throughout the company is typically <i>in-accurate</i>, <i>incomplete</i>, and virtually impossible to <i>obtain</i> when needed.</li> </ul>	<ul style="list-style-type: none"> <li><i>Reports</i> are either non-existent in most areas or are meaningless to users.</li> </ul>	<ul style="list-style-type: none"> <li>Critical information is not protected from unauthorized access in any area of the company.</li> </ul>
Repeatable	<ul style="list-style-type: none"> <li><b>Information in most areas is not always <i>accurate</i> and <i>complete</i>, and is typically very cumbersome to <i>obtain</i>.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Some, but not all, key <i>reports</i> are available, and they provide marginal value.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Few access restrictions exist throughout the company, and there is limited enforcement of access violations.</b></li> </ul>
Defined	<ul style="list-style-type: none"> <li>Information in most areas is generally <i>accurate</i> and <i>complete</i>, but is challenging to <i>obtain</i>.</li> </ul>	<ul style="list-style-type: none"> <li>Several <i>reports</i> exist, but some contain extraneous information, which makes them difficult and inefficient to effectively utilize.</li> </ul>	<ul style="list-style-type: none"> <li><i>Access</i> is generally restricted, but enforcement is inconsistent across different areas of the company.</li> </ul>
Managed	<ul style="list-style-type: none"> <li>Information is <i>accurate</i>, <i>complete</i>, and <i>relevant</i> throughout the company, and is typically available with a relatively short lead-time.</li> </ul>	<ul style="list-style-type: none"> <li>Most key <i>reports</i> are <i>relevant</i> and generally <i>timely</i>.</li> </ul>	<ul style="list-style-type: none"> <li><i>Access</i> restrictions are typically effective across the company, but most are manually monitored and enforced.</li> </ul>
Optimized	<ul style="list-style-type: none"> <li><i>Accurate</i>, <i>complete</i>, and <i>relevant</i> information is readily <i>available</i> throughout the company via a variety of on-line sources.</li> </ul>	<ul style="list-style-type: none"> <li>All key <i>reports</i> are concise, <i>relevant</i>, and consistently <i>timely</i>.</li> </ul>	<ul style="list-style-type: none"> <li><i>Access</i> is effectively restricted across the company, with automated monitoring and enforcement.</li> </ul>

Source: 2004 Auditor's Risk Management Guide, CCH Incorporated, 2004. Paul J. Sobel, CPA, CIA



# CITY OF SAN ANTONIO

P. O. BOX 839966  
 SAN ANTONIO TEXAS 78283-3966

September 6, 2006

City Auditor  
 San Antonio, Texas

RE: Management's Corrective Action Plan for Fleet Management

The Administrative Services Department has reviewed the Audit of Fleet Management with Specific Focus on Rates and Charges Report and has devised a corrective action plan to implement stated recommendations. The plan defined below outlines improvements to business operations as a means to improve services to City departments, as per the audit report.

## Recommendations

#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<b>Section I. Internal Control Framework</b>					
<b>1.</b>	<b>Lack of Strategic Planning</b>	<b>7</b>			
	• Fleet should develop specific goals and objectives, supported by a strategic plan, for each section within fleet.	8	Partially Accept	Steven Morando, Fleet Management	12/06
	• Fleet should define performance measures to review and determine if well goals and objectives are achieved.		Accept	Steven Morando, Fleet Management	12/06
	• Fleet should continue to develop the operating manual, review and approve it, and make it available to staff. Management should also complete the job study and an organizational structure.	8	Accept	Steven Morando, Fleet Management	01/07
	• Fleet should begin a partnership with user departments by setting up a service level agreement with each user department.	8	Accept	Brenda Garcia, Fleet Services Administrator	12/06
<b>Action Plan:</b>					
<ul style="list-style-type: none"> <li>• Review and revise the strategic plan, goals, objectives, and related performance measures for Fleet Management and each of its major sections: Fuel Operations, Fleet Acquisitions, Parts and Motor Pool.</li> <li>• Communicate the strategic plan to all division employees to insure understanding of expectations.</li> <li>• Finalize a written standard operating procedures manual for all facets of division's operations.</li> <li>• Update organizational chart.</li> <li>• Work with Human Resources to complete a job study to assist in the restructuring of the Fleet Management Division.</li> <li>• Establish Service Level Agreements (SLA) with departments.</li> </ul>					

