



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2017-004

***FINAL REPORT – Survey of Operational Risks
(Fleet Management Department)***

August 10, 2017

***Latona Thomas, CPA, Director
Andrea Clayton, Internal Auditor II
Megan Pickens, Internal Auditor II***

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COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA


100 Cherokee Street, Suite 250
Marietta, Georgia 30090
phone: (770) 528-2556
latona.thomas@cobbcounty.org

Director

August 10, 2017

MEMORANDUM

FOR: Rob Hosack, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: FINAL REPORT – Survey of Operational Risks (Fleet Management Department)

Attached for your review and comments is the final survey report. The overall objective of this survey was to evaluate the current controls and corrective actions by Fleet Management to ensure adequate controls over parts inventory; acquisition replacement, maintenance, and disposition of Cobb County (County) owned vehicles; and assess the adequacy of the cost analysis of the County's use of leased versus purchased vehicles.

Impact on the Governance of Cobb County

The Fleet Management Department provides maintenance, repair, fueling, replacement acquisition and disposition services for assigned County vehicles and equipment. The recommendations, when implemented, coupled with Fleet Management's current controls and corrective actions will mitigate or eliminate the major operational risks¹ identified. County leadership, citizens, and stakeholders can be assured that strengthened controls will improve Fleet's overall operations.

Executive Summary

We found that departmental controls and corrective actions exist to partially mitigate the operational risks identified. Outsourcing the parts inventory will significantly mitigate risks, but additional oversight, monitoring, and security controls are needed. Established procedures, multiple-department coordination, internal control activities, and periodic external compliance reviews are in place to mitigate risks within phases of the acquisition, replacement, maintenance, and disposition of Cobb County (County) owned vehicles.

¹ Limited to the three major operational risks identified during the CY2015-16 Countywide Risk Assessment process. See 'Background' on Page 1 for further discussion.

We were unable to assess the adequacy of the cost analysis of the County's use of leased versus purchased vehicles, but we were able to review external sources to support the results. In addition, we identified several areas where existing controls can be improved and additional controls are needed to gain more efficiency and further mitigate or fully eliminate the risks identified.

Recommendations

We made several recommendations to the Fleet Director in order to improve Fleet's operations and ensure the major operational risks identified are mitigated or eliminated. We recommended that the Fleet Director should:

- Ensure contract administration best practices are followed.
- Monitor the outsourced process and provide periodic reports.
- Assess the current security measures and incorporate the appropriate changes, as needed.
- Require evidence of agreement and supervisory/management reviews.
- Initiate discussions with the appropriate County departments to determine whether a consolidation of maintenance and repair of County equipment would create greater efficiencies and controls over maintenance costs.
- Revise the current process for emissions tests, to include research of other Fleet Department emission testing practices and a discussion of acceptable options available with the Georgia Clean Air Force.
- Develop user-friendly reports to reflect the current list of County-owned vehicles, to include the status of emission certificates, and cross-reference this list to the Finance Department's fixed asset listing.
- Develop and distribute a periodic outstanding emission certificate report to the respective County departments for timely resolution.
- Assess the physical security measures at fueling sites to ensure that security and alarm systems are properly monitored for continued operability.
- Ensure analyses, reconciliations, etc. are validated internally on a consistent basis and evidence of review and validation should be documented and maintained.
- Provide periodic updates/reports to management on the status of projects approved and implemented.

We also made recommendations to the Purchasing Director to strengthen the controls over the disposition process. We recommended that the Purchasing Director should:

- Implement controls to ensure the segregation of duties weakness is eliminated in the disposition process and the required documentation is maintained.
- Ensure the legal disclaimer information regarding online sales/auctions of County items is reviewed and approved by the County Attorney's office.
- Coordinate with the Fleet Director to periodically evaluate the established price ranges for disposed vehicles and maintain documentation to support the results.

Responses

The Fleet Director concurred with each of the twelve recommendations, and the proposed corrective actions will be completed by December 31, 2017. In some instances, we provided additional auditor comments to provide clarification to the context of the recommendation and/or corrective actions. The Purchasing Director also concurred with the three recommendations directed toward his office with a proposed implementation date of August 25, 2017.

The complete responses to the draft report are included in Appendices VI and VII. We will perform follow-up of corrective actions in six months. A copy of this report will be distributed to those affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Andrea Clayton, Auditor-in-Charge, at 770-528-2558.

Background

Our CY2015-16 Countywide Risk Assessment (CRA) resulted in the identification of several risks within the Fleet Management Department (Fleet). We held several discussions with the Audit Committee regarding the resources needed to properly assess the adequacy of action taken to mitigate, if not eliminate the risks identified. Due to the significance of the risks identified, the limited resources of the Internal Audit Department, and the corrective actions initiated by the Fleet Management Director, a survey of the operational risks was deemed appropriate and was included in the CY2015-16 Audit Plan. This survey is a department-coordinated project where we presented the risks as identified to Fleet Department management and requested the status of their current or proposed corrective actions and controls taken to address the risks. We assessed the adequacy of the controls and corrective actions as presented, requested additional information or solicited assistance as needed, and summarized our results to include any recommendations needed to further reduce the identified risks.

Operations

Fleet Management consists of four sections²: 1) Fleet Administration; 2) Vehicle/Parts Support; 3) Automotive/Light Duty Trucks; and 4) Medium/Heavy Duty Trucks and Off-Road Equipment.

