



**A Report to the
Audit Committee**

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**Follow-Up on the Audit of the
Office of Fleet Management
(Initial Report Issued September 18, 2017)**

June 3, 2019

EXECUTIVE SUMMARY

June 3, 2019



Why We Did This Audit

This is a follow-up audit of the September 18, 2017, *Audit of the Office of Fleet Management*. Initial audit and follow-up were performed due to the importance of a well-maintained fleet.

What We Recommend

Management should complete the implementation of the one audit recommendation still in-process.

FOLLOW-UP ON THE AUDIT OF THE OFFICE OF FLEET MANAGEMENT

BACKGROUND

The Office of Internal Audit conducted an audit of the Metropolitan Nashville Government's Office of Fleet Management in 2017.

The objectives of that audit were 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.

The audit report included 19 recommendations for improving the operations of the Office of Fleet Management. All recommendations were accepted with proposed completion dates of June 30, 2018, or earlier.

OBJECTIVES AND SCOPE

The objective of this follow-up audit is to determine whether management's action plans for the prior audit report recommendations are completed.

The audit scope covers the status as of May 3, 2019, for the 19 accepted recommendations included in the September 18, 2017, *Audit of the Office of Fleet Management*.

WHAT WE FOUND

Out of the 19 audit report recommendations, 15 recommendations are fully implemented, 1 recommendation is still in-process, and 3 recommendations are no longer applicable.

Implementation of the remaining one recommendation is scheduled to be completed by July 31, 2019. Details of the implementation status and updated due date can be seen in **Appendix A**.

PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The initial audit of the Office of Fleet Management resulted in 19 accepted recommendations. Out of the accepted recommendations, 15 have been fully implemented, 1 is currently in-progress, and 3 were determined to no longer be applicable. The recommendations which are no longer applicable include:

- E.1 Limit access to the parts room to employees that have job responsibilities that would necessitate entry.
- E.2 After hour part usages should be recorded with reference to calls and work orders.
- 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.

The three recommendations are no longer applicable since the Office of Fleet Management shut down the parts rooms and began using Advance Auto Parts to provide parts. Implementation of the remaining one recommendation is in-progress and is scheduled to be completed by July 31, 2019. Details of the implementation status and updated due date can be seen in **Appendix A**.

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 presented by management as evidence of completion.

AUDIT TEAM

James Carson, CIA, CFE, In-Charge Auditor

Ted Ciuba, CFE, Staff Auditor

Lauren Riley, CPA, CIA, ACDA, Quality Assurance

Gina Pruitt, CPA|CITP, CISA, CHFP, CQA, CEMB, CGMA, CRISC, CCSFP, CHCO, Interim Metropolitan Auditor

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

| Recommendation from 2017 Audit Report | Proposed Completion Date | Updated Completion Date | Status |
|---|---|-------------------------------|--|
| <i>Recommendations for management of the Office of Fleet Management to:</i> | | | |
| 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. | Completed prior to original report issuance | N/A | Closed – Verified. Preventative maintenance reports are sent to the fleet coordinators weekly from the FASTER system. |
| 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. | June 30, 2018 | N/A | Closed – Verified. Management conducted the cost-benefit analysis and determined installing telematics was not feasible due to the cost being over \$5 million. |
| 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. | June 30, 2018 | December 31, 2018 | Closed – Verified. The vehicle procurement process includes consideration of utilization data. Also, the requirements of Administrative Order 05-09 were reiterated to the fleet coordinators. |
| B.2 Request and follow-up semi-annual or annual utilization reports from user departments, with justification of non-compliance and departmental action plan for meeting requirement. | June 30, 2018 | December 31, 2018 | Closed – Verified. Annually, as part of the budget process, utilization reports are sent to the fleet coordinators; justification is provided by coordinators as applicable. |

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

| Recommendation from 2017 Audit Report | Proposed Completion Date | Updated Completion Date | Status |
|---|---|-------------------------|---|
| 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. | June 30, 2018 | December 31, 2018 | Closed – Verified. A partnership agreement was finalized with Enterprise. Also, an agreement was being pursued with Lyft. Management has emails between OFM and Lyft in April 2019 as well as a draft contract. |
| 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. | June 30, 2018 | December 31, 2018 | Closed – Verified. Management maintained vehicle lists from 2018 and 2019 which documented each take-home vehicle and justification for such use. |
| C.2 Reiterate the take-home assignment policy to department heads and fleet coordinators. | Completed prior to original report issuance | N/A | Closed – Verified. Management emailed the fleet coordinators to reiterate the take-home policy. |
| C.3 Maintain a centralized listing of all Metropolitan Nashville take-home vehicles. | Completed prior to original report issuance | N/A | Closed – Verified. Management maintains a centralized listing of take-home vehicles. Management provided the list for 2018 and 2019. |

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

| Recommendation from 2017 Audit Report | Proposed Completion Date | Updated Completion Date | Status |
|--|---|-------------------------|--|
| 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. | June 30, 2018 | December 31, 2018 | Closed – Verified. All departments submitted a compliance report for 2018 and 2019. Compliance reports are requested annually. |
| 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. | June 30, 2018 | N/A | Closed – Verified All Metro Nashville vehicles are marked except those approved by department heads which are maintained on a list and include departmental justifications. |
| C.6 Explore telematics technology to track take-home vehicles to limit abuse and ensure compliance with Administrative Order 07-09. | June 30, 2018 | N/A | Closed – Verified. Management performed an analysis and determined the cost is prohibitively high to pursue telematics technology. |
| D.1 Document the Office of Fleet Management's target direct time percentage and use the FASTER Fleet Management System to monitor employee productivity. | Completed prior to original report issuance | N/A | Closed – Verified. Management established an expected direct time percentage of 80% or higher. Monthly productivity reports are reviewed to ensure compliance or reason for non-compliance. |
| E.1 Limit access to the parts room to employees that have job responsibilities that would necessitate entry. | Completed prior to original report issuance | N/A | No Longer Applicable. Management limited the access to the parts rooms when operating. The parts rooms shut down when the OFM went "live" with Advance Auto Parts taking over providing parts. |
| E.2 After hour part usages should be recorded with reference to calls and work orders. | June 30, 2018 | N/A | No Longer Applicable. Prior to implementing the recommendation, the parts rooms were shut down when the OFM went "live" with Advance Auto Parts taking over providing parts. |

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

| Recommendation from 2017 Audit Report | Proposed Completion Date | Updated Completion Date | Status |
|--|--------------------------|-------------------------|--|
| 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. | June 30, 2018 | N/A | No Longer Applicable. Prior to implementing the recommendation, the parts rooms were shut down when the OFM went “live” with Advance Auto Parts taking over providing parts. |
| F.1 Define what constitutes a rework so that data can be accurately captured for effective managerial analysis. | June 30, 2018 | N/A | Closed – Verified. Management generates and analyzes rework reports. |
| F.2 Work orders for reworks should be flagged and monitored by management. | June 30, 2018 | N/A | Closed – Verified. Reworks are entered into the FASTER system, and management generates and analyzes rework reports. |
| 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. | October 31, 2017 | December 31, 2018 | Closed – Verified. Administrative Order 05-09 was modified to reflect current practice. |
| H.1 Continue with the implementation of recommendations from October 2012 Audit of Metropolitan Nashville Government’s Motor Fuel Usage Office of Fleet Management. | June 30, 2018 | July 31, 2019 | In-Process – Partially completed. Of the three prior audit recommendations still in process, one was closed and verified and the remaining two were still in process with a completion date within three months. |