

April 27, 2017

REPORT #: 2017-04

Roubik Golanian, Director of Public Works
Public Works Department

Dear Roubik,

Enclosed is the final report for the FASTER Fleet Asset Management System Audit. Internal Audit would like to thank you and your staff for the support and assistance provided to us during the audit.

Should you have any questions, please feel free to contact me.

Thank you,



Jessie Zhang,
Acting Internal Audit Manager

Enclosure

CC: Yasmin Beers, Assistant City Manager
Christopher Marcarello, Assistant Director of Public Works
Robert Elliot, Director of Finance
Michele Flynn, Assistant Director of Finance
Scott Ochoa, City Manager
Karl Vogeley, Fleet Manager
City Council
Audit Committee

REPORT #: 2017-04



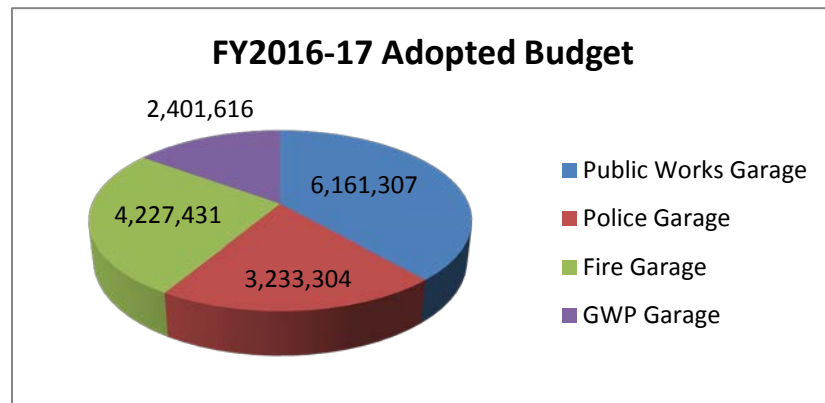
FASTER Fleet Asset Management Audit

April 27, 2017

Background

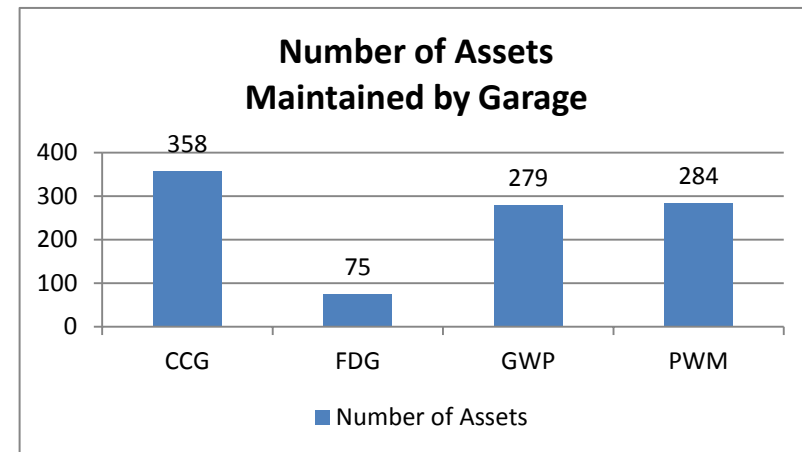
In accordance with Internal Audit's fiscal year 2016-17 annual work plan, Internal Audit performed an audit of the FASTER Fleet Asset Management System (FASTER). This is the system of record for the City's fleet operations. FASTER is used by the Fleet Services Division (Fleet) for tracking equipment, maintenance activities and associated costs. These costs cover acquisition and maintenance including labor, parts, and fuel.

Fleet is one of the six divisions within the Public Works Department. Its current \$16M budget is administered through an Internal Service Fund and represents about 15% of the total Public Works budget. Fleet consists of four garages including the Glendale Water and Power Garage (GWP), Public Works Garage (PWM), Fire Garage (FDG), and the Police Garage (CCG), where the repairs and scheduled preventive maintenance for all vehicles and equipment are performed. The table below provides Fleet budget by garage.

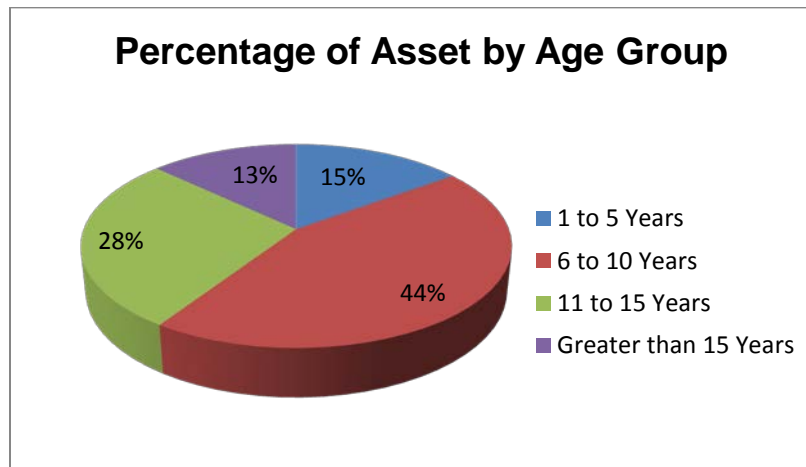


Fleet is responsible for the City's vehicle and equipment maintenance and automotive warehouse facilities. The Fleet Manager reports directly to the Director of Public Works on general administrative and operational issues. The Fleet Manager also provides information to Fleet users and the Fleet Advisory Board on strategic issues that impact the City's fleet. Other Fleet personnel include three administrative support staff, one stores supervisor, five equipment maintenance supervisors, and 27 equipment mechanics. Fleet staff is also responsible for compliance with all fleet related laws and regulations, policies and mandates.

The table below provides a snap shot of the number of equipment/assets maintained by each of the four garages at the time of our field work.



We noted that 41% (or 405) of the 996 assets were more than 10 years old. The table below provides age breakdown of the assets.



We also noted that the City has a diverse fleet with 110 different makes and 300 different models. The top five makes are Ford, Chevrolet, Dodge, GMC and Honda, which represented a total of 59% of all assets.

