

FLEET SERVICES

Internal Audit Report

June 4, 2021



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EXECUTIVE SUMMARY

Why We Did This Audit

This a planned performance audit of the Fleet Services maintenance function that was included in the 2020-2021 Annual Audit Plan. Our objectives were to determine the effectiveness of maintenance operations for the Yellow Fleet (school buses), the White Fleet (other vehicles), and the parts inventory. We also looked at monitoring of repairs costs and the warranty claims process.

Observations and Conclusion

Our overall conclusion is that the Fleet Services operation is performing effectively by having processes in place to maintain the Yellow Fleet timely, while the White Fleet needs a more consistent outcome. There is room for improvement in the area of access control to parts inventory. We commend the department for their diligence in the processes to maintain the safety of the school bus fleet and manage the warranty claims process.

Audit Results at a Glance			
Results and Observations	Risk / Impact Rating		
	Significant	Moderate	Minor
IA-Internal Audit or M-Management	M - 1	IA - 4 M - 1	--
D-Difficulty or O-Opportunity	D - 1	D - 5	--

Results and Recommendations

During our audit, we noticed:

- The Yellow Fleet had timely oil changes and inspections, while the White Fleet vehicles did not consistently have these performed.
- Alarms were not set consistently at night.
- An outside door to a parts room area was not locked consistently.
- The garage staff labor rates were not current and were not consistent across software applications.
- Labor charges by vendors were not consistently broken out into rates and hours making it impossible to determine compliance with contract terms.

Our recommendations include, among others:

- White Fleet should have timely oil changes and inspections.
- A full inventory count should be performed at least annually.
- Security alarms should be set nightly.
- Access to parts rooms should be controlled.
- The labor rate should be recalculated annually and agree across applications.
- Labor costs should be broken out into components on estimates, and invoices.

This report has been discussed with management and they have prepared their response which follows.

DEFINITIONS:

Risk / Impact Ratings

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes and/ or noncompliance with Florida Statutes or School Board Policies (high impact and high likelihood)

We rate risk / impact as:

- *Minor*
- *Moderate*
- *Significant*

Observations Categories

Opportunity	A process that falls short of best practices or does not result in optimal productivity or efficient use of resources
Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance

We categorize our observations as opportunities or deficiencies.

Criteria for Observations Sourced to Management

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

We source our observations to Management or Internal Audit.

Comments #1 and #2 are sourced to Management.

BACKGROUND:

Fleet Services is part of the Transportation Services department in the Operations division. Fleet Services is responsible for maintaining all OCPS vehicles, both school buses (“Yellow Fleet”) and other vehicles (“White Fleet”). White Fleet vehicles include police cars, maintenance trucks, passenger vehicles and specialty vehicles such as a food truck used by Food and Nutrition Services. At this time of this audit the district owned approximately 1,100 school buses and 560 administrative vehicles.

The yellow fleet has always been centralized from purchase to surplus under Fleet Services. Prior to 2014, the white fleet was decentralized where each department was responsible for the purchase and maintenance of their own white fleet vehicle. In 2014, Fleet Services was tasked to work with each department to acquire and maintain the white fleet vehicle. A white fleet procedure document was created to standardize the purchase and maintenance process for all departments under the direction of Fleet Services. This is scheduled to be implemented by the end of 2021.

Fleet Services employs:

- technicians who service the two fleets,
- managers who oversee and review the work at the three main garages (Hanging Moss, Lake Nona, and Pine Hills),
- an inventory system and staff to supply parts, and
- a warranty process team to work with vehicle manufacturers for reimbursement or replacement of failed parts still under warranty.

Our audit covered the period of the pandemic, the June 2020 SAP modernization upgrade, and an upgrade of the FA Suite application from Version 15 to Version 20. Both upgrades experienced issues which now seem to be resolved.

Inventory Process

Fleet Services uses software called FA Suite to manage maintenance operations for both the Yellow Fleet and the White Fleet. When maintenance is performed, the software records:

- who worked on the vehicle,
- the date of repair,

The district owns approximately 1,100 school buses and 560 white fleet vehicles.

The department operates three main garages with well-trained staff.

FA Suite software is used to manage maintenance operations.

- the “In” and “Out” times,
- the parts used,
- the labor effort involved, and
- the Purchase Order used if the repair is outsourced to a third party.

FA Suite is also used to track the warranty process and deