A Report to the Audit Committee

Mayor
Megan Barry

Chief Operating Officer
Richard Riebeling

Audit Committee Members
David Briley
John Cooper
Charles Frasier
Talia Lomax-O'dneal
Bob Mendes
Brackney Reed

Audit of the Office of Fleet Management

September 18, 2017

Metropolitan
Nashville
Office of
Internal Audit

Why We Did This Audit

The audit was initiated because a well maintained fleet is a vital component of public safety and many other Metropolitan Nashville Government services.

What We Recommend

- Enhance controls to ensure vehicles are being utilized and meeting preventative maintenance requirements.

- Strengthen controls around the monitoring of take-home vehicle (24 hour) assignments.

- Improve monitoring of employee productivity and reworks.

- Limit access to the parts room.

For more information on this or any of our reports, email Mark.Swann@nashville.gov

Audit of the Office of Fleet Management

BACKGROUND

The Office of Fleet Management was created in July 2002 to centralize fleet ownership and operations in order to effectively and efficiently maintain the fleet reflective of industry norms. Previously, fleet operations were fragmented among several departments, including General Services Department, Nashville Fire Department, Metro Water Services, Parks and Recreation Department, and Public Works Department.

The Office of Fleet Management's mission is achieved through three programs: Asset Management, Fuel Supply, and the Vehicle and Equipment Repair Program. The Office currently has 71 full-time employees.

Fleet vehicles are purchased using various funding sources, such as the four percent general reserve fund, enterprise funds, grants, or the capital improvements budget. The fleet consists of approximately 3,600 vehicles and equipment that are assigned to 33 departments and agencies.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls ensure that the operational objectives and mission of the Office of Fleet Management are being achieved.

- Controls ensure the proper management of fiscal resources.

- Recommendations from the October 2012 Audit of Metropolitan Nashville Government's Motor Fuel Usage Office of Fleet Management were implemented.

Transactional records reviewed cover fiscal years 2016 and 2017 (partial).

WHAT WE FOUND

The Office of Fleet Management is providing satisfactory maintenance services of vehicles and equipment to support Metropolitan Nashville Government departments. However, improvement is needed in areas such as preventative maintenance, employee productivity monitoring, vehicle utilization, and automotive parts inventory control and analysis.

GOVERNANCE

The Office of Fleet Management is a division of the General Services Department and is overseen by an Assistant Director who reports directly to the Director of General Services. This organization structure was established in 2002 by Mayor Purcell's Executive Order 14 establishing the centralized Office of Fleet Management to own and manage a consolidated fleet. Mayor Barry's Executive Order 14, dated February 24, 2016, reaffirmed the practice of consolidated fleets and fleet operations in one office and established an ad hoc Fleet Advisory Committee to review and recommend on matters such as vehicle assignments, utilization, and replacement.

The Metropolitan Nashville Code of Laws § 2.32.060 authorizes the Office of Fleet Management to adopt additional rules and regulations pertaining to use and operation of Metro vehicles and equipment. To this end, the General Services Department issued a series of administrative orders as policies and procedures pertaining to fleet acquisition, maintenance, assignments, and disposal. Each department with assigned vehicle or equipment has a fleet coordinator that acts as the intermediary between the Office of Fleet Management and their department. Their responsibilities are also detailed in these administrative orders.

FISCAL INFORMATION

The Office of Fleet Management is an internal service fund with $22.6 million budget for the fiscal year 2017. The budget is allocated as internal service fees to user departments based on the actual fuel usage for the fuel supply program and the number of vehicles for the asset management and vehicle and equipment repair programs.

Exhibit 1 – Budget by Fiscal Year

Program	FY 2015	FY 2016	FY 2017
Asset Management	$ 1,188,500	$ 1,229,700	$ 1,274,200
Fuel Supply	9,887,400	9,743,400	9,731,000
Vehicle and Equipment Repair	9,865,900	10,505,700	11,615,400
Total	**$20,941,800**	**$21,478,800**	**$22,620,600**

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

Exhibit 2 – Major Expenditures by Fiscal Year

Expenditure Category	FY2014	FY2015	FY2016
Automotive Fuel	$ 9,266,070	$7,299,644	$5,003,196
Salary & Benefits	4,915,739	5,433,338	5,454,872
Automotive Repair Parts	2,223,757	2,632,870	2,612,340
Automotive Tires	1,087,176	880,551	795,424
Automotive Repair Service	638,548	683,540	1,087,298