In order to gather fleet information, the City has been using FASTER to track fleet activities and related costs. FASTER is a fleet and asset management software created by FASTER Asset Solutions, a US-based fleet management system provider. Its functionalities include asset management, parts inventory management, maintenance and labor tracking, accounting and billing tracking of all costs, fuel management, and reporting.

Objective, Scope and Methodology

The objective of this audit was to determine whether adequate controls are in place to ensure data integrity and

accuracy. The scope of this audit included data processed in FASTER during fiscal year 2015-16. However, certain analytical procedures may include transactions outside of this period.

In order to accomplish the audit objective, Internal Audit performed the following audit procedures:

- Conducted interviews and inquiries with Fleet personnel on general controls related to fleet operations;
- Conducted interviews and walk-throughs with Fleet technicians and FASTER data administrator over FASTER system controls, data entry procedures and practices;
- Performed risks and control assessments over general application system, database, and user activities including input, processing and output;
- Performed analytical procedures and detailed test work of key data including equipment, parts and their associated costs;
- Examined the 15-point replacement measures including age point, meter point, and maintenance point on a sample of equipment;
- Performed review of selected FASTER reports, such as Key Performance Indicators (KPIs), compliance, and replacement considerations for accuracy and consistency.

- Conducted, on a sample basis, an equipment physical inventory in conjunction with Finance staff to determine completeness of records and existence of the selected assets.

Summary of Results

FASTER is used by the Fleet staff primarily for tracking the following information and activities:

- Assets – acquisition and disposal information along with standard and custom specifications such as make, model, class, ownership
- Parts - parts number, name, status, stock type, location, and unit price, etc.
- Work orders – description of maintenance and repairs, labor costs, parts installed, and sublet costs
- Labor hours – direct hours charged to work orders and indirect hours, such as meeting, training, waiting for job assignment
- Accounting data - budgeting, purchase orders, vendor information
- Fuel and mileage data – fuel quantity, mileage, fuel price

These data gathered in FASTER are used by Fleet to conduct their daily operations, such as scheduling maintenance and repairs, and evaluating technicians' productivity and labor activities by supervisors. It should be noted that the official recording of equipment fixed assets and parts invoice payments are processed in the City's financial accounting system.

FASTER data is also used to provide information to other City departments, such as inventory and fuel usage reporting to the Finance Department, KPI reporting to the City Manager's office, and compliance reporting to outside agencies, such as annual SMOG checks completed to Bureau of Automobile Repair. Furthermore, it provides information to the Fleet Advisory Board for strategic decision making and to other City departments for equipment replacement considerations. For example, FASTER has a built-in 15-point scale system that is used to identify equipment candidates for replacement. It assigns points to equipment based on three key factors, maintenance cost, mileage/hour meter, and the expended life. It is important that the data gathered in FASTER is accurate.

Based on the evaluation of our collective evidence obtained from detailed review and test work, we found fleet policies, procedures over user activities and periodic data quality control processes are lacking. As a result, we noted data inaccuracy and inconsistency in the areas such as assets, parts, maintenance costs, replacement points, fuel costs, and KPI reporting. In order to improve FASTER data integrity and accuracy, we have identified the following three critical areas for improvement:

First of all, a fleet strategic plan or policy is very important for providing direction and overarching guidelines to ensure the consistency of recording, tracking, and reporting on fleet management activities.

Secondly, it is also important to establish procedures associated with user activities such as entering data, and

producing or reporting results, and checking data output accuracy. These procedures will also serve as a good training tool, especially when there is a new system upgrade or staff turnover.

Furthermore, an effective quality control process is needed to timely identify errors and improve data accuracy and consistency.

Conclusion

Overall, we found that fleet policies, procedures, and quality control processes are lacking to ensure data integrity and accuracy. As a result, inaccurate and unreliable information may affect decision making on financial, performance, equipment replacement, fleet rate and cost allocation.

Based on our review and test work conducted, we found that controls can be improved through establishing policies and procedures, communicating the usefulness and importance of data input, providing additional training to system users, and conducting timely quality control over FASTER data. We have identified control weaknesses and improvement opportunities for the data quality and summarized them in 15 observations. These observations are summarized by risk rating in the chart that follows and are included in the Observation, Recommendation, and Management Response Section of this report.

Priority 1
Critical control weakness that exposes the City to a high degree of combined risks.
<ul style="list-style-type: none"> ○ Lack of controls to ensure the completeness of fleet asset records. (Item#1) ○ Effective controls are not in place to ensure asset data accuracy and consistency. (Item#2)
Priority 2
Less than critical control weakness that exposes the City to a moderate degree of combined risks.
<ul style="list-style-type: none"> ○ Lack of capitalization policy resulted in inconsistency in asset costs entered. (Item#3) ○ Lack of equipment replacement policy resulted in inconsistency and inaccuracy in replacement points calculation. (Item#4) ○ Lack of proper parts management resulted in poor data quality and parts obsolescence. (Item#5) ○ Lack of controls over parts inventory resulted in inaccurate inventory reporting and poor safeguarding of parts. (Item#6) ○ Outdated written instruction along with manual preparation of data and lack of quality control review resulted in KPI reporting errors. (Item#7) ○ Budgetary controls in FASTER are not appropriately utilized and duplicate data entry effort was noted. (Item#8)

- Lack of controls over tracking labor hours in FASTER resulted in over charging of labor costs to work orders hence maintenance costs. (Item#9)
- Imported fuel quantity data is largely accurate, but improvement opportunities were noted to reduce errors and improve efficiency and accuracy. (Item#10)
- Controls are inadequate to ensure fuel cost accuracy due to inconsistently updating fuel prices in FASTER. (Item#11)
- Lack of written data input instructions and timely review resulted in parts inconsistently and inaccurately entered in FASTER. (Item#12)

Priority 3

Opportunity for good or better practice for improved efficiency or reduce exposure to combined risks.