<b>2. Information Systems Not Fully Utilized</b>	<b>9</b>			
• Management should plan to implement SAP or enhance the utilization of FASTER.	10	Accept	Steven Morando, Fleet Management	03/07
• Management should provide training to the Service Advisors or Crew Leaders who are responsible for the accuracy of data entry into FASTER.	10	Accept	Brenda Garcia, Fleet Services Administrator	11/06
• Management should explore the possibility of interfacing FASTER with SAP to increase the efficiency and accuracy of data transfer.	10	Accept	Steven Morando, Fleet Management	04/07
• Management should restrict access to the FASTER database for work orders and for part price changes.	10	Accept	Brenda Garcia, Fleet Services Administrator	10/06
• Management should utilize FASTER or other automation to reduce redundancy resulting from manual processes.	10	Accept	Steven Morando, Fleet Management	03/07

**Action Plan:**

- Develop a plan to improve FASTER data accuracy, and implement other system features to enhance reporting capabilities.
- Provide training for Superintendents, Crew Leaders and Service Advisors on repair classification and vehicle status codes entered into FASTER.
- Identify and eliminate all redundant manual processes currently in place that involve transfer of information between FASTER and SAP.
- Revise, implement and train employees on new parts purchasing/receiving procedures and workflow, which will restrict access to FASTER and SAP.
- Attend FASTER annual conference and Texas User Group meeting to learn of system improvements and interact with other system administrators.
- Develop a short and long-term plan to integrate with SAP, or possibly replace FASTER with SAP.

**Section II. Fleet Maintenance/Repair and Parts Inventory**

<b>1. Current Labor Rates and Charges Not Supported</b>	<b>11</b>			
• Fleet is proposing to update the study of fleet rates and charges.	12	Accept	Steven Morando, Fleet Management	06/07
• Fleet should use current and appropriate revenue/expenditure information when calculating rates and charges.	12	Accept	Steven Morando, Fleet Management	06/07
• Fleet should apply the same methodology in calculating rates and charges from year to year, and implement supervisory review for such calculations.	12	Accept	Steven Morando, Fleet Management	06/07
• Fleet should obtain and maintain supporting documentation for rates set by City Council and analyze how rate changes will impact Fleet operations.	12	Accept	Steven Morando, Fleet Management	06/07
• Fleet should allocate cost properly, including administrative and depreciation expenses.	12	Accept	Steven Morando, Fleet Management	06/07

**Action Plan:**

- Hire a consultant to update rate calculation models for the Vehicle Replacement Program.
- Consultant is to make recommendations to improve the process for vehicle replacement requests that require City Council approval.

**2. Insufficient Controls in Parts Inventory Management 13**

- |  |    |                  |   |       |
|--|----|------------------|---|-------|
| • Fleet should enhance and update written procedures for parts inventory operations (i.e. more comprehensive procedures).                              | 14 | Partially Accept | Brenda Garcia, Fleet Services Administrator | 10/06 |
| • Management should review and redesign stockroom processes to establish accountability for employees' performance.                                    | 14 | Partially Accept | Brenda Garcia, Fleet Services Administrator | 10/06 |
| • Management should provide employees with on-the-job training in the use of information systems to ensure data integrity and operational efficiencies | 14 | Partially Accept | Brenda Garcia, Fleet Services Administrator | 10/06 |
| • Management should ensure that supervisors be held accountable for key controls in parts inventory management.  | 14 | Accept           | Brenda Garcia, Fleet Services Administrator | 01/07 |
| • Management should ensure data cleansing is completed more frequently to reflect proper inventory count and value.                                    | 14 | Accept           | Brenda Garcia, Fleet Services Administrator | 02/07 |

**Action Plan:**

- Develop a plan to improve FASTER data reliability by implementing a data cleansing policy & procedures plan.
- Revise, implement and train employees on new parts purchasing/receiving procedures and workflow, which will restrict access to FASTER and SAP.