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

Exhibit 3 – Top Ten Vendors Excluding Fuel Supply Program from January 2015 to January 2017

Vendor Name	Payment Amount
CB Collision	$667,169
Cumberland International Trucks	657,229
Mack of Nashville, LLC	312,342
Middle Tennessee Ford Truck Sales	211,811
Freeland Chevrolet, LLC	147,188
Clark Power Services, Inc.	146,654
Stringfellow, Inc.	115,169
Neely Coble Company	114,305
Crown Ford, Inc.	113,428
Fastenal	95,327

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

PERFORMANCE

The 71 employees within the Office of Fleet Management completed 66,383 work orders in the two years between February 1, 2015, and January 31, 2017. This equates to an average of 133 work orders completed per business day.

Exhibit 4 –Completed Work Orders by Shop between February 1, 2015, and January 31, 2017

Shop	FTEs	Completed Work Orders
Light Vehicle Shop	31	37,126
Heavy Vehicle Shop	34	23,891
Ground Vehicle/Equipment Shop	6	5,365

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

Analysis shows that 49 percent of these completed work orders are in the top 10 repair types (out of 541.) All these repairs were completed within a reasonable length of time. (See Exhibit 5 below.)

Exhibit 5 –Top Ten Repair and Wreck Repair Types between February 1, 2015, and January 31, 2017

Repair Types	Completed Work Orders	Average Completion Hours	Average Days Work Order Active
Tires, Tubes, Liners, & Valves	8,282	1	2
Power Plant (Engine Work)	4,114	5	11
Brakes	3,414	3	5
Lighting System	3,067	2	5
Preventative Maintenance – Police Vehicles[1]	2,684	2	--[1]
Towing In-House	2,520	2	1
Preventative Maintenance – Light Vehicles[1]	2,458	2	--[1]
Air Conditioning, Heating, and Ventilation	2,208	4	9
Annual Emissions Testing	2,201	1	--[2]
Road Side Assistance	1,876	3	1
Wreck Repairs (Sent to collision repair shop)	880	Not Applicable	63

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

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[1] Preventative maintenance work orders are created when vehicle mileage is met, not when vehicle is sent to shop.
[2] Annual emission testing work orders are created at the beginning of the year, not when vehicle is sent to testing.

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place to provide assurance that the operational objectives and mission of the Office of Fleet Management are being achieved?*

   Generally, yes. The Office of Fleet Management is maintaining an aging fleet with available resources. Their internal customers are satisfied with the overall services received and with the Office of Fleet Management staff. Improvements could be made to the monitoring of employee productivity, reworks, and take-home vehicle assignments. Additionally, the fleet is not fully utilized. Sub-objectives tested were:

   <center>Supporting Objectives and Conclusions</center>
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   a. *Is the fleet effectively and efficiently managed and maintained?*

   Generally, yes. A scoring system was used to assess the fitness level based on fleet management best practices.[3] The Office of Fleet Management received 91 percent of available points. However, improvements could be made to increase the preventative maintenance activities through effective communication with fleet coordinators and the leveraging of technology. (See Observation A.) Attributes for employee productivity and rework should be defined and monitored for accurate managerial analysis. (See Observations D and F.) Furthermore, multiple exceptions to the take-home vehicle requirements detailed in Administrative Order 07-09 were noted during a review of take-home vehicles. (See Observation C.)

   b. *Are Metropolitan Nashville departments satisfied with the services provided by the Office of Fleet Management?*

   Generally, yes. Survey responses received from 22 out of 26 fleet coordinators indicated:

Question	Percentage
1. Strongly agree or agree staff is responsive, courteous, and helpful.	91
2. Strongly agree or agree services provided by the Office of Fleet Management are overall acceptable.	82
3. Strongly agree or agree that the coordinator responsibilities are clearly communicated.	68
4. Strongly agree or agree that maintenance and repairs are completed on time and in line with schedule.[4]	59

   c. *Are controls in place to ensure that Metropolitan Nashville agencies are monitoring the utilization and preventative maintenance of vehicles and equipment?*

   Generally, yes. The Office of Fleet Management distributes to agency fleet coordinators utilization statistics along with a list of vehicles due for preventative maintenance. However, additional controls should be established toward improving utilization and preventative maintenance. (See Observation A and B.)

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[3] Levitt, J. (2015). *Basics of Fleet Maintenance*. Ft. Meyers, FL: Reliabilityweb.com.
[4] Comments indicated dissatisfaction was related to turn-around time on repairs, not on preventative maintenance activities.

d. *Are controls in place to ensure the safe operation of vehicles and equipment operated by Office of Fleet Management employees?*

Yes. The Office of Fleet Management is complying with the Federal Motor Carrier Safety Administration drug testing requirements for employees with commercial driver's licenses and Metropolitan Nashville Code of Laws requirement for defensive driving training.

2. *Are controls in place to ensure management of fiscal resources?*

Generally, yes. Controls are in place to ensure fiscal resources are managed. However, improvements could be made around record keeping for the acquisition of vehicles, access to the parts room, and inventory valuation. Sub-objectives tested were:

<div align="center">Supporting Objectives and Conclusions</div>

a. *Are payroll and timekeeping activities conducted in accordance with management directives and prudent business practices?*

Yes. The Kronos timekeeping system is configured to accrue leaves accurately according to Metropolitan Nashville Government Civil Service Rules.

b. *Are controls in place to ensure the expenditures are made for service delivery purposes and comply with Metropolitan Nashville Government's Procurement Code?*

Generally, yes. A sample of expenditures from the top ten high dollar amount expenditure categories was reviewed without exception. However, a review of recently procured vehicles and equipment indicated that record-keeping for purchases should be improved. (See Observation G.)

c. *Are controls in place to ensure vehicle and equipment parts are safeguarded?*

Generally, yes. Semi-annual physical inventories are being conducted. Documentation from the last physical inventory from January 2017 was reviewed. The inventory discrepancies were 0.6 percent for the light vehicle shop and 0.8 percent for the heavy vehicle shop, both below the best practice of less than 1 percent of the total inventory value[5]. However, access to stockrooms should be further restricted, and management should establish a procedure to annually analyze inventory pertaining to stock value, spoilage, and carrying cost. (See Observation E.)

3. *Were recommendations from the October 2012 Audit of Metropolitan Nashville Government's Motor Fuel Usage Office of Fleet Management implemented?*

Generally, yes. The Office of Fleet Management fully implemented 15 out of 26 accepted audit recommendations. Two recommendations were started, but not completed due to a delay in the implementation of the FuelMaster fuel management system within the Parks and Recreation Department fuel sites. Five recommendations were not implemented, and four were found to be no longer applicable. (See Observation H.)

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[5] Levitt, J. (2015). *Basics of Fleet Maintenance*. Ft. Meyers, FL: Reliabilityweb.com.

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (*COSO*), *Internal Control – Integrated Framework*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Preventative Maintenance Compliance

The Office of Fleet Management is not meeting the industry best practice of having a preventative maintenance program with over 90 percent compliance.[6] Having a fleet maintenance program with over 90 percent preventative maintenance compliance maximizes the availability of vehicles and decreases the risk that a vehicle will be out of service when it is needed.

Preventative maintenance services are divided into three categories: PMA, PMB, and PMC. PMA being the lowest level service being frequently conducted and PMC being the most thorough inspection conducted years apart. The Office of Fleet Management's preventative maintenance compliance was calculated for each of the three categories, with PMA having 67 percent compliance, PMB 84 percent, and PMC 94 percent.

Per Administrative Order 07-09, the fleet coordinator is responsible for ensuring that all their department's vehicles are maintained, serviced, and repaired. The fleet coordinators are notified daily with status reports, which list their department's vehicles or equipment that are due for preventative maintenance service. The departments are expected to schedule maintenance appointments, which is not consistently being done. Also, drivers are not entering accurate mileage when fueling, causing the alerts for maintenance not to be generated accurately.

The Office of Fleet Management newly implemented FASTER Fleet Management System will automatically send notifications for preventative maintenance and has a customer portal that can make scheduling more efficient. Research shows that fleet telematics technology could be helpful as well for efficient scheduling.

Criteria:
COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Office of Fleet Management to:
1. Explore and establish an effective communication and scheduling method with fleet coordinators to ensure preventative maintenance scheduling meets user department's business cycles.