- Fleet does not maintain a complete list for compliance reporting. (Item#13)
- Improvement opportunities were noted to further enhance access control. (Item#14)
- FASTER software related issues were noted that require Fleet's follow-up. (Item#15)

	Item	Observation	Recommendation	Management Response
Priority 1	1.	<p>Effective control is not in place to ensure the completeness of fleet asset records. Based on our review, we noted the following:</p>	<p>It is recommended that Fleet Management consider the following:</p>	<p>Fleet Management agrees with the recommendations and will perform the following:</p>
	<p>1. Asset numbers are not assigned in sequential order for tracking purposes. According to Fleet, the departments prefer tracking their equipment with the same asset number series using the same first digit of the four-digit number. However, within each number series, we identified gaps resulting from assigning non-consecutive asset numbers. As a result, the completeness of the assets could not be determined.</p>	<p>1. Create unique and sequential asset numbers in order to improve control over the completeness of the asset records. The asset number should be assigned to effectively track the asset in FASTER system.</p> <p>2. Discontinue the practice of re-assigning the same asset number even if the equipment is retired or disposed.</p>	<p>1. Consult with the Fleet Advisory Board on creating unique and sequential asset numbers on a going forward basis.</p> <p>2. Fleet has stopped re-assigning asset numbers to different equipment. Fleet also started to compile available asset numbers for tracking and assigning.</p> <p>The anticipated completion date is December 31, 2017.</p>	
		<p>2. Asset numbers are not unique. Fleet re-assigned asset numbers for assets that had been retired or transferred from one department to another. We noted four asset numbers that have been re-assigned from retired vehicles to different active vehicles. For example, the same asset number was reassigned to a 2015 Toyota Sienna from a retired 1988 Chevrolet G20.</p>		

	Item	Observation	Recommendation	Management Response
Priority 1	2.	<p>Effective controls are not in place to ensure asset data accuracy and consistency. Based on a reconciliation between FASTER asset report and Fixed Asset Database, and sample physical inventory verification, we found that:</p>	<p>It is recommended that Fleet Management consider the following:</p>	<p>Fleet Management agrees with the recommendations and will work with Finance to implement the following:</p>
	<p>1. Controls are not in place to ensure asset disposal is appropriately approved and recorded. For example,</p>	<p>1. Maintain approved and final O-25 (e.g. scan the signed copy in to FASTER) for all disposed assets in order to provide proper supporting documentation of the appropriate approval. Also, enter complete disposal information, such as disposal date and amount in FASTER. A memo should be prepared for proper retirement of the identified equipment without an approved form O-25.</p>	<p>1. Save Form O-25 to shared drive, work with Finance to obtain final Form O-25 with asset disposal information, enter the information in the FASTER disposal section, and scan final Form O-25 to FASTER. Also, provide Finance a memo for proper retirement of the identified equipment.</p>	
	<p>a. 10 pieces of retired/disposed equipment were not supported by an approved Property Transfer/ Disposal Request form (O-25).</p>	<p>2. Provide detailed asset information to Finance for updating Fixed Asset Database. Fleet and Finance should work together on how to best track assets that are not capitalized by Finance.</p>	<p>2. Document procedures on how assets should be added to both systems, including non-capital assets.</p>	
	<p>b. Disposal details are not complete under the FASTER Disposal section. Although Fleet scans the form O-25 for retired/disposed assets before they are submitted to purchasing, the completed form O-25 with disposal information was not obtained or recorded to evidence the asset's final disposition.</p>	<p>3. Work with Finance to verify the identified discrepancies in equipment information and correct them in both the FASTER and Fixed Asset Database.</p>	<p>3. Correct the inconsistencies noted.</p>	
	<p>2. As result of the reconciliation performed, 37 assets were noted in</p>		<p>4. Work with Finance on the quarterly and annual report for assets reconciliation.</p>	
				<p>The anticipated completion date is December 31, 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>FASTER, but not in the Fixed Asset Database. Although the physical existence of these assets has been confirmed, there is no guideline established to add new assets, including non-capitalized assets, to the Fixed Asset Database.</p> <p>3. Inconsistencies were noted between the records in FASTER and actual assets.</p> <p>a. Mobile climbing wall was recorded in FASTER as a trailer.</p> <p>b. 25 of the sampled equipment were noted with inconsistent equipment information (serial or license numbers etc.).</p> <p>c. 10 of the sampled equipment did not have asset number displayed.</p>	<p>4. Establish a timely reconciliation process to ensure the consistency of the information between the FASTER and Fixed Asset Database. For example, a quarterly FASTER asset status change report (new, retired, disposed, etc.) should be submitted to Finance for updating the Fixed Asset Database. Further, Fleet should provide Finance with a complete asset listing on an annual basis for Finance staff to reconcile to the Fixed Asset Database.</p>	

	Item	Observation	Recommendation	Management Response
Priority 2	3.	<p>Acquisition costs in FASTER were not always supported by paid invoices or agreed to the corresponding cost in the Fixed Asset Database. Based on our sample review, we found the following inconsistencies:</p> <p>1. Up fitting costs were either added to acquisition costs or entered as additional capitalized costs. Also, when up fitting is done in house, parts and labor costs are capitalized in FASTER. However, labor hours tracked in FASTER are not capitalized by Finance. According to the current policy, Finance only capitalizes the up fitting parts cost if they meet the capitalization threshold.</p> <p>2. When a major component of equipment was replaced, original capitalized cost was not reduced, which resulted in an overstatement of total capitalized cost. Although FASTER is capable of setting up an asset with a parent-child relationship to address this situation, this function is not used.</p>	<p>It is recommended that Fleet Management work with Finance to develop written policies and procedures to ensure that new assets are added with accurate and consistent information. The written policies and procedures should address the following:</p> <ol style="list-style-type: none"> 1. How up fitting costs should be recorded. 2. How to properly retire and replace a major component of an asset, including adjustments to the asset cost. 3. Establish capitalization criteria. <p>It is also recommended that Fleet consider utilizing the FASTER parent-child function to better track assets with major components and with different replacement lives.</p>	<p>Fleet Management agrees with the recommendations and will work with Finance to develop policies and procedures to record asset acquisition costs, additional capitalized costs, and make asset cost adjustment to retire/replace major components.</p> <p>Fleet Management will also evaluate whether the parent-child feature in FASTER should be utilized to track major equipment components and/or accessories.</p> <p>The anticipated completion is December 31, 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>3. There is no written capitalization guideline for recording capitalized cost in FASTER and based on our inquiries, capitalization is inconsistently implemented by Fleet personnel.</p>		

Item	Observation	Recommendation	Management Response
Priority 2	<p>4. Lack of an equipment replacement policy resulted in the inconsistent and inaccurate replacement points calculation. Based on an analysis of the FASTER Asset Replacement report as of June 30, 2016 and detailed sample review of assets due for replacement, we noted the following inconsistencies:</p> <p>1. 46% of the assets on the replacement report had zero meter points due to using the maximum system default mileage as "Life expectancy". For example, if the meter has six digits, the default meter life expectancy is 999,999 miles.</p> <p>2. Meter points are not calculated appropriately when the "15 Point Scale Meter" data field in FASTER is left blank, or selected with the wrong meter type from "hour meter" or "meter for odometer". We noted 5 of 10 samples did not choose the right meter type. Also, when Useful life or Acquisition cost is not entered, age point, replacement date and remaining life will not be calculated appropriately.</p>	<p>It is recommended that Fleet Management establish the following policies and procedures on entering data parameters in FASTER in order to ensure that the replacement point and replacement costs are consistently and appropriately calculated:</p> <p>1. Policy on vehicle meter life expectancy by class and ensure they are entered in FASTER consistently.</p> <p>2. Procedures for conducting periodic data quality review to identify missing data fields or inconsistent data entries for timely correction.</p> <p>3. Policy on equipment useful life and depreciated life expectancy (currently the same in FASTER) by class and determine whether depreciated life expectancy should be consistent with the useful life for fixed asset depreciation by Finance.</p> <p>4. Policy on setting inflation rate, either the same for all, or outlined</p>	<p>Fleet Management agrees with the recommendations and will perform the following:</p> <p>1. Establish guidelines in Fleet policy vehicle meter life expectancy, equipment useful life and depreciated life expectancy, inflation rate, and situations for using condition factor.</p> <p>2. Correct meter life expectancy, useful life, depreciated life expectancy, and inflation rate in FASTER according to the established policy.</p> <p>3. Establish a quarterly data quality review process to ensure that all required data fields are correctly and consistently entered following the established guideline.</p> <p>The anticipated completion is June 30, 2018.</p>

Item	Observation	Recommendation	Management Response
	<p>3. 5 of 10 samples of useful life in FASTER did not agree with the depreciation life in Finance’s Fixed Asset Database.</p> <p>4. Inflation rate was not consistently entered. According to Fleet personnel, a higher inflation rate of 5% instead of 3% was entered for certain class of equipment. However, we noted 10 classes had mixed inflation rates of 3% or 5%.</p> <p>5. In addition to the computed points, FASTER also has a +/- 2 condition factor that can be added to the 15-point scale for special conditions. For example, police vehicles, where maintenance points may not be relevant and high mileage low maintenance cost vehicles may need to be replaced.</p>	<p>based on different classes, or other methodology.</p> <p>5. Policy on replacement criteria, including equipment that is due for replacement before reaching 15 points, such as police vehicles.</p>	

Item	Observation	Recommendation	Management Response
Priority 2	<p>5. Lack of proper parts management resulted in poor data quality and parts obsolescence. Based on analysis of parts data in FASTER, we noted the following:</p>	<p>It is recommended that the Fleet Management consider the following:</p>	<p>Fleet Management agrees with the recommendations and will perform parts data clean-up based on physical inventory verification, and establish procedures to check data consistency, accuracy, and obsolescence quarterly. Fleet may consider set up a schedule to conduct physical inventory and data clean-up from one storeroom to another to ensure timely completion. The anticipated completion is by June 30, 2018.</p>
	<p>1. Inconsistencies in part identification number, stock type and part type were noted. For example, out of 5,975 number of parts categorized as "non-stock" parts, we noted 2,168 (or 36%) of them were "stock" parts according to their stock type.</p>	<p>1. Conduct a one-time parts data clean-up to ensure the consistencies amongst part number, status and part type, and to determine whether the obsolete parts should be closed/disposed. This needs to be conducted in conjunction with physical inventory of parts.</p>	<p>Fleet will provide training in tracking preventative maintenance services and assist in setting up Preventive Services along with task lists for all garages. The anticipated completion is September 30, 2017.</p>
	<p>2. Various types of preventive maintenance services were entered as parts. This was an inappropriate way for tracking preventive maintenance services by mechanics, but continued to be used by one garage.</p>	<p>2. Establish quality control process to periodically check part data accuracy and consistency, and parts obsolescence in a systematic and timely manner.</p>	
	<p>As a result, inappropriate quantities were added to the total quantity in stock. Based on the FASTER Parts Obsolescence Report we noted 13,670 quantity in stock have not been used for 3 years (since July 1, 2013), with a total inventory value of \$268k. About 3,500 "units" were</p>	<p>3. Discontinue the inappropriate way of tracking preventative maintenance services by issuing parts.</p>	

Item	Observation	Recommendation	Management Response
	<p>these Preventive Maintenance Services.</p> <p>3. Further, we noted 960 parts of 24,251 (4%) active parts with 3,752 remaining units have not been used in the last 10 years (since July 1, 2006). The total inventory value of these items is \$40K.</p>		

	Item	Observation	Recommendation	Management Response
Priority 2	6.	<p>Lack of controls over parts inventory resulted in inaccurate inventory reporting and poor safeguarding of parts. Based on review of parts data in FASTER and site visits, the following were noted:</p> <p>1. Stock parts are not inventoried consistently for all four garages. Although each shop has a storeroom with parts, only 1,037 of the 15,167 number of stock parts (or 7%) were properly included in the monthly inventory process, which covers a portion of one (Public Works garage) of the four garages. As a result of this practice, manual adjustments to the standard FASTER inventory report are needed for monthly inventory reporting to Finance. For example, select appropriate parameters and the users who received the parts.</p> <p>Also, based on the FASTER Activity Summary Report on parts, approximately \$606K of parts received by the three excluded storerooms during fiscal year 2016 was expensed at the time the invoices were paid. Since not all</p>	<p>It is recommended that Fleet Management consider the following in order to improve parts inventory reporting accuracy and inventory controls:</p> <p>1. Consolidate Fleet warehouse operations amongst all garages by establishing formal policies and procedures over inventory control and management. These procedures should include instructions on physical inventory controls and monthly inventory reporting to ensure proper selection of report parameters and minimize manual adjustments to the standard FASTER inventory report.</p> <p>Additionally, work with Finance to ensure appropriate reporting of parts inventory once a clean-up physical inventory of parts at all garages are completed.</p> <p>2. Conduct annual physical inventory of parts at all garages and establish a cycle count schedule to improve physical inventory controls over parts.</p>	<p>Fleet Management agrees with the recommendations and will perform the following:</p> <p>1. Evaluate and determine whether the Fleet warehouse operation should be consolidated. Also, establish formal policies and procedures over parts inventory control and management, including physical inventory, cycle count, non-stock parts review, and inventory reporting. Further, work with Finance to make necessary adjustment after a physical inventory verification of parts is completed.</p> <p>2. Conduct annual physical inventory of parts and monthly cycle counts.</p> <p>3. Conduct quarterly review of non-stock parts on hand.</p> <p>4. Correct user names and/or users drop down list and remind technicians to consistently input their names when using shared computers.</p>

