

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Fleet Management

April 11, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 11, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Fleet Management

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Fleet Management in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Fleet Management and the cooperation from John Webster, Director, Evan Harrison, Fiscal Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Fleet Management during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: John Webster, Director
Evan Harrison, Fiscal Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Fleet Management. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

Our findings were concentrated in the area of capital assets. We were unable to locate one asset in our capital asset search. Other vehicles or equipment did not always have property tags or County vehicle identification attached. We also noted several pieces of large equipment that should be assigned to Public Works Operations since they manage and use these items.

Findings, Recommendations, and Management Responses

Finding # 1 - Four capital assets did not have a property tag attached to them.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.8 states one of the property manager's duties as follows:

"Coordinate with the organization's Purchasing Clerk to ensure...fixed assets are tagged and capitalized."

We found four welders in the mechanics shops that did not have County property tags attached. One of these could have been the piece of equipment that we could not find in our inventory search.

Fleet Management stated that property tags are prone to wear off on equipment subjected to heavy or rough usage.

When property tags are not attached, theft or loss is more likely because control over assets is not established.

Recommendation

We recommend that County property tags be affixed to all capital assets, and that new tags be obtained from the Mayor's Office accounting section to replace tags not found or never attached.

Management Response

Fleet researched the missing welder and found that it should have been removed from capital asset list in 2006. A new request has been sent to financial office to have welder removed. The other welders referred to were not capital assets as purchase price is below \$5,000. Fleet has modified internal procedures to ensure that all equipment is tagged with either a County property tag, or a Fleet asset control tag. A picture is being taken of each asset including a picture of the asset tag, and serial number.

Finding # 2 - The petty cash checking account custodian also performed the reconciliation.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," in the Purpose Section states:

"...basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds."

The petty cash checking account custodian both maintained and reconciled the account. Her duties included signing and issuing checks.

The checking account was relatively new to Fleet Management, and therefore personnel were unaware of proper procedures, including separation of duties to establish accountability for the actions of any one individual.

When one person alone both issues checks and reconciles the account, funds can more easily become stolen and the theft can be concealed.

Recommendation

We recommend that an employee other than the custodian be assigned to reconcile and sign for the reconciliation of the petty cash checking account.

Management Response

Fleet will ensure that a person other than the custodian signs the petty cash reconciliation.

Finding # 3 - Some vehicles did not have their unit numbers displayed.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets, Section 2.2.12 states:

"To ensure adequate accountability, Property Managers should establish internal protective controls appropriate for custody of the property assigned." In addition, standard Fleet practice requires visible unit numbers to identify them.

During our vehicle search at selected sites, we noticed two trucks that did not have the unit number imprinted or attached.

Fleet Management stated that they do include a unit number decal on each newly purchased vehicle, but some agencies may later decide to remove it. Moreover, they stated that some agencies disagree with the need for these numbers stating it is not included in Countywide policy.

Without the unit number attached, a vehicle is more likely to become lost or stolen, and taxpayers are not able to identify them in cases of misuse.

Recommendation

We recommend that Fleet Management ensure all vehicles have unit numbers attached, and that they reemphasize to County agencies that these numbers are not to be removed.

Management Response

When new vehicles are received at Fleet we assign a unit number to the vehicle and attach number decal to unit. At times decals will be worn off, or removed. If a vehicle comes in the shop without a decal, Fleet will replace it. Fleet will work on changing countywide policy to include language requiring vehicles to have unit number decals.

Finding # 4 - Fleet did not manage several capital assets assigned to them on the capital asset list.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.4 states one of the property manager's duties as follows:

"Safeguard all property subject to this policy for which the organization has custodial responsibility..."

Fleet Management is assigned several pieces of heavy equipment on the Capital Asset list that are managed and used by Public Works Operations.

Many of these items were purchased several years ago by Fleet and therefore were assigned to them then. Fleet Management has requested the Mayor's Office accounting section to designate them to Public Works Operations on the Capital Asset list, but so far, they have been unable to make this transfer.

Fleet Management does note this equipment in the annual inventory. When assets are not managed by the entity to which they are assigned, responsibility is not established. Asset tracking is more difficult, and assets could more easily become lost or stolen.

Recommendation

We recommend that heavy equipment assigned to Fleet but managed by Public Works Operations be transferred to the Public Works Operations designation on the capital asset list.

Management Response

We agree with recommendation and will continue to work with Mayor's Finance Office to transfer assets to public works.

Finding # 5 - We could not locate one non-vehicle capital asset.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.12 lists one of the property manager's duties as follows:

"Accounting for all fixed assets within the organization's operational and/or physical custody..."

During our non-vehicle inventory search we could not find one item used in the mechanics shop.

The serial number on a similar item differed by one digit. The property manager felt this similar item represented the piece of equipment in question.

Inaccurately recorded items are not properly tracked and are more subject to theft.

Recommendation

We recommend that the missing capital asset from the mechanics shop be investigated to determine if it is the same item found in the Auditor's inventory search.

Management Response

This is the welder that was discussed in Finding #1. See response to finding #1.

Additional Information

Background

The Fleet Management Division oversees all County vehicle purchases and replacements, as well as vehicle maintenance and fueling. The Division has software to monitor gas usage in determining whether vehicle fueling is improper. The Division does not collect funds. Any payments to Fleet are made on their behalf at Public Works Operations offices.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending December 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.