2. Initiate cost-benefit analysis on how telematics technology could be used to increase efficiency with fleet management. For example, receiving real-time odometer readings to schedule preventative maintenance work orders and monitor utilization.

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[6] Levitt, J. (2015). *Basics of Fleet Maintenance*. Ft. Meyers, FL: Reliabilityweb.com.

Observation B – Fleet Utilization Monitoring

When making fleet replacement and addition decisions, fleet utilization data was not effectively used. During the fiscal year 2016, out of the vehicles that were in service on July 1, 2015, 26 percent of the vehicles did not meet utilization criteria established by Administrative Order 05-09. A review of 24 recently replaced vehicles showed that 8 were not meeting the minimum utilization requirement. Utilization is one factor in the determination to replace a vehicle, other factors include age, operating cost, application, condition, and reliability.

An analysis[7] of vehicle fleet miles driven in the fiscal year 2016 shows that the fleet can be potentially reduced by 123 vehicles. This is assuming over-utilized vehicles are rotated with under-utilized vehicles.

Exhibit 6 –Compliance Percentage by Top 10 Departments

Department	Vehicles	Compliance Percentage
Police Department	1,023	84%
Water Services	306	69%
Public Works	277	74%
Fire Department	234	74%
Parks and Recreation	126	66%
Sheriff's Office	121	71%
Codes Administration	57	86%
General Services	41	44%
Health Department	26	50%
Assessor of Property	23	22%

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

The Office of Fleet Management periodically distributes utilization reports to department fleet coordinators. The departments are expected to rotate vehicles which are not meeting utilization criteria. However, there is no actionable procedure in place to enforce the rotation.

Criteria:
- General Services Administrative Order 05-09–Acquisition and Disposal Program–light vehicles should be driven a minimum of 6,000 miles and heavy vehicles for a minimum of 3,200 miles.

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Office of Fleet Management to:
1. Incorporate evaluation of vehicle condition data (such as utilization, age, reliability, and so forth) into the vehicle procurement process and enforce replacement criteria established by Administrative Order 05-09 while making purchasing decisions.

2. Request and follow up semi-annual or annual utilization reports from user departments, with the justification of noncompliance and departmental action plan for meeting requirement.

3. Develop an action plan for increasing fleet utilization and identifying an ideal fleet size. This could include: (a) enforcing accurate data input, (b) eliminating or reassigning underutilized vehicles, (c)

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[7] Total annual vehicle miles used in fiscal year 2016 divided by the annual 6,000 or 3,200 miles minimum standard.

exploring opportunities to rent specialized equipment or seasonal use of equipment, (d) not replacing vehicles for departments under an acceptable utilization percentage, (e) Utilizing rides share companies like Uber or Lyft or taxi services for local travel, (f) Rotating vehicles, using telematics to identify fleet utilization patterns, (g) Placing underutilized vehicles and equipment into the General Services motor pool, or (h) Increase employee personal vehicle use for Metropolitan Nashville Government service.

Observation C – Take-Home Vehicle Assignment Monitoring

No evidence is available demonstrating the Office of Fleet Management maintained an active list of take-home vehicles assigned by each department. Administrative Order 07-09 states the Office of Fleet Management is to perform periodic use analysis and request from agencies, justification or authorization for take-home vehicle assignments. Multiple exceptions to the take-home (24-hour) assignment criteria specified by the Administrative Order were noted:

- No documented evidence showed take-home vehicles were approved in advance by the department's director.

- No documented evidence showed justification that employees with take-home vehicles responded to the minimum 12 on-call emergencies each year.

- The Public Works Department, Davidson County Sheriff's Office, and Nashville Fire Department all have unmarked take-home vehicles assigned to employees, without documented approval from the General Services Department Director. Unmarked take-home light vehicles not used by law enforcement for covert operations or emergency situations may not meet the requirements for a "qualified nonpersonal use vehicle" and would constitute a federally taxable fringe benefit by the Internal Revenue Service.

- Employees residing outside of Davidson County with assigned take-home vehicles are leaving the vehicles at the closest county line Metropolitan Nashville Government facility with a secure parking lot. Administrative Order 07-09 states take-home vehicles assigned to employees residing outside of Davidson County should be left at their official workstation.