Item	Observation	Recommendation	Management Response
	<p>received parts were used by year-end, a net \$88K parts were incorrectly expensed.</p> <p>Further, according to the City's Comprehensive Annual Financial Report ended June 30, 2016, the Fleet/Equipment Management fund had \$219K in inventory. However, according to FASTER Valuation of Perpetual Inventory report, the total Fleet inventory value as of June 30, 2016 was \$1.2M. However, this amount is not reliable due to lack of physical inventory and data quality control. For example, \$43K was identified by Fleet as error because it is for storerooms that are no longer exist.</p> <p>2. No scheduled cycle counts have been conducted at three of the four garages.</p> <p>3. Based on a FASTER Parts inventory summary report generated in January 2017, there were 320 non-stock parts with a total value of \$73,842 on hand. Non-stock parts should be those one-time, infrequent, unusual parts</p>	<p>3. Periodic review of non-stock parts inventory balance to evaluate and determine whether they are appropriate or should be re-classified as stock parts.</p> <p>4. In order to improve accountability, make sure the technicians' names are set up correctly so that they will be populated in the report. Fleet may also consider implementing a more formal warehouse check-out procedure.</p>	<p>The anticipated implementation date is by June 30, 2018.</p>

Item	Observation	Recommendation	Management Response
	<p>that have zero quantity in stock. It is unusual and not a good practice to have a high stock balance for non-stock parts.</p> <p>4. Upon review of the April 2016 inventory report, we noted a total of \$15,112 in parts was issued by generic users, such as Equip. Mech I, PW Shop Counter, or Sr. Equip. Mechanic. Upon further research, the user names not being properly populated due to either the user name not being set up correctly or staff not using the drop down menu to input their names when using shared computers. Although supervisors review parts issued prior to closing the work orders, a formal check-out process is not in place.</p>		

Item	Observation	Recommendation	Management Response
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Priority 2</p>	<p>7. Outdated written instruction along with manual preparation of data and lack of quality control review resulted in KPI reporting errors. Based on a sample review of two quarterly KPI reports, the following were noted:</p> <p>1. Written KPI instructions have been established by Fleet. However, nearly all of them (10 of 11) require update due to FASTER upgrade and changes in practice.</p> <p>2. Inconsistencies between KPI title and the data reported were noted, such as number of “vehicles” versus “assets” maintained, or number of repairs versus repair hours.</p> <p>3. Different basis was used for computing labor hour’s percentage, where supervisors’ time was included in direct labor hours, but they were excluded from total labor hours.</p> <p>4. One shop reported \$31,196 in cost of repairs, when it should be \$3,196 based on supporting document.</p>	<p>It is recommended that Fleet Management consider the following:</p> <p>1. Revise written instructions to incorporate updated parameters in the new system and ensure they are consistent with the current practice. Once revised, employees should follow the instructions consistently and update as necessary.</p> <p>2. Re-evaluate the following KPIs for consistency between data and title for appropriateness, also consider data availability:</p> <ul style="list-style-type: none"> a. Number of Vehicles (use equipment or assets) maintained b. Percentage of repairs (specify number of work orders or labor hours) c. Ensure labor hours for supervisors are consistently excluded from both total and direct labor hours. <p>3. Reduce manual adjustments to standard reports, and implement a quality control process to ensure that the reported KPIs are</p>	<p>Fleet Management agrees with the recommendations and will implement the following:</p> <p>1. Update KPI instruction with current FASTER version and agree with current practice.</p> <p>2. Review KPIs identified to ensure consistency between title and data, and appropriate calculation.</p> <p>3. Supervisory review of KPIs with supporting documentation prior to submitting to Public Works Administration.</p> <p>4. Review KPIs that use other data sources and determine whether FASTER data can be used for providing the same or similar measurement.</p> <p>The anticipated implement date is by June 30, 2018.</p>

Item	Observation	Recommendation	Management Response
	<p>5. Reported 202 Industrial Off Duty days, which did not match the 61 days shown in the supporting document.</p> <p>6. Rather than utilizing the FASTER standard report, total available labor hours used to compute percentage of direct labor hours were manually compiled with numerous errors.</p>	<p>supported by source documentation.</p> <p>4. Utilize data that is available in FASTER as much as possible in order to avoid manual process (this requires the accuracy of the data in FASTER). For example, replacement report and productivity report.</p>	