Fleet Administration

Fleet Administration provides the day-to-day management and support functions, including budgeting, application of the Cobb County Vehicle Policy, and the purchasing functions for new and replacement vehicles. This group also manages the automated fleet record management system; vehicle registrations and record keeping activities; the County's fleet pool vehicles; the preparation of new vehicle specifications; processing of new vehicles and disposition of used vehicles; processing of emergency equipment installations/removals; and the scheduling/inspections of collision repairs.

Vehicle/Parts Support

Vehicle/Parts Support is responsible for managing the inventory and repair parts for over 1,500+ items; issuing all non-inventory parts; preparing support parts and servicing for new vehicles and equipment; processing invoices; charging out appropriate expenses to non-general fund departments; and managing twelve fuel storage and dispensing facilities using the 'Fuel Master' automated fuel dispensing system. On March 14, 2017, the Board of Commissioners (BOC) approved a contract with NAPA Integrated Business Solutions to outsource the purchase of auto, truck, bus, and equipment parts and the parts operation management.

Automotive/Light Duty Trucks

The Automotive/Light Duty Truck section, commonly referred to as the Car Shop, is responsible for the maintenance, repairs, and inspections of automobiles, light duty trucks (less than 11,500 gross vehicle weight), mini-busses, motorcycles, and light vehicle tire buildup.

² Excerpts summarized from the Cobb County 2017-18 Biennial Budget Book.

Medium/Heavy Duty Truck and Off-Road Equipment

The Medium/Heavy Duty Truck and Off-Road Equipment section is divided into two specialty areas: Medium/Heavy Duty Trucks and Off-Road Equipment. The Medium/Heavy duty truck area, commonly referred to as the Truck Shop, is responsible for maintenance, repairs, inspections, the processing of new medium and heavy duty trucks (above 11,500 lbs. gross vehicle weight excluding Fire Department apparatus), and road calls. The Off-Road Equipment area, commonly referred to as the Equipment Shop, is responsible for the maintenance, repairs, inspections, processing of new off-road vehicles and associated equipment, fabrication of equipment modifications, maintenance and servicing of installed small engines, emergency generator fueling and preventive maintenance servicing (excluding Water Department and E911 generators), mobile fueling and field services.

Staffing

Fleet's adopted budget for FY2017 is \$4,188,742, with a staff that includes 33 full-time and 3 part-time employees.

Vehicle Inventory

Per a March 3, 2017 report³, there were 1,793 vehicles in the Fleet's inventory. Each vehicle is required to have routine maintenance, various repairs, and emissions inspections. Table 1 on Page 3 reflects a list of vehicles by Elected Official, Agency, or Department.

Our survey scope was limited to risks identified during the CY2015-16 Countywide Risk Assessment. Detailed information on our objective(s), scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

³ Source: AssetWorks System report presented for contextual/informational purposes only. We were unable to validate this listing, and thus provide no assurance as to its completeness and accuracy.

List of Vehicles by Department

Elected Official, Agency, or Department	Number of Vehicles
800 MHz	1
Administration/County Manager	1
Animal Control	3
Cobb and Douglas Community Services Board	1
Community Development	55
Department of Transportation	44
District Attorney	17
E-911	3
Elections	2
Emergency Management	1
Extension Services	1
Fire Department	73
Fleet Management	54
Information Services	3
Juvenile Probation	12
Library	1
Medical Examiner	4
P.A.R.K.S.	32
Police Department	1087
Pre-Trial Services	1
Property Management	15
Public Safety Agency	5
Public Safety Training Center	25
Purchasing	2
Risk Management Division	7
Senior Services	8
Sheriff's Office	200
Solicitor's Office	4
Solid Waste Division	4
Tax Commissioner	5
Transit Division	7
Water System	115
Total	<u>1793</u>

Table 1 - Source: Fleet Management AssetWorks System, as March 3, 2017.

Based on the list above, we noted that the Police Department (60.6%), Sheriff's Office (11.2%), and Water System (6.4%) account for 78.2% of the vehicles that Fleet maintains.

Results of Survey

Our overall objective of this survey was to evaluate the current controls and corrective actions by Fleet Management (Fleet) to ensure adequate controls over parts inventory; acquisition replacement, maintenance, and disposition of Cobb County (County) owned vehicles; and assess the adequacy of the cost analysis of the County's use of leased versus purchased vehicles. We summarized the three major risk categories, specific risks identified within each category, and the mitigating controls noted in the CY2015-16 Countywide Risk Assessment. The three major risk categories identified were: 1) Controls over parts inventory; 2) Controls over the acquisition replacement, maintenance, and disposition of County owned vehicles; and 3) Adequacy of the cost analysis of the County's use of leased versus purchased vehicles. For each specific risk, we obtained the status of controls and corrective actions to eliminate or mitigate the risks, performed limited testing to assess the adequacy of each, and summarized the results to include recommendations.

We found that adequate controls and corrective actions exist to partially mitigate the operational risks identified within the Fleet Management Department. Outsourcing the parts inventory will significantly mitigate risks, but additional oversight, monitoring, and security controls are needed. Established procedures, multiple-department coordination, internal control activities, and periodic external compliance review are in place to mitigate risks within phases of the acquisition replacement, maintenance, and disposition of Cobb County (County) owned vehicles. We were unable to assess the adequacy of the cost analysis of the County's use of leased versus purchased vehicles, but we were able to review external sources to support the results. In addition, we identified several areas where existing controls can be improved and additional controls are needed to gain more efficiency and further mitigate or fully eliminate the risks identified.

Controls over Parts Inventory

The outsourcing of the parts inventory administration will significantly mitigate the risks identified regarding the controls over parts inventory, but additional oversight, monitoring, and security controls are needed to ensure that the outsourced process is producing the intended results, efficiencies, and cost savings.

Effective March 15, 2017, the County entered into an integrated supply agreement with Genuine Parts Company, d/b/a NAPA Auto Parts (NAPA IBS), to outsource the purchase of auto, truck, bus, and equipment parts and the parts operation management. The contract includes a detailed description of the duties and responsibilities of both NAPA IBS and Fleet. We also noted a contract amendment where NAPA IBS agreed to purchase Fleet's existing inventory under the following conditions: a) must not be obsolete, b) must be in saleable condition, c) must be currently needed by Fleet's active equipment, and d) must have been used by Fleet within the twelve-month period immediately prior to the purchase. NAPA IBS also agreed to assist Fleet in reducing the amount of its obsolete inventory not purchased. This outsourcing arrangement is projected to yield substantial annual savings and efficiencies, but adequate oversight and monitoring controls are needed to ensure the obligations of both parties are adhered to and performance measures are met.

Per Fleet staff, the daily reconciliations of work orders and operational reports will be performed and used to develop an effective reconciliation process and performance measure tracking report. Once this process is established, the reconciliations will be performed weekly, in addition to quarterly and semi-annual reviews on the overall operating costs, expenditures, and cost savings.

Every department in the County is responsible for establishing effective contract management practices and designating staff responsible for overseeing contract compliance. Contract management is critical to ensuring both parties adhere to all terms and conditions detailed within the contracts. Fleet should ensure that its designated contract administrator comply with the County's guidance on contract administration and other best practices.

In addition, the physical security risks over parts inventory will be partially mitigated with the outsourced contract. The amendment requires that a secured area is maintained separate from Fleet operations, with no intermingling of parts inventory, and limited access controls to the secured area. NAPA IBS staff will only be allowed in the building with the County presence and additional cameras will be implemented to cover all access points of the building and various locations within the parts area. Based on our interviews and observations, we noted that additional controls are needed to ensure that the physical security risks at the Fleet facility are mitigated further. Weaknesses in physical security controls can increase the potential risk of theft, loss, fraud, waste, and abuse. Inoperative or unmonitored security systems and controls can also increase the risk of loss to the County.

Recommendations

The Fleet Director should:

Recommendation 1: Ensure the designated contract administrator follows best practices in contract administration to include, at a minimum:

- Understanding the mutual obligations of the contract.
- Ensuring the proper implementation of all contract specifications.
- Amending the contract as required or deemed necessary.
- Extending or cancelling the contract in a timely manner.
- Maintaining contract documentation including:
 - Copies of contracts;
 - Copies of all amendments;
 - Copies of correspondence (i.e. notes from meetings and phone conversations);
 - A log of problems, proposed solutions and results.

Auditee Response: **Concur.** All copies of contracts are kept with the clerk's office and here at Fleet. All amendments are attached to all contracts. Most communication is via e-mail which is kept in the county IS network.

Additional Internal Audit Comment: Maintaining contract documentation is one aspect of contract administration. Fleet's designated contract administrator should monitor the contract provisions on an ongoing basis to ensure that all obligations are met as expected. Issues of non-compliance should be communicated to the appropriate level of County management for resolution.

Recommendation 2: Continue to monitor the outsourced process and provide periodic reports on the overall results, efficiencies, cost savings, and other outcome measures to the Support Services Agency Director, County Manager, Finance Director, and/or BOC.

Auditee Response: **Concur.** Outsourced processes are monitored on a regular basis. This includes ongoing discussions, and consolidation. Cost savings, result efficiencies and other outcome measures will continue to be measured as we move along. The Fiscal Officer I monitors the processes bi-annually and sends a report to the Fleet Director of the efficiencies and cost savings.

Additional Internal Audit Comment: We believe that the monitoring reports on cost savings, result efficiencies, and other outcome measures should be performed more frequently and communicated to other County leadership as referenced.

Recommendation 3: Assess the current security measures at the Fleet facilities. Consideration should be given to access controls and the ongoing monitoring of cameras, alarms, and other physical security systems. The appropriate changes should be incorporated as needed.

Auditee Response: **Concur.** Fleet installed digital Security cameras to a Network Video Recorder. The Fiscal Officer I and Administrative Assistant I monitor the security measures weekly. Fuel Authorization – Manager’s signoff on the fuel authorization forms before the employee is entered into the “Fuelmaster” system to be authorized to fuel systems.

Controls over the Acquisition Replacement, Maintenance, and Disposition of County Owned Vehicles

Established procedures, multiple-department coordination, internal control activities, and periodic external compliance reviews partially mitigate risks within phases of the acquisition replacement, maintenance, and disposition of County owned vehicles. For each specific risk within this section, we performed several interviews, observed operational processes, reviewed select evidence, and performed limited testing on Fleet staff assertions. In each area, we noted that existing controls and corrective actions exist, but additional actions are needed to further strengthen the controls and mitigate the risks identified.

Vehicle/Equipment Repair and Maintenance

The specific risks identified for vehicle/equipment repair and maintenance are partially mitigated by established procedures that include, but are not limited to: segregation of duties between the Service Writer, Technicians, and Parts Inventory person; periodic supervisory/management review; and periodic reconciliation of replacement parts to the work order completion. Our limited testing procedures revealed the lack of initials or signatures as evidence of periodic reconciliation and supervisory/management review. We randomly reviewed a select number of closed work orders and noted that each did not reflect the Service Writer’s initials or signature as evidence of review. We also were unable to validate the bi-weekly supervisory review of replacement parts to work orders completed because no evidence was maintained. All supervisory reviews and reconciliations should include documented evidence of review.

Although these procedures will be modified by the outsourcing arrangement of parts inventory, evidence of reviews and reconciliations is critical to ensure adequate controls exist.

In addition, the P.A.R.K.S.⁴ department maintains a separate function to handle its small engine/equipment repairs. Fleet staff indicated that no discussions have been initiated on whether to consolidate the maintenance and repair services for County departments. While Fleet staff do not believe there is any duplication of services, a review (cost-benefit analysis) of both structures (Fleet and PARKS) could possibly identify efficiencies through consolidation of services, shared asset management system, or a streamlined approach.

Recommendations

The Fleet Director should:

Recommendation 4: Require Service Writers to include their initials or signature as evidence of final review/agreement with closed work orders. An automated process would provide greater efficiencies and serve as a tool to maintain evidence of the final review.

Auditee Response: **Concur.** The work order system already records a date and time stamp when the status of a work order is changed to work finished and closed, as well as logs who opens, work finishes and closes the work order. The Service Writers are required to verify that the work order notes reflect what parts were charged to the work order and that the labor times are within a reasonable repair time frame. This process has been done since 1999 when we started using the Fleet Focus software.

Additional Internal Audit Comment: This information was not readily available during our fieldwork. Subsequent to the issuance of the draft report, we received copies of the referenced logs which included several instances where one person opened, finished, and closed work orders. The process should continue to be evaluated to ensure proper segregation of duties exist.

Recommendation 5: Require evidence of supervisory/management review and periodic reconciliation of replacement parts to work orders completed be documented and maintained electronically within the system (preferred) or via another acceptable alternative.

Auditee Response: **Concur.** Supervisors are required to verify that the parts were installed on 20 work orders a month. Electronic controls are in place that indicate that supervisors verified installation of parts.

Additional Internal Audit Comment: This information was not readily available during our fieldwork. Subsequent to the issuance of the draft report, we received copies of a monthly report provided to the Fleet Director of work orders reviewed.

⁴ Parks, Arts, Recreation & Cultural Affairs, Keep Cobb Beautiful, and Solid Waste Department.

Recommendation 6: Initiate discussions with the appropriate County departments to determine whether consolidation of maintenance and repair of County equipment would create greater efficiencies and controls over maintenance costs. Discussions should include a cost-benefit analysis, in-sourcing options, and a shared asset management system, at a minimum. The results should be communicated to the County Manager for input and consideration.

Auditee Response: **Concur.** Fleet Director will be reaching out to County Department Directors to initiate discussions on this matter by August 11, 2017.

Equipment Acquisition Replacement and Disposition

Equipment acquisition replacement risks are mitigated by various procedures and multi-department coordination as an individual item and/or included in the County's vehicle replacement list. Once an individual item has reached its useful life or it has been determined that it should be replaced, the Fleet Administrator, Technician, and Supervisor will discuss the options and present their results to the Fleet Director. The Fleet Director then makes a recommendation to the Department Head for a final decision. As such, no one person makes the decision unilaterally and multiple approval levels are required. In addition, Fleet maintains a list of items that meet their internal vehicle replacement criteria. This list is periodically distributed to the respective County Departments for input and then reconciled and consolidated. A final list is submitted to the County Manager with the estimated costs and priority level. Based on available funding and critical needs, all or a portion of the vehicle replacements are approved and the RQS process initiated through County purchasing guidelines.

Equipment and vehicle disposition follows the same process described above for an individual item, but additional controls are needed to address the cash handling risks associated with auctions. Once a final decision has been made to dispose of an item, the specific equipment details (i.e. photos, description, condition, etc.) of the item is forwarded to the Purchasing Department to facilitate the disposition of the equipment or vehicle. Once the Purchasing Supervisor receives the information, the sales price is established by a price range established for vehicles, consultation with Fleet staff, and/or research for specialized equipment. Vehicles are sold on eBay⁵ and specialized equipment is sold on GovDeals.com⁶. We did not perform testing on specific sales, but we did note legal disclaimers that should be reviewed by the County Attorney's office for appropriateness, applicability, and/or consistency.

We also found a segregation of duties weakness within the auction process. The Purchasing Supervisor initiates, tracks, approves, and documents the transaction. The Supervisor specifically handles payment arrangements, prepares sale documents, and coordinates the physical pick-up of the item. We also noted no signature approval from any level of management to support the pricing and final sales amount. Proper segregation of duties controls are needed to eliminate or reduce to an acceptable level, the risk of theft, loss, or misappropriation.

⁵ A commerce company that enables sellers to organize and offer their inventory for sale and buyers to find and purchase these items.

⁶ GovDeals.com provides services to various government agencies that allow them to sell surplus and confiscated items via the Internet. Each participating agency has its own auction rules and regulations and may be subject to government ordinances.

In smaller offices, it may not be feasible to segregate all the cash related tasks; therefore, compensating controls (i.e. detailed supervisory review) may be used to mitigate the risk but only if necessary.

Recommendations

The Purchasing Director should:

Recommendation 7: Implement controls to ensure the segregation of duties weakness is eliminated in the disposition process and the required documentation is maintained to support the final bids from the online sites, to include the authorized signature of approval.