Criteria:
- Metro Code 2.32.060 (D) – Use of metropolitan government vehicles states "OFM shall have the authority to adopt additional rules and regulations consistent with this section pertaining to use and operation of Metro vehicles and equipment."

- General Services Administrative Order 07-09 – Vehicle and Equipment Use and Assignment Policy

- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Office of Fleet Management to:
1. Conduct a review of vehicle take-home assignments and request agencies to provide documented approval and justification for all take-home vehicle use.

2. Reiterate the take-home assignment policy to department heads and fleet coordinators.

3. Maintain a centralized listing of all Metropolitan Nashville take-home vehicles.

4. Request all departments annually submit a compliance report to the Office of Fleet Management. This report should include the vehicle decal number, employee's name, job title, and justification for the take-home vehicle assignment.

5. Mark all vehicles with Metro Nashville emblem except for those specifically requested to be unmarked by the Chief of Police, or approved by the General Services Director. All exceptions should be documented.

6. Explore telematics technology to track take-home vehicles to limit abuse and ensure compliance with Administrative Order 07-09.

Observation D – Monitoring Employee Productivity

The recently implemented FASTER Fleet Management System reports should be used to help with the tracking of employee direct time productivity. A best practice of fleet shops is to determine a direct time percentage goal and to monitor employee productivity to ensure that more time is spent on the completion of work orders than on indirect tasks such as idle time, waiting for materials and tools, and so forth.

Criteria:
COSO, Information and Communication—Principle 13—The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Recommendations for management of the Office of Fleet Management to:
Document the Office of Fleet Management's target direct time percentage and use the FASTER Fleet Management System to monitor employee productivity.

Observation E – Auto Parts Inventory Control and Analysis

Out of 27 employees with access to the parts room, 12 did not have job responsibilities that would necessitate access to the parts room. Access to the heavy vehicle shop parts room after business hours between August 2016 and January 2017 could not be traced to a work order. Entry after business hours by on-call mechanics is based on the "honor system." The mechanics are trusted to write down the part pulled from inventory, and the part is to be issued the next business day by parts room staff.

Although cycle and annual physical inventories are performed, there is no procedure for physical inventory variance investigation, nor a process to reconcile ending inventory to purchases and usage.

Criteria:
COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Office of Fleet Management to:
1. Limit access to the parts room to employees that have job responsibilities that would necessitate entry.

2. After hour part usages should be recorded with reference to calls and work orders.

3. Establish a procedure to analyze inventory of automotive parts annually, in terms of ending balance, carrying cost, turn-over, and spoilage so that an efficient stock level and accurate stock value can be determined.

Observation F – Monitoring Rework

The Office of Fleet Management does not have a sound definition of "rework," nor a defined operational goal. The "Suspected Rework by Failure" report within the EnterpriseOne Financial System lists work orders based on multiple occurrences of same "failure" associated with one decal within a period specified by the user. A "failure" in this report can be a broad range of high-level types including inspections and preventative maintenance. Consequently, the report contains too many false positives to be practical for effective monitoring.

During the two-year audit scope, the rework rate is estimated at 3.5 percent.

Criteria:
COSO, Information and Communication—Principle 13—The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Recommendations for management of the Office of Fleet Management to:
1. Define what constitutes a rework so that data can be accurately captured for effective managerial analysis.

2. Work orders for reworks should be flagged and monitored by management.

Observation G – Vehicle Procurement Record Keeping

The Office of Fleet Management is not maintaining a complete central file for acquisition records as specified in Administrative Order 05-09 Section 5.9 "Acquisition Record-Keeping." An Invitation to Bid or Request for Proposal for 5 out of 26 (19 percent) recently procured vehicles could not be located. Also, the required department written request for the 2 additions to the fleet included in this procurement could not be located.

Criteria:
- General Services Administrative Order 05-09 – Asset Acquisition and Disposal Program

- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Office of Fleet Management to:
Maintain or obtain access to records in the iProcurement purchasing system for all vehicle and equipment acquisition documentation required by the Administrative Order 05-09 or modify the administrative order to reflect current practice.

Observation H – Prior Accepted Audit Recommendations Status

Out of 26 accepted recommendations from the October 2012 Audit of Metropolitan Nashville Government's Motor Fuel Usage Office of Fleet Management, 15 recommendations were implemented,

2 recommendations were started but not completed, 5 recommendations were not implemented, and 4 recommendations were no longer applicable.

