



**Seattle Public Schools
The Office of Internal Audit**

**Internal Audit Follow-up Report
Vehicle Fleet Operations
(Previously Maintenance and Transportation)**

Issue Date: October 6, 2015



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Background

On March 19, 2013, the Office of Internal Audit issued audit reports for the Maintenance and Transportation Departments as part of an evaluation of the District's overall system of internal controls. Individual department audits assist in determining whether key financial internal control and compliance functions are being performed and whether departments have clear guidance and adequate resources to perform their functions.

The Maintenance and Transportation audit reports both contained findings relating to the District's vehicle fleet operations. In response to these audits, in October 2014, the District implemented operational changes to its vehicle fleet operations and created a Fleet Analyst position, which falls under the Assistant Superintendent of Operations. Due to these changes, we performed a separate follow-up audit of the fleet-related concerns noted in the Maintenance and Transportation Department audit reports. The non-fleet concerns from these audit reports were addressed in separate follow-up audits, which were presented to the Audit & Finance Committee on June 16, 2015.

This follow-up audit was completed in accordance with the 2014-2015 *Annual Risk Assessment and Audit Plan* to address the concerns related to the District's vehicle fleet operations originally identified in the Maintenance and Transportation Department audits. The purpose of a follow-up audit is to assess the status of corrective actions taken in response to prior audit findings. This report focuses on the fleet-related findings from the March 19, 2013 audit reports for Maintenance and Transportation, which contained sixteen fleet-related recommendations.

Roles and Responsibilities

District management is responsible for follow-up and corrective action to address audit findings. To fulfill this responsibility, the District has a process in place to track the status of audit recommendations and ensure that audit issues are resolved.

Approach and Methodology

To complete this follow-up audit we performed the following procedures:

- Reviewed the prior audits and audit reports to gain an understanding of the issues.
- Interviewed department staff to gain an understanding of the corrective actions taken and identify when the corrective actions were implemented.
- Analyzed available data to corroborate information obtained during staff interviews.
- Tested available documentation to determine if corrective actions have been fully implemented, are operating as intended, and address all issues raised by Internal Audit.

Results

Our initial reports dated March 19, 2013, can be found on the District's website. We consider an issue resolved if management implemented our recommendations or took other appropriate action to resolve the issues. We found that vehicle fleet operations implemented corrective



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actions sufficient to address 10 of the sixteen vehicle fleet operations recommendations. The recurring items, as well as additional concerns related to the District's fleet, are detailed on the following pages of this report.

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Findings and Recommendations

Fleet Management

The District has 264 vehicles, including 25 leases, with a cost of approximately \$4.9 million on the District's books. In October 2014, the District created Superintendent Procedure 6640SP to clarify vehicle fleet procedures and responsibilities. The District also hired a Fleet Analyst, who is responsible for maintaining forms, training managers and supervisors on the updated procedures, and determining compliance with Superintendent Procedure 6640SP. The Fleet Analyst position is currently funded and managed out of the Transportation Department, which reports to the Director of Logistics.

As a result of the above changes, we included audit procedures to determine compliance with Superintendent Procedure 6640SP. We identified the following concerns:

1) Vehicle Mileage Log

Superintendent Procedure 6640SP established procedures for monitoring and reviewing mileage logs. Those procedures require that supervisors and managers send monthly fuel and mileage reports to the District Fleet Analyst, and that the District Fleet Analyst audit those mileage and fuel reports.

During our audit, we noted that the District Fleet Analyst has not received any mileage reports, and thus, has not audited the mileage logs as required by Superintendent Procedure 6640SP.

Recommendation

We recommend the District establish controls to ensure the District Fleet Analyst receives mileage reports monthly and is performing periodic audits of those mileage reports as required by Superintendent Procedure 6640SP.

2) Vehicle Maintenance

Superintendent Procedure 6640SP requires the Maintenance Department to determine the most cost-effective method of maintaining District-owned vehicles in a safe operating condition. However, only vehicles assigned to the Maintenance Department have a set requirement or schedule for maintenance. Maintenance of vehicles assigned to other departments is set at the discretion of the employee assigned that vehicle. Vehicle maintenance includes operational items such as oil changes and tune-ups, safety items such as tire replacement and brake inspections, and visual items such as exterior damage and car washes.

Having maintenance performed at the discretion of the assigned employee could result in:

- Additional cost to the District. If routine maintenance is not performed it can increase the likelihood of costly major repairs in the future.



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- Increased legal liability for the District. If safety inspections are not performed and an employee gets into an accident while transportation District staff and students it can increase the potential legal liability of the District.
- Reduced public image of the District. If cars are seen as dirty and damaged, it can reduce the public's perception that the District is being a good steward of public resources.