Auditee Response: **Concur.** The Purchasing Director or his/her designee will sign the bill of sale and sign off on the final auction packet including the screen print of eBay auction showing final sale price. Signed documents will be included in the auction file. **Expected Completion Date:** process to be implemented with next auction scheduled for August 4, 2017.

Recommendation 8: Ensure the legal disclaimer information regarding the online sales/auctions of County items is reviewed and approved by the County Attorney's office.

Auditee Response: **Concur.** The Purchasing Director will send the legal disclaimer to the County Attorney's Office for review and approval. **Expected Completion Date:** August 18, 2017.

Recommendation 9: Coordinate with the Fleet Department to periodically evaluate the established price ranges for disposed vehicles and maintain documentation to support the results.

Auditee Response: **Concur.** The Purchasing Director or his/her designee will schedule at least two (2) meetings annually with the Fleet Department to discuss and evaluate the established price ranges for disposed vehicles and maintain documentation to support the results. **Expected Completion Date:** August 25, 2017 (first meeting to be scheduled with Fleet Dept.).

Emission Inspections

The controls designed to ensure that emission certificates are current, completed timely, and maintained for County-owned vehicles⁷ are deemed inadequate. Emission inspections are performed when vehicles are brought to Fleet in response to an email alert from the AssetWorks system or during scheduled preventative maintenance throughout the year. If an emission inspection or preventative maintenance is not performed as scheduled, there is no additional follow-up in place to ensure the emission inspections are completed on County-owned vehicles on an annual basis. We were also unable to determine whether a current emission inspection certificate exists for County-owned vehicles in accordance with state requirements. Although we noted no prior fines/penalties, we were unable to determine the potential of future fines/penalties, if any, due to noncompliance.

⁷ Based on Georgia Clean Air Force requirements of vehicle model year, type, gross vehicle weight rating, etc.

Per Georgia's Clean Air Force⁸ (GCAF), 'vehicle fleets must undergo an emission inspection on an annual basis despite being registered on a multi-year basis. Government-owned and company-owned vehicles, including those used by law enforcement and emergency response agencies, are not exempt under the law from the vehicle emissions testing requirements.' Emission inspection certification must be verified by fleet managers and are required according to an alphabetical schedule. Vehicles are to be tested based on the first letter of the department/agency/business name, as shown on the title.

Emissions inspections must be completed by the end of February, for the vehicles in Cobb County's fleet that are not exempt by state requirements. Fleet needs to implement the additional control activities needed to fully mitigate any risks associated with emission inspections.

GCAF also requires that technicians performing emissions inspections be certified and monthly audits be performed on testing machines. As of the date of our site visit, we noted ten technicians certified to perform emissions tests at the Fleet facility. Fleet staff indicated that monthly audits of testing machines are performed, but the results were not maintained or was not readily available.

Recommendations

The Fleet Director should:

Recommendation 10: Revise the current process for emissions tests, to include research of other Fleet Department emission testing practices and a discussion of acceptable options available with the Georgia Clean Air Force.

Auditee Response: Concur.

Cobb Fleet reached out to DeKalb County July 2017 on how their emissions are performed at their facility.

- New cars are set up for January three years from in service date.
- Vehicles over three years old are scheduled one year from in service date.
- Coming due emissions testing report goes out once a month.
- Once emission test is performed it comes off list for one year from date completed.
- Cobb sends out a report weekly to County Departments on what vehicles are due for emissions.

Cobb County complies with EPA and Georgia Clean Air Force the same way DeKalb County complies.

Additional Internal Audit Comment: We believe Fleet should expand its research options to include other metropolitan Atlanta counties and municipalities for comparative purposes.

⁸ GCAF was created in 1996 as a result of the Clean Air Act and the support of the Georgia legislature. In conjunction with the Georgia Environmental Protection Division (EPD), GCAF serves as the state's Enhanced Vehicle Emission Inspection and Maintenance (I/M) Program. [Source: www.cleanairforce.com/stations/fleet-information/]

Recommendation 11: Develop a user-friendly report to reflect the current list of County-owned vehicles, to include the status of emission certificates, and cross-reference this list to the Finance Department's fixed asset listing for completeness. Discrepancies should be identified, researched, and resolved.

Auditee Response: **Concur.** Meeting with IS Department to develop a report that will pull the emissions information and the Finance Assets data together to make one report. We anticipate the report to be completed by December 2017. We currently run a report from each system and review it manually.

Additional Internal Audit Comment: This responsibility should be delegated to a specific position to ensure completion.

Recommendation 12: Develop and distribute a periodic outstanding emission certificate report to the respective County departments, County Manager, and/or Elected Official office for timely resolution.

Auditee Response: **Concur.** Fleet supervisors send out a report weekly to County Departments on what vehicles are due for emissions.

Additional Internal Audit Comment: For instances of no response, the weekly reports should be communicated to the respective Department Director, Elected Official, and/or County Manager, as deemed necessary.

Fueling Service (onsite/offsite)

We found the controls over fueling services to be adequate to mitigate the risks identified. Internal control activities exist to ensure continued operability, and an external compliance review is conducted by the Environmental Protection Division (EPD) every three years. We also noted that additional physical security measures are needed.