Item	Observation	Recommendation	Management Response
Priority 2	<p>8. Budgetary controls in FASTER are not appropriately utilized and duplicate data entry effort was noted for entering parts orders and invoices. Based on our review and testwork, we noted the following:</p> <p>1. Although FASTER has the capability to establish budget line item, set up purchase orders, create orders, receive parts and process invoices, the actual transactions are processed and recorded in the City's financial accounting system. For example,</p> <p>a. Budgeted amounts entered in FASTER were not supported by the actual approved budget amounts. The FY2017 budget for PWG vehicle maintenance account (44350-601-541) was \$4M (the amount was doubled due to an entry error), but the City Council approved budget for this account was \$1.3M.</p> <p>b. Invoices entered in FASTER are not cleared because the invoices are not paid from FASTER. This resulted high accounts payable</p>	<p>It is recommended that Fleet Management consider the following:</p> <p>FASTER built-in system controls over budget, encumbrance and purchases be appropriately utilized and the budgeted amounts entered in FASTER be approved and supported by the adopted budget.</p> <p>Reduce duplicate entries of orders and invoices by utilizing FASTER for tracking all purchases and payment information. Prior to implementation, the errors in Excel tracking worksheet should be corrected and monitored.</p> <p>Establish data importing/exporting (for example, payment information or invoices) from/to financial accounting system in the future to further reduce duplicate data entry effort.</p>	<p>Fleet Management agrees with the recommendations and will implement the following:</p> <p>1. Establish data entry procedures to ensure that the budgeted amount entered are approved and agreed with the adopted budget, and any adjustment needed is documented.</p> <p>2. Establish data entry procedures for entering orders and invoices in FASTER in order to reduce duplicate data entry effort. If continue to use Excel worksheet for tracking invoices, the formula errors will be corrected.</p> <p>3. Work with Finance and FASTER on data import/export between FASTER and financial accounting system after Munis is implemented.</p> <p>The anticipated implementation is by June 30, 2018.</p>

Item	Observation	Recommendation	Management Response
	<p>balance in FASTER. The total payable in FASTER for H&H Auto Parts Wholesale was over \$120K as of July 2016, when most of invoices have already been paid.</p> <p>2. Fleet staff uses an Excel spreadsheet to track all purchases even though most of these have already been entered in FASTER. The orders are also logged manually. As a result, the same transaction could be potentially entered/logged four times. Furthermore, shop supervisors without support staff spent a lot of time entering orders and invoices.</p> <p>Also, formula errors were noted in the Excel tracking worksheets where the sum did not include all invoices, which could potentially result in ordering parts beyond the purchase order or \$15k request for demand limit.</p>		

Item	Observation	Recommendation	Management Response
Priority 2	<p>9. Lack of controls over tracking labor hours in FASTER resulted in over charging of labor cost to work orders. Based on analysis and detailed review of labor activities for the last quarter of fiscal year 2016 (April to June 2016), we noted the following:</p> <p>1. 16 of the 22 incidents with over charged direct labor hours resulted from technicians' not timely logging off from work orders. In one incident, a technician did not log off from a work order for a week, which resulted in a total of 165 direct labor hours or \$18,500 labor cost charged to one work order. In another incident, a technician did not log off for five days, including weekend and holiday, which resulted in 111 direct labor hours or \$12,260 labor cost charged to one work order. Seven of the 22 incidents were by one individual.</p> <p>2. 4 of the incidents reviewed showed technicians logging on to work orders and taking time off according to the City employee management system, GEMS.</p>	<p>It is recommended that Fleet Management consider the following:</p> <ol style="list-style-type: none"> 1. Educate and train technicians on the importance for maintaining accurate labor hours. 2. Provide supervisors with training and tools (e.g. FASTER report) to identify unreasonable labor hours. 3. Investigate the incidents where employees took time off according to GEMS and charged labor hours in FASTER. 4. Correct the labor hour errors identified in FASTER. 	<p>Fleet Management agrees with the recommendations and will perform the following:</p> <ol style="list-style-type: none"> 1. Establish written instructions on tracking labor hours and provide training to technicians and supervisors to improve labor hour accuracy. 2. Review and determine the reason for the labor hours logged when the employees took time off. 3. Correct labor hour errors identified. <p>The anticipated implementation date is by June 30, 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>3. 1 incident showed that the technician charged overlapping hours to one work order.</p> <p>4. As a result of comparing labor hours logged in FASTER and employees paid hours for this quarter, we noted that 1,788 hours or 12% of 14,347 total labor hours were over recorded, and 553 or 6% of the 9,978 total direct labor hours were over charged. This could potentially result in a \$240K over charge of labor cost per year. Incorrect labor costs will affect equipment replacement and the accuracy of any labor related analysis such as technician efficiency or accountability.</p>		

Item	Observation	Recommendation	Management Response
Priority 2	<p>10. Imported fuel quantity data is largely accurate, but improvement opportunities were noted to reduce errors and improve efficiency and accuracy. Upon sample review and walkthrough of imported fuel data for June 2016, the following were noted:</p> <p>1. High error rates were noted on imported fuel transaction data from both OPW Fuel Management System (Phoenix) for gas and from Clean Energy Company data file for CNG. We noted 794 (or 22%) of the 3,573 records from Phoenix import file were blocked by FASTER, and 266 (or 34%) of 784 records were blocked for CNG from the Clean Energy Excel import file. Most of the errors were due to incorrect mileage reading entered by drivers and data not being formatted appropriately prior to importing (Phoenix).</p> <p>2. To complete the data importing process, all errors need to be either manually corrected, such as fixing Asset numbers, or accepted as "invalid", such as those with incorrect mileages.</p>	<p>It is recommended that Fleet Management consider the following in order to enhance controls over accuracy and consistency of fuel data imported to FASTER:</p> <p>1. Enhance controls in Phoenix and/or educate drivers to ensure mileage is entered correctly when fueling. Drivers and their supervisors should be notified if the drivers repeatedly enter incorrect data. Consider adding language to the "Vehicle Fuel Keys" policy on the importance of providing accurate mileage reading and the impact if mileage is not correctly entered upon fueling.</p> <p>2. Fuel data from Phoenix should be reviewed and cleaned up prior to being imported to FASTER. For example, make sure all asset numbers are in the same column in the input file. In addition, check total should be performed to ensure completeness of the data after data clean-up.</p> <p>3. Update the existing fuel importing instructions and</p>	<p>Fleet Management agrees with the recommendations and will implement the following:</p> <p>1. Add language to Vehicle Fuel Keys policy and educate users on the importance of providing accurate mileage reading. Users and their supervisors will be notified if incorrect mileage readings were entered repeatedly.</p> <p>2. Review Phoenix import file and correct formatting issues.</p> <p>3. Update fuel data importing instructions and make changes to FASTER accordingly.</p> <p>4. Work with Clean Energy and FASTER on adding FuelerIDs to CNG import file.</p> <p>The anticipated implementation date is by December 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>3. Fuel usage data for certain transactions are excluded by Fleet, such as tools. However, the exclusion is not consistent. Other excluded transactions are fuel usage for testing, and Enterprise rental cars. These could result in an estimated 4,000 gallons of fuel usage not being tracked annually.</p> <p>4. FuelerIDs are tracked by Clean Energy, but they are included in the Excel file for fuel data importing. As a result, FuelerID is not available in FASTER for all CNG transactions.</p>	<p>document the reasons and decisions of any excluded transactions. Make necessary adjustment in FASTER to ensure instructions are executed consistently.</p> <p>4. Work with Clean Energy and FASTER on adding FuelerIDs to CNG import file so that the FuelerIDs will be available in FASTER.</p>	