Recommendation

We recommend that the District track and monitor vehicle maintenance for all vehicles to ensure that all necessary maintenance is done on a timely basis. This includes establishing required scheduled maintenance and follow-up procedures to respond to employees who fail to get their vehicles serviced in a timely manner.

3) Driver's License Verification

Authorization to drive a district-owned vehicle requires employees to annually provide a driver's license number on their "District Vehicle Conditions of Use Agreement" form. Per the District's Fleet Analyst, the employee's manager is responsible for verifying the validity of the employee's driver's license. However, we could not locate any guidance instructing managers of this requirement, or information detailing how managers can properly check the validity of an employee's driver's license or evaluate the employee's driving history.

During our audit, we tested the validity of employee driver's licenses, but we were unable to validate the licenses of two employees:

- One employee did not provide their driver's license number.
- One employee provided an incomplete driver's license number.

Both employees request for authorization was processed and they were granted permission to operate a district-owned vehicle.

Recommendation

We recommend that the District:

- Establish controls to ensure that all employees authorized to drive district-owned vehicles have a current and valid driver's license.
- Clarify the responsibilities of employees and managers related to driver's license verification on the "District Vehicle Conditions of Use Agreement" form.
- Require employees to disclose any recent driving infractions.



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4) Vehicle Authorization Forms

Authorization to drive a district-owned vehicle requires employees to submit a “District Vehicle Conditions of Use Agreement” form and an “Authorization for Assignment of a District Vehicle” form. These forms are used to outline employee responsibilities, obtain accountability information (employee name, driver’s license number, car number, etc.), and outline vehicle usage (take-home privileges, parking locations, shared vehicle status, etc.).

Per Superintendent Procedure 6640SP, these forms must be signed by the employee, approved by their manager and Director, and then filed with the District’s Fleet Analyst.

During our audit, we noted that 14 vehicle authorization forms were either incomplete or missing required information.

Recommendation

We recommend the District establish internal controls to ensure that Vehicle Authorization Forms are completed accurately, authorized properly, and stored securely, as required by Superintendent Procedure 6640SP.

5) Vehicle Assignment Methodology

The District currently uses an assignment-based methodology for managing its fleet of vehicles. Departments requesting a vehicle may be assigned one if inventory is available. The assignment grants the department exclusive use of the assigned vehicle for a full school year. The department is responsible for all costs related to that vehicle, including fuel and maintenance.

Employees that work in departments that are not assigned a District vehicle, but still have a need to travel to District sites, must use their personal vehicle and submit a claim for mileage reimbursement. This can be particularly frustrating to employees who rely on carpools or public transportation for commuting purposes. In addition, the year-long assignment method could result in added costs to the District if District vehicles are underutilized while other employees are using personal vehicles and submitting claims for mileage reimbursement.

Recommendation

We recommend that the District evaluate the manner in which it assigns vehicles and determine if an alternate assignment plan could result in cost savings to the District. By implementing a checkout system where employees can reserve a vehicle on a weekly, daily, or hourly basis, the District may be able to maximize the use of District vehicles while reducing the amount it pays in mileage reimbursements for the use of personal vehicles. Similarly, an outsourced fleet service could result in cost savings to the District. We recommend that the District conduct a thorough analysis to determine which vehicle assignment method makes the most sense to the District.



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Management Response

1) Vehicle Mileage Log

The Fleet Analyst is able to view mileage for each vehicle monthly when monitoring fuel invoices. Every vehicle is required to enter mileage at the fuel pump. This practice is much more efficient than having every Supervisor and Manager manually send reports to the Fleet Analyst. We concur that the practice does not follow the Superintendent Procedure 6640SP and recommend a change to the Procedure 6640SP to reflect the updated and automated procedure.

2) Vehicle Maintenance

Those assigned a light fleet vehicle agree to perform pre-trip evaluations and ensure regular maintenance. In addition, all SPS vehicles that transport students must pass an annual Washington State Patrol safety inspection. We concur a preventative maintenance schedule is also considered a best practice to ensure vehicle safety and avoid potential costly repairs.

3) License Verification

We concur with the oversight for one employee missing their license number on the vehicle assignment sheet and one employee having an incomplete license number on their vehicle assignment sheet.

4) Vehicle Authorization Forms

We concur the Vehicle Authorization Forms may be missing some information.

5) Vehicle Assignment Methodology

Based on SPS organizational structure, management is using the current vehicle assignment methods. With the on boarding of the new part time Fleet Manager, the current light fleet vehicle processes and procedures will be analyzed and refined.