Partially Implemented

Recommendations A.1 and E.1 - The implementation was to install FuelMaster system on the above ground tanks that had no meters, at locations managed by Parks and Recreation Department and the Fire Department. Above ground tanks at Nashville Fire Department location are no longer used. Work started in 2015 at Parks and Recreation Department locations but was delayed due to system implementation delays with the FuelMaster system.

Not Implemented

- Recommendations B.3 and E.2 - Periodic reconciliations of fuel usage to inventory and purchases were not performed.

- Recommendation H.2 – Department confirmations of online users and related privileges in the Wright Express fuel card system were not performed.

- Recommendation J.1 – WEX rebate amounts were not verified against amount billed and paid.

- Recommendation L.1 – The fuel management procedure drafted in 2010 has not been finalized.

No Longer Applicable – Due to changes in direct billing procedure.

- Recommendation C.1 – Ensure the direct bill download matches information from FuelMaster and Wright Express.

- Recommendation C.2 – Include a field in the Microsoft Access database to allow check numbers to be captured so that payment reconciliations can be completed.

- Recommendation C.3 – Periodically run reports from the Microsoft Access database to determine if any direct bill invoices are missing a billing journal entry or check information indicating no payment has been received.

- Recommendation C.4 – Review direct bill procedures to ensure they reflect current management business practices.

Criteria:
COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Office of Fleet Management to:
Continue with the implementation of recommendations from October 2012 Audit of Metropolitan Nashville Government's Motor Fuel Usage Office of Fleet Management.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within the Office of Fleet Management.

- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.

- Evaluated internal controls currently in place.

- Reviewed sample selections to determine the effectiveness of internal controls.

- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Seth Hatfield, CPA, CIA, CFE, In-Charge Auditor

Jim Carson, CIA, CFE, Staff Auditor

Qian Yuan, CIA, CISA, ACDA, CMFO Quality Assurance

Mark Swann, CPA, CIA, CISA, CMFO, ACDA, Metropolitan Auditor

Metropolitan Government
of Nashville and Davidson County

Megan Barry, Mayor
Nancy Whittemore, Director

Department of General Services

Richard H. Fulton Campus
P.O. Box 196300
730 2nd Avenue South
Nashville, TN 37219-6300
615-862-5050
General.Services@nashville.gov

September 15, 2017

Mark Swann, Metropolitan Auditor
Metropolitan Nashville Office of Internal Audit
404 James Robertson Parkway, Suite 190
Nashville, Tennessee 37219

RE: Audit of the Office of Fleet Management (dated August 30, 2017)

Mr. Swann,

This letter acknowledges receipt of the Department of General Services, Office of Fleet Management (OFM) audit just completed by your office. Please find attached the department's responses and plans relating to each of the report recommendations.

Once again, we are pleased to have this opportunity to work with the Office of Internal Audit. As always, we appreciate the professionalism of your co-workers as they conduct field work. Our interactions with those auditors sustain our continued belief that Metro Internal Audit is driven by its commitment to offering independent review with helpful, practical advice.

In keeping with our commitment to exemplary stewardship of public resources, efficient mission fulfillment, and continued improvement of service to our Metro agency customers, General Services welcomes the insights conveyed by the OFM audit report. Additionally, General Services staff are truly heartened by the very positive audit conclusions.

OFM is a complex organization with critical objectives and demanding customers. Likewise, we recognize that the OFM operation is not perfect, but we are committed to identifying and addressing potential shortfalls and to advancing excellence in every way possible. Thank you and your co-workers for supporting those efforts.

Please let me know if you have any questions.