Item	Observation	Recommendation	Management Response
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Priority 2</p>	<p>11. Controls are inadequate to ensure fuel cost accuracy due to not consistently updating fuel prices in FASTER. Based on review of unit price entered under Fuel Cost Setup in FASTER, the following were noted:</p> <p>1. Fuel prices have not been consistently updated in FASTER since August 2015. According to Fleet, all fuel invoices should be forwarded to the individual responsible for updating fuel price. However, 32 invoices paid in FY 2016 were not updated, because the invoices were not forwarded due to staff change. A \$77K annual understatement was estimated in fuel cost for one of the high capacity sites.</p> <p>2. Inconsistency in FASTER unit price was noted for different fuel types. Unit price for gasoline included fuel taxes, but the unit price for CNG does not include tax. This is due to CNG tax not being paid through vendor invoices, rather through filing an annual use tax return. The amount of use tax on</p>	<p>It is recommended that Fleet Management consider the following:</p> <ol style="list-style-type: none"> 1. Review the current process for updating fuel prices in FASTER to ensure that fuel price is updated timely and consistently. For example, employee responsible for updating unit price should check invoices scanned on Fleet shared drive regularly and update price as required. Also, name scanned invoices for easier identification, such as "Invoice Date_Site_Inv#". 2. Update unit prices based on all invoices paid since August 2015. 3. Enter fuel prices appropriately to the two columns in FASTER for tracking fuel prices with or without taxes. Make note that taxes for CNG are not included in the fuel costs in FASTER. 4. Develop policies around fueling at alternative sites including the City of Burbank. 	<p>Fleet Management agrees with the recommendations and will perform the following:</p> <ol style="list-style-type: none"> 1. Examine the current process and determine if controls can be put in place to ensure complete and timely update of fuel price in FASTER. 2. Retroactively update fuel prices with all paid invoices that have not been entered in FASTER. 3. Evaluate and determine whether fuel price with and without taxes should be separately tracked in FASTER. 4. Work with Integrated Waste and GWP to determine whether drivers should be allowed to fuel in Burbank. Information will be provided to appropriate personnel for price negotiation, if needed. <p>The anticipated completion date is September 30, 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>CNG for calendar year 2015 was \$24K. Also, the two unit price data fields in FASTER, "Calculated unit price" and "Unit cost with tax" are the same.</p> <p>3. Upon reviewing CNG fuel invoices, we noted that some of the City's vehicles fueled at a CNG site located in Burbank, which cost the City 75 cents per GGE (Gallon of Gasoline Equivalent) more on average. According to Public Works Integrated Waste, occasionally, the drivers fuel at the Burbank site when Glendale station is busy or unavailable. For the month of June 2016, 19 out of 784 or 2% of the fueling activities occurred in Burbank.</p>		

	Item	Observation	Recommendation	Management Response
Priority 2	12.	<p>Lack of written data input instructions and timely review resulted in parts not consistently and accurately issued to work orders. Based on a review of sample work orders, we noted the following:</p> <p>1. Parts were issued to work order prior to being installed. As a result, parts returned to vendor were charged to work orders based on old invoices. Also, after the invoice was corrected and parts were reportedly returned to the vendor, the extra parts initially issued to work order were not removed or corrected.</p> <p>2. When multiple units were purchased for non-stock parts, all units were charged to the current work order. This caused the current work order to be overcharged with unused units of parts. Potentially, a future work order can be undercharged because the unused units may be installed without any charge. Also, there is no control on the tracking or safeguarding of the unused parts.</p>	<p>It is recommended that Fleet Management consider the following:</p> <ol style="list-style-type: none"> 1. Establish written input procedures to improve the consistency of the data entries. For example, procedures should be documented for ordering, receiving parts, entering invoices and issuing parts to work orders. Also, procedures should be established for making corrections to work orders if the invoices are revised. 2. Establish policy and procedures on tracking, issuing and safeguarding extra units purchased for non-stock parts. 3. Allocate shipping cost based on the dollar value of each unique part on the invoices. 4. Enter complete invoices in FASTER to include battery core charges or other reimbursable charges to improve the tracking of credit due to the City. 	<p>Fleet Management agrees with the recommendations and will implement the following:</p> <ol style="list-style-type: none"> 1. Evaluate and document input procedures for ordering, receiving and issuing parts, including procedures on unused non-stock parts, parts returns and revised invoices. 2. Re-evaluate data entry requirement on shipping costs allocation and other reimbursable items on invoices. 3. Issue tires as parts if they are under the City's tire contract regardless of whether the installation is done in-house or by vendor. <p>The anticipated completion is September 30, 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>3. Shipping cost was allocated based on the number of line items on the invoice without consideration of their dollar value. As a result, the unit price for low value parts on the same invoice could be inflated significantly. For example, a \$60.00 part becomes \$89.40 (including tax and shipping) because it was shipped along with more expensive parts. In another example, we noted the true unit price of a part was more than doubled from \$6.25 to \$13.80.</p> <p>4. Certain items, such as battery core charges, on the invoices were not entered in FASTER. Fleet determined that it's too much work to track this reimbursable cost on the invoice. Upon inquiries with FASTER, tracking core charge is a built-in function and used by most of their customers.</p> <p>5. Inconsistencies were noted in issuing tires. When installation was performed by in-house technicians, the number of tires issued to work orders was tracked by FASTER. However, the number of tires</p>	<p>5. Track number of tires issued completely and consistently in FASTER, especially if they are under the same contract.</p>	

Item	Observation	Recommendation	Management Response
	<p>issued was "embedded" in the total sublet costs if the installation was performed by vendor (although we also noted tires were issued as parts when the installation was performed by vendor). This practice prevents FASTER from tracking all tires installed.</p>		