The Fleet Department is responsible for monitoring and ensuring the County's compliance with State fueling requirements. The County has 12 fueling sites that are monitored electronically on a daily and weekly basis using a real-time computer system, SMARTank⁹. In addition, Fleet has an AB Certified¹⁰ Fueling Manager that physically observes and inspects each site during weekly visits to ensure there are no leaking tanks and safety hazards as defined by the EPD regulations. External compliance reviews performed by EPD include the results of the internal control activities, invoices, reports, and inspections for the previous three-year period and physical onsite observations.

⁹ SMARTank is a tank monitoring system used by Fleet to monitor the County's fueling sites, tank level readings, manage inventory levels, and detect potential operational issues.

¹⁰ The State of Georgia requires certifications to be obtained to ensure operators possess the knowledge of the rules to properly operate underground storage tank facilities.

Fueling sites are equipped with physical security measures, but an assessment of the overall security and monitoring controls at all fueling sites are needed to ensure adequate controls exist and are operational. Physical security measures at County facilities, to include access controls, security cameras, etc., need to be monitored to ensure continued operability and periodically evaluated to ensure continued effectiveness. Ineffective, inoperative or unmonitored security measures increase the risk of loss to the County.

Recommendation

The Fleet Director should:

Recommendation 13: Assess the physical security measures at fueling sites to ensure that security and alarm systems are properly monitored for continued operability.

Auditee Response: **Concur.** County has fueling sites which require the “pro key” to be able to fuel at any site. In addition, the driver must be a registered user in the fueling system.

Additional Internal Audit Comment: Additional physical safeguards were discussed verbally.

Cost Analysis of the County’s use of Leased versus Purchased Vehicles

We reviewed select sources of cost analysis used to substantiate the County’s use of leased versus purchased vehicles. We noted errors in the calculations, but the results were to the benefit of the leased vehicles. We were also able to review external sources to support the results.

We re-computed the approximate cost for an electric vehicle versus the fuel for gasoline vehicle and noted the projected cost savings favorable to electric vehicles. We also performed limited research¹¹ used by Fleet as source documents to perform the analysis. Per discussion with Fleet staff, internal analyses and reconciliations are validated, but we were unable to substantiate this assertion because no signature documentation was maintained. We also noted computation errors in the analysis. Although the errors noted resulted in a favorable outcome to the overall analysis, validating internal documents and supervisory reviews on a consistent basis will eliminate or mitigate the risk of reaching an incorrect conclusion. In addition, the cost analysis should be periodically updated and distributed to County management to ensure the projected savings are being achieved as expected.

¹¹ Source: Department of Energy’s website - <http://www.afdc.energy.gov/>.

Recommendations

The Fleet Director should:

Recommendation 14: Ensure analyses, reconciliations, etc. are validated internally on a consistent basis and evidence of review and validation should be documented and maintained.

Auditee Response: **Concur.** Fleet Director monitors calculations for accuracy and cross check all reports submitted to him. He will ask for explanations and corrective actions (if needed) on all calculations if he has concerns on any report. Once he is confident the information is correct, he sends the information to the SSA Agency Director.

Additional Internal Auditor Comment: The Fleet Director should ensure all reviews are documented.

Recommendation 15: Provide periodic updates/reports to management on the status of projects approved and implemented.

Auditee Response: **Concur.** Fleet Director provides periodic reports to the SSA Agency Director annually. The reports consist of cost saving and efficiencies on projects.

Additional Internal Audit Comment: This information was not readily available during our fieldwork. As such, we were unable to validate this assertion.

Detailed Objective(s), Scope, and Methodology

We conducted this survey as part of our biennial audit plan. The preliminary phase of our survey included gathering information on the current risks and status of corrective actions. Upon receipt, we compiled the corrective actions, assessed whether those actions are adequate to eliminate or mitigate the risk identified, made additional recommendations, and relayed those results to County management.

The objective was to evaluate the current controls and corrective actions by Fleet Management to ensure adequate controls over parts inventory; acquisition replacement, maintenance, and disposition of Cobb County (County) owned vehicles; and assess the adequacy of the cost analysis of the County's use of leased versus purchased vehicles.

We conducted this survey in conformance with select aspects of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. A complete audit was not the objective of this survey. See Background on Page 1 for further discussion.

Based on Fleet's responses to our status of corrective actions, the following procedures/steps were performed to conclude on our assessment.

Parts Procurement

1. Observed/inquired about alarm system and controlled access.
2. Observed/confirmed the three-level approval process for requisitions.
3. Obtained/reviewed evidence of weekly cycle counts for high dollar items and tires.
4. Obtained/reviewed evidence of the most recent physical inventory information and results.
5. Obtained/reviewed a copy or details of the last fleet audit.
6. Obtained the status of discussions regarding the outsourcing/privatization of parts procurement.
7. Identified any additional controls to fully eliminate or further mitigate the risks as identified, if applicable.

Vehicle/Equipment Repair and Maintenance

1. Obtained/confirmed daily work order process.
2. Obtained/reviewed evidence of Manager's random work order reviews.
3. Obtained status of discussions regarding possible duplication of services with the P.A.R.K.S. Department (i.e. small engine/equipment repair).
4. Identified any additional controls to fully eliminate or further mitigate the risks as identified, if applicable.

Equipment Acquisition/Disposal

1. Obtained clarification on who determines if/when an item is disposed.
2. Confirmed the acquisition process between Fleet, Purchasing and the user departments.
3. Observed/confirmed the public auction process.
4. Identified any additional controls to fully eliminate or further mitigate the risks as identified, if applicable.