Sincerely,

Nancy Whittemore, Director
Department of General Services

Attachment

NW/rb

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
Recommendation for management of the Office of Fleet Management to:		
A.1: Explore and establish an effective communication and scheduling method with fleet coordinators to ensure preventative maintenance scheduling meets user department's business cycles.	**Accept.** Although we do not agree with the apparent premise (*i.e.*, that preventive maintenance shortfalls have resulted from ineffective communication and scheduling), General Services accepts the recommendation for continued efforts to improve Metro fleet preventive maintenance. OFM will continue regular, preventive maintenance communications, initiate enhanced Metro specific notices by the FASTER system (example notice attached), and continually consider the implementation of other means to impress the importance of preventive maintenance upon Metro agency customers.	Completed
A.2: Initiate cost-benefit analysis on how telematics technology could be used to increase efficiency with fleet management. For example, receiving real-time odometer readings to schedule preventative maintenance work orders and monitor utilization.	**Accept.** General Services accepts the recommendation for analysis (despite questioning whether the frequency of drivers not entering accurate mileage data in fuel logs is material as well as whether such inaccuracy has a substantive detrimental impact on preventive maintenance compliance since such errors actually result in the early generation of preventive maintenance notices). The recommended analysis is consistent with OFM's on-going commitment to stay abreast of technical innovations and how they might enhance OFM operations. Further, OFM management will evaluate the current need for a telematics technology study examining potential fleet management benefits, associated resource requirements, and possible resulting liability.	June 30, 2018
B.1: Incorporate evaluation of vehicle utilization data into the vehicle procurement process and enforce replacement criteria established by Administrative Order 05-09 while making purchasing decisions.	**Accept.** General Services considers utilization along with other factors as required by the referenced administrative order, which details multiple, pertinent guidelines (factors relevant to use include unit mileage, usage patterns/use hours, age, operational cost, and maintenance history). We understand from a conversation with auditors that this recommendation pertains specifically to the procurement of	June 30, 2018

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	new/additional fleet units. Accordingly, General Services accepts the recommendation to facilitate the consideration of mileage data for Metro agencies' existing units along with their new/additional unit requests, and General Services will include that data when forwarding the Metro agency requests to the Finance Department.	
B.2: Request and follow up semi-annual or annual utilization reports from user departments, with justification of noncompliance and departmental action plan for meeting requirement.	**Accept.** General Services accepts the recommendation to continue periodic utilization reviews (despite finding that these efforts produce minimal results), and per this Internal Audit recommendation, OFM will ask Metro agencies to regularly document and implement plans which explain and address utilization shortfalls as appropriate.	June 30, 2018
B.3: Develop an action plan for increasing fleet utilization and identifying an ideal fleet size. This could include: (a) enforcing accurate data input, (b) eliminating or reassigning underutilized vehicles, (c) exploring opportunities to rent specialized equipment or seasonal use of equipment, (d) not replacing vehicles for departments under an acceptable utilization percentage, (e) utilizing rides share companies like Uber or Lyft or taxi services for local travel, (f) rotating vehicles, using telematics to identify fleet utilization patterns, (g) placing underutilized vehicles and equipment into the General Services motor pool, or (h) increase employee personal vehicle use for Metropolitan Nashville Government service.	**Accept.** General Services accepts the recommendation to develop a specific policy for maximizing fleet utilization. It may include components such as: ▪ periodic Metro agency fleet utilization review; ▪ Metro agency existing fleet utilization mileage data submitted to the Finance Department along with the agency's request for new/additional fleet units; ▪ Metro agency regular documentation and implementation of plans which explain and address utilization shortfalls as appropriate; ▪ publication of Metro agency fleet utilization plans so that Metro Internal Audit and the public may more readily evaluate Metro agencies' fleet utilization plans and practices; and ▪ continued and on-going analysis of potential benefits from leasing fleet units (especially seasonal or specialized use equipment). Other suggested components: ▪ impacting Metro agency new and existing fleet unit assignments; ▪ directing the use of commercial transportation; and ▪ increasing employee personal vehicle use for Metro business; all involve and have a bearing on a wide range of policy considerations outside	June 30, 2018