**3. Inconsistent Parts Markups 15**

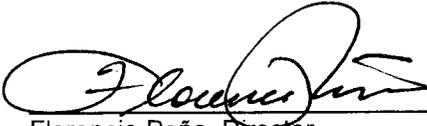
- |   |    |                  |   |       |
|---|----|------------------|---|-------|
| • Management should investigate the causes of various markups and take action accordingly.                  | 15 | Accept           | Brenda Garcia, Fleet Services Administrator | 10/06 |
| • Management should restrict access to the database and hold offenders accountable for errors and mistakes. | 15 | Partially Accept | Brenda Garcia, Fleet Services Administrator | 10/06 |
| • Management should periodically monitor access and review part rates to ensure correctness.                | 15 | Accept           | Brenda Garcia, Fleet Services Administrator | 10/06 |

**Action Plan:**

- Conduct weekly review of parts markup exceptions report to identify potential errors and determine cause.
- Develop new parts process to define markup adjustment procedures and monitoring thereof.

<b>Section III. Fuel Management</b>				
<b>1.</b>	<b>Insufficient Controls in Fuel Cards Management</b>	16		
	<ul style="list-style-type: none"> <li>Fleet should conduct a comprehensive review of fuel card operations to ensure that controls over fuel usage be in place.</li> </ul>	16	Partially Accept	Brenda Garcia, Fleet Services Administrator 10/06
	<ul style="list-style-type: none"> <li>Fleet should address proper use of fuel cards in the City's Administrative Directive 1.8, City Vehicle Use.</li> </ul>	16	Accept	Brenda Garcia, Fleet Services Administrator 03/07
	<ul style="list-style-type: none"> <li>Improve the communication and approval process to ensure vehicles are moved from active to retired status in a timely manner.</li> </ul>	16	Accept	Brenda Garcia, Fleet Services Administrator 10/06
	<ul style="list-style-type: none"> <li>Fleet should work with user departments and take corrective actions for misuse and abuse of fuel cards, and ensure logs are maintained properly for those departments that do not use fuel cards.</li> </ul>	16	Accept	Brenda Garcia, Fleet Services Administrator 12/06
	<ul style="list-style-type: none"> <li>Fleet should explore advanced technology for tracking and monitoring devices for fuel usage.</li> </ul>	16	Accept	Brenda Garcia, Fleet Services Administrator 03/07
	<ul style="list-style-type: none"> <li>Fleet should research fuel usage controls at other entities with large fleets.</li> </ul>	16	Partially Accept	Brenda Garcia, Fleet Services Administrator 12/06
	<ul style="list-style-type: none"> <li>Fleet should establish fuel management controls at facilities that do not use fuel cards.</li> </ul>	16	Partially Accept	Brenda Garcia, Fleet Services Administrator 12/06
	<ul style="list-style-type: none"> <li>Assess if detective devices are warranted to guard against the fueling of unauthorized vehicles.</li> </ul>	16	Accept	Brenda Garcia, Fleet Services Administrator 03/07
	<b>Action Plan:</b>			
	<ul style="list-style-type: none"> <li>Finalize fuel policy and develop a fuel management handbook to describe proper use of fuel cards.</li> <li>Explore purchase of automated fueling system for dispensing and monitoring fuel usage.</li> <li>Complete assessment of detective devices to protect against unauthorized fueling.</li> <li>Place live cameras at all fueling locations.</li> <li>Prepare an amendment Administrative Directive 1.8 regarding the proper use of fuel cards and corrective action for misuse.</li> </ul>			
<b>Section IV. Vehicle Replacement Program</b>				
<b>1.</b>	<b>Undefined Program Goals, Policies and Procedures</b>	17		
	<ul style="list-style-type: none"> <li>Management should develop policies and procedures for the Program.</li> </ul>	18	Accept	Steven Morando, Assistant Director 04/07
	If outsourcing information systems for the Program, Fleet should work with the Information Technology Service Department (ITSD) to ensure that the selected product complies with and is adequately supported by ITSD standards (includes testing of product and vendor provided training).	18	Accept	Steven Morando, Assistant Director 04/07
	<b>Action Plan:</b>			
	<ul style="list-style-type: none"> <li>Hire a consultant to update rate calculation models for the Vehicle Replacement Program.</li> <li>Fleet will work with ITSD to ensure that recommended software program meets ITSD standards.</li> </ul>			

The Administrative Services Department appreciates the City Auditor's comments on Fleet Management as they provide insight into ways to improve a beneficial process used Citywide. We are committed to addressing the recommendations in the audit report and the plan of action presented.  
Sincerely,



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Florencio Peña, Director  
Administrative Services Department

Approved:



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Pat DiGiovanni, Deputy City Manager  
City Manager's Office