Item	Observation	Recommendation	Management Response
Priority 3	<p>13. Fleet does not maintain a complete compliance reporting list and there is no written instruction on how to compile the information.</p>	<p>It is recommended that Fleet Management consider the following:</p>	<p>Fleet Management agrees with the recommendations and will compile the report list that includes name of the report, purpose and description, receiving agency/party, frequency, due date, staff responsible, and detailed instruction on preparing the report.</p>
	<p>Based on information provided by Fleet, two sample reports Fleet submitted to Finance for tax reporting to the State Board of Equalization were selected for detailed testing.</p>	<p>1. Compile a report list to ensure that the City is in compliance with all federal and state laws and regulations. A template prepared by Internal Audit was provided to Fleet with examples of required information such as the name of the report, purpose and description, agency, frequency, due date, staff responsible, and FASTER data extracting/reporting instructions.</p>	<p>The anticipated completion date is by June 30, 2018.</p>
	<p>We noted a small variance in Diesel fuel usage report resulted from not using the standard FASTER report. When using crystal reporting tool, a different date/time used resulted in missing transactions on the last day of the report.</p>	<p>2. Develop detailed written instructions on extracting data from FASTER or any other sources to ensure accurate, consistent, timely, and appropriate reporting external and internal parties. Use FASTER standard reports whenever it is appropriate.</p>	

Item	Observation	Recommendation	Management Response
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Priority 3</p>	<p>14. User access controls are in place as access rights are role based and controls have been established for granting access rights based on users' job function. However, improvement opportunities were noted to further enhance access control. Based on review of user accounts, we noted:</p> <ol style="list-style-type: none"> 1. User access administration and segregation of duties is not documented. 2. 6 active users were generic accounts. 3. Access was not removed for 2 employees who have been transferred to other departments. 4. 1 user has incompatible duties such as administrative and security right. 5. Labor hours could be adjusted by administrative staff without written supervisor approval. 	<p>It was recommended that Fleet Management consider the following in order to further improve system controls to the FASTER system:</p> <ol style="list-style-type: none"> 1. Establish and document procedures for user account management and segregation of duties consideration. 2. Eliminate generic user accounts and establish unique accounts for each user. 3. Remove access of the users who no longer require access in a timely manner. Implement a review process to ensure only authorized individuals have access. 4. Establish compensating controls, such as additional review and monitoring, for activities such as user account changes performed by users who are authorized to perform incompatible duties (security and system admin). 5. Obtain written approval from supervisors for making any labor hour adjustment. 	<p>Fleet Management agrees with the recommendations and will perform the following:</p> <ol style="list-style-type: none"> 1. Document access control procedures and segregation of duties consideration. 2. Eliminate generic user accounts and establish unique accounts for all users. 3. Fleet has already removed access for the two users no longer working for Fleet, and will implement a periodic review process to ensure only authorized individuals have access to FASTER. 4. Periodic reviews by the Fleet Manager will be conducted to monitor certain transactions. 5. Labor hour adjustment made by administrative staff will be supported by written approval from the supervisors. <p>The anticipated completion is December 31, 2017.</p>

	Item	Observation	Recommendation	Management Response
Priority 3	15.	<p>Based on review of the various data, we noted the following FASTER software related issues that require documentation or follow-up:</p> <p>1. Upon reviewing FASTER Work Order Audit Report (W322), we noted work orders deleted by a user called "faster", which is not an active user. Fleet contacted FASTER and it was determined that the deleted transaction was a Direct Charge. FASTER informed Fleet that this would be fixed and the actual user who deleted the transaction will be populated.</p> <p>2. Upon detailed sample testing, we noted that additional capitalized cost appeared to be added to the acquisition cost. According to FASTER, it is likely that the capitalization costs were combined with acquisition costs when migrating data. However, a review of the data sheet used for conversion is needed to be certain. In addition, inconsistency was noted in entering acquisition costs by staff.</p>	<p>It is recommended that Fleet Management follow up with FASTER to resolve the identified software issues, specifically:</p> <p>1. To confirm that actual users who deleted direct charges will be populated in the Work Order Audit Report. Critical transactions, such as deleting work orders, should be timely reviewed.</p> <p>2. To confirm whether additional capitalized costs were added to the acquisition costs during data conversion. Fleet should also establish procedures to ensure acquisition costs are entered consistently. Further, Fleet should decide whether corrections are needed.</p> <p>3. The difference between maintenance cost life to date and the sum of work orders and direct charges has been fixed by a repair script provided by FASTER. No further follow-up is needed.</p> <p>4. Follow up with FASTER to ensure the beginning FY mileage</p>	<p>Fleet Management agrees with the recommendations and will implement the following:</p> <p>1. Follow up with FASTER to confirm the fixes on the identified issues.</p> <p>2. Consult with FASTER on whether the FEMA rates can be imported based on periodic updates by the State.</p> <p>3. Background and reasons for FASTER software fixes will be documented using HELP.</p> <p>The anticipated implementation is by September 30, 2017.</p>

Item	Observation	Recommendation	Management Response
	<p>3. Upon detailed sample testing of maintenance cost history in FASTER, we noted discrepancies between total “maintenance cost life-to-date” and the sum of total work orders and direct charges (should be the same). Upon inquiries, FASTER conducted research of the data and determined the discrepancies were caused by coding errors on return part quantity. FASTER has provided the City repair script and fixed the issue.</p> <p>4. Incorrect Begin FY (Fiscal Year) mileage was populated from the mileage history details in FASTER.</p> <p>5. Outdated or incorrect FEMA (Federal Emergency Management Agency) rates were noted in FASTER. Although this is not a software issue, FASTER might be able to update the rate through auto import.</p> <p>In addition, we noted that Fleet does not maintain FASTER software fixes rather rely on ISD to track via HELP desk ticket tracking</p>	<p>information is accurately populated.</p> <p>5. Fleet should submit a request to FASTER for auto update of FEMA rate.</p> <p>It is also recommended that Fleet should always submit an ISD HELP ticket with adequate background information along with FASTER software fixes when sending the request to ISD.</p>	

Item	Observation	Recommendation	Management Response
	<p>system. However, it is not clear whether all fixes have been appropriately tracked with adequate background information.</p>		