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	appropriate General Services purview. Unilateral direction by General Services would be ill-advised, of questionable benefit, and potentially detrimental to public welfare.	
C.1: Conduct a review of vehicle take-home assignments and request agencies to provide documented approval and justification for all take-home vehicle use.	**Accept.** General Services accepts the recommendation to review Metro agency Take Home (24-hour) Assignments of fleet units. The examination will include Metro agencies providing agency head approval documentation and justification for each assignment.	June 30, 2018
C.2: Reiterate the take-home assignment policy to department heads and fleet coordinators.	**Accept.** General Services accepts the recommendation to reiterate OFM Take Home (24-hour) Assignments policy with agency heads and designated fleet coordinators (communication copy attached).	Completed
C.3: Maintain a centralized listing of all Metropolitan Nashville take-home vehicles.	**Accept.** OFM maintains a listing of Metro agency fleet Take Home (24-hour) Assignments (current listing attached).	Completed
C.4: Request all departments annually submit a compliance report to the Office of Fleet Management. This report should include the vehicle decal number, employee's name, job title, and justification for the take-home vehicle assignment.	**Accept.** General Services accepts the recommendation to ask Metro agencies to submit a periodic, Take Home (24-hour) Assignments policy compliance report detailing required, pertinent information for each Take Home Assignment in effect.	June 30, 2018
C.5: Mark all vehicles with Metro Nashville emblem except for those specifically requested to be unmarked by the Chief of Police, or approved by the General Services Director. All exceptions should be documented.	**Accept.** Although it is already both OFM policy and practice to affix an appropriate decal package to Metro fleet units, General Services accepts the recommendation to specifically document instances in which the Metro Nashville emblem is not affixed to an automotive fleet unit (with due and proper care and consideration of the fact that some units are designated for undercover assignment).	June 30, 2018
C.6: Explore telematics technology to track take-home vehicles to limit abuse and ensure compliance with Administrative Order 07-09.	**Accept.** Public safety vehicles currently have installed GPS telematics technology, which enables both the Police and Fire Departments to track geographical locations of their fleet vehicles. General Services accepts the recommendation to consider the practicality of requiring regular, GPS telematics technology analysis of Take Home (24-hour) Assignment units.	June 30, 2018

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
D.1: Document the Office of Fleet Management's target direct time percentage and use the FASTER Fleet Management System to monitor employee productivity.	**Accept.** General Services OFM began using the FASTER Fleet Management System to report and monitor aspects of employee productivity with the March 2017 system implementation (example report attached). The stated OFM target for direct time is 80%.	Completed
E.1: Limit access to the parts room to employees that have job responsibilities that would necessitate entry.	**Accept.** OFM management recently reviewed the list of individuals that the department authorized for parts room access and confirmed that members of departmental management had (but never used) parts room access. OFM management contacted appropriate IT department staff, to update the list of individuals with General Services authorization for OFM parts rooms access (updated listing attached).	Completed
E.2: After hour part usages should be recorded with reference to calls and work orders.	**Accept.** OFM current practice includes recording parts use details with appropriate references to the relevant work order. Pursuant to this recommendation, OFM management will review parts use control procedures with particular attention to the need for enhanced policy relating to the time of day at which use occurs as well as to the expanded use of technological tools such as tablets.	June 30, 2018
E.3: Establish a procedure to analyze inventory of automotive parts annually, in terms of ending balance, carrying cost, turn-over, and spoilage so that an efficient stock level and accurate stock value can be determined.	**Accept.** OFM completes an analysis of automotive parts inventory twice annually. General Services accepts the recommendation to document appropriate, formal procedures for such analysis.	June 30, 2018
F.1: Define what constitutes a rework so that data can be accurately captured for effective managerial analysis.	**Accept.** Although OFM disputes the effectiveness of "rework" as an essential productivity measure, General Services accepts the recommendation to define what constitutes OFM "rework."	June 30, 2018
F.2: Work orders for reworks should be flagged and monitored by management.	**Accept.** Although OFM does not consider the "possible rework" system report examined by auditors to be a useful tool given existing resources and does not agree that this recommendation reflects a prudent emphasis and use of resources, General Services accepts the recommendation to identify rework instances for OFM management review and training opportunity follow-up.	June 30, 2018

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
G.1: Maintain or obtain access to records in the iProcurement purchasing system for all vehicle and equipment acquisition documentation required by the Administrative Order 05-09 or modify the administrative order to reflect current practice.	**Accept.** General Services accepts the recommendation to revise Administrative Order 05-09 to reflect current, best practice.	October 31, 2017
H.1: Continue with the implementation of recommendations from October 2012 Audit of Metropolitan Nashville Government's Motor Fuel Usage Office of Fleet Management.	**Accept.** General Services accepts the recommendation to continue implementation of corrective actions, which were identified in response to the subject audit recommendations and remain outstanding. Recommendation J.1 is no longer applicable with the implementation of the latest fuel card contract.	June 30, 2018