Emission Inspections

1. Obtained a list of all County vehicles requiring emission certificates.
2. Obtained a list of all current emission certificates in the inventory system.
3. Identified any additional controls to fully eliminate or further mitigate the risks as identified, if applicable.

Fueling Service (onsite/offsite)

1. Obtained/reviewed evidence of weekly fuel reconciliations.
2. Observed/confirmed camera locations, security cameras, and monitoring functions.
3. Observed/reviewed evidence of monthly offsite fueling reconciliations.
4. Obtained clarification on who is EPD and its oversight/monitoring relationship with the County's fueling facilities.
5. Obtained clarification on if the reports audited by EPD are the same as those reviewed weekly and monthly by the Fleet department.
6. Obtained/reviewed evidence of the following:
 - a. Annual inventory of fueling reports and dispensing history;
 - b. Audits by the EPD; and
 - c. Quarterly inspections by the EPD.
7. Identified any additional controls to fully eliminate or further mitigate the risks as identified, if applicable.

Leased versus Purchased vehicles cost analysis

1. Obtained/reviewed the results of the internal cost analysis.
2. Obtained any information needed to clarify the results of the cost analysis.
3. Identified any additional controls to fully eliminate or further mitigate the risks as identified, if applicable.

Abbreviations

CRA	Countywide Risk Assessment
NAPA IBS	NAPA Integrated Business Solutions
GCAF	Georgia Clean Air Force
BOC	Board of Commissioners
EPD	Environmental Protection Division

Major Contributors to This Report

Latona Thomas, CPA, Internal Audit Director
Andrea Clayton, Auditor-in-Charge

Final Report Distribution List

Al Curtis, Fleet Director
Joe Tommie, Purchasing Director
Eddie Canon, Support Services Agency Director
Ahsan Rafay, Fleet Fiscal Officer I
Cobb County Audit Committee
Internal Audit Department File

Outcome Measure(s)

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. These benefit(s) will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Increase Safeguards of Assets/Protection of Resources – Actual; Recommendations, when implemented, will provide additional security over County assets (See Pages 4 - 13).

Methodology Used to Measure the Reported Benefit:

We noted instances where additional controls are needed to strengthen and increase the safeguards over the County's parts inventory, fueling sites, and 1793 County-owned vehicles¹².

Type and Value of Outcome Measure:

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the completeness and accuracy of information present to management. (See Pages 12 - 13).

Methodology Used to Measure the Reported Benefit:

We found computation errors in an analysis used to make a critical business decision for the County. Validating internal documents on a consistent basis will eliminate or mitigate this weakness and associated error.

¹² As of March 3, 2017.

Fleet Director's Response



COBB COUNTY FLEET MANAGEMENT

1940 County Services Parkway, SW
Marietta, Georgia 30008
phone: (770) 528-1114 • fax: (770) 528-1115

Al Curtis
Fleet Director

DATE: August 3, 2017

TO: Latona Thomas, CPA, Director, Internal Audit

FROM: Al Curtis, Fleet Director *AK*

SUBJECT: Response to the Internal Audit Draft Report
Survey of Operational Risks (Fleet Management Department)

This memo is in response to the subject report dated July 20, 2017. You identified opportunities to improve Fleet's operations and ensure the major operational risks identified are mitigated or eliminated. You made several recommendations, our response to those recommendations are below.

Recommendations

The Fleet Director should:

Recommendation 1: Ensure the designated contract administrator follows best practices in contract administration to include, at a minimum:

- Understanding the mutual obligations of the contract.
- Ensuring the proper implementation of all contract specifications.
- Amending the contract as required or deemed necessary.
- Extending or cancelling the contract in a timely manner.
- Maintaining contract documentation including:
 - Copies of contracts;
 - Copies of all amendments;
 - Copies of correspondence (i.e. notes from meetings and phone conversations);
 - A log of problems, proposed solutions and results.

Response: Concur

All copies of contracts are kept with the clerk's office and here at Fleet. All amendments are attached to all contracts. Most communication is via e-mail which is kept in the county IS network.

Recommendation 2: Continue to monitor the outsourced process and provide periodic reports on the overall results, efficiencies, cost savings, and other outcome measures to the Support Services Agency Director, County Manager, Finance Director, and/or BOC.

Response: Concur

Outsourced processes are monitored on a regular basis. This includes ongoing discussions, and consolidation. Cost savings, result efficiencies and other outcome measures will continue to be measured as we move along. The Fiscal Officer I monitors the processes bi-annually and sends a report to the Fleet Director of the efficiencies and cost savings.

Recommendation 3: Assess the current security measures at the Fleet facilities. Consideration should be given to access controls and the ongoing monitoring of cameras, alarms, and other physical security systems. The appropriate changes should be incorporated as needed.

Response: Concur

Fleet installed digital Security cameras to a Network Video Recorder. The Fiscal Officer I and Administrative Assistant I monitor the security measures weekly. Fuel Authorization - Manager's signoff on the fuel authorization forms before the employee is entered into the "Fuelmaster" system to be authorized to fuel systems.

Recommendations

The Fleet Director should:

Recommendation 4: Require Service Writers to include their initials or signature as evidence of final review/agreement with closed work orders. An automated process would provide greater efficiencies and serve as a tool to maintain evidence of the final review.

Response: Concur

The work order system already records a date and time stamp when the status of a work order is changed to work finished and closed, as well as logs who opens, work finishes and closes the work order. The Service Writers are required to verify that the work order notes reflect what parts were charged to the work order and that the labor times are within a reasonable repair time frame. This process has been done since 1999 when we started using the Fleet Focus software.

Recommendation 5: Require evidence of supervisory/management review and periodic reconciliation of replacement parts to work orders completed be documented and maintained electronically within the system (preferred) or via another acceptable alternative.

Response: Concur

Supervisors are required to verify that the parts were installed on 20 work orders a month. Electronic controls are in place that indicate that supervisors verified installation of parts.

Recommendation 6: Initiate discussions with the appropriate County departments to determine whether consolidation of maintenance and repair of County equipment would create greater efficiencies and controls over maintenance costs. Discussions should include a cost-benefit analysis, in-sourcing options, and a shared asset management system, at a minimum. The results should be communicated to the County Manager for input and consideration.

Response: Concur

Fleet Director will be reaching out to County Department Directors to initiate discussions on this matter by August 11, 2017.

Recommendations

The Fleet Director should:

Recommendation 10: Revise the current process for emissions tests, to include research of other Fleet Department emission testing practices and a discussion of acceptable options available with the Georgia Clean Air Force.

Response: Concur

Cobb Fleet reached out to DeKalb County July 2017 on how their emissions are performed at their facility. .

- New cars are set up for January three years from in service date.*
- Vehicles over three years old are scheduled one year from in service date.*
- Coming due emissions testing report goes out once a month.*
- Once emission test is performed it comes off list for one year from date completed.*
- Cobb sends out a report weekly to County Departments on what vehicles are due for emissions.*

Cobb County complies with EPA and Georgia Clean Air Force the same way DeKalb County complies.

Recommendation 11: Develop a user-friendly report to reflect the current list of County-owned vehicles, to include the status of emission certificates, and cross-reference this list to the Finance Department's fixed asset listing for completeness. Discrepancies should be identified, researched, and resolved.

Response: Concur

Meeting with IS Department to develop a report that will pull the emissions info and the Finance Assets data together to make one report. We anticipate the report to be completed by December 2017. We currently run a report from each system and review it manually.

Recommendation 12: Develop and distribute a periodic outstanding emission certificate report to the respective County departments, County Manager, and/or Elected Official office for timely resolution.

Response: Concur

Fleet supervisors sends out a report weekly to County Departments on what vehicles are due for emissions.

Recommendation

The Fleet Director should:

Recommendation 13: Assess the physical security measures at fueling sites to ensure that security and alarm systems are properly monitored for continued operability.

Response: Concur

County has fueling sites which require the "pro key" to be able to fuel at any site. In addition the driver must be a registered user in the fueling system.

Recommendations

The **Fleet Director** should:

Recommendation 14: Ensure analyses, reconciliations, etc. are validated internally on a consistent basis and evidence of review and validation should be documented and maintained.

Response: Concur

Fleet director monitors, calculations for accuracy, and cross checks all reports submitted to him. He will ask for explanations and corrective action (if needed) on all calculations if he has concerns on any reports. Once he is confident the information is correct he sends the information to the SSA Agency Director.

Recommendation 15: Provide periodic updates/reports to management on the status of projects approved and implemented.

Response: Concur

Fleet Director provides periodic reports to SSA Agency Director annually. The reports consist of cost saving and efficiencies on projects.

Purchasing Director's Response



**COBB COUNTY
PURCHASING DEPARTMENT**

122 Waddell Street NE
Marietta, GA 30060
770.528.8400 • fax: 770.528.8428
purchasing@cobbcounty.org

William J. Tommie, Jr., CPPO
Purchasing Director

DATE: August 1, 2017

TO: Latona Thomas, CPA, Director, Internal Audit

FROM: Joe Tommie, Purchasing Director *Joe Tommie*

SUBJECT: Response to the Internal Audit Draft Report – Survey of Operational Risks (Fleet Management Department)

This memo is in response to the subject report dated July 20, 2017. You identified opportunities to strengthen the controls over Purchasing's disposition process. You made several recommendations, our response to those recommendations are below.

Recommendations

The Purchasing Director should:

Recommendation 7: Implement controls to ensure the segregation of duties weakness is eliminated in the disposition process and the required documentation is maintained to support the final bids from the online sites, to include the authorized signature of approval.

Response: Concur

The Purchasing Director or his/her designee will sign the bill of sale and sign off on the final auction packet including the screen print of eBay auction showing final sale price. Signed documents will be included in the auction file. Expected Completion Date: process to be implemented with next auction scheduled for August 4, 2017.

Recommendation 8: Ensure the legal disclaimer information regarding the online sales/auctions of County items is reviewed and approved by the County Attorney's office.

Response: Concur

The Purchasing Director will send the legal disclaimer to the County Attorney's Office for review and approval. Expected Completion Date: August 18, 2017

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**COBB COUNTY
PURCHASING DEPARTMENT**

122 Waddell Street NE
Marietta, GA 30060
770.528.8400 • fax: 770.528.8428
purchasing@cobbcounty.org

William J. Tommie, Jr., CPPO
Purchasing Director

Recommendation 9: Coordinate with the Fleet Department to periodically evaluate the established price ranges for disposed vehicles and maintain documentation to support the results.

Response: Concur

The Purchasing Director or his/her designee will schedule at least two (2) meetings annually with the Fleet Department to discuss and evaluate the established price ranges for disposed vehicles and maintain documentation to support the results.

Expected Completion Date: August 25, 2017 (first meeting to be scheduled with Fleet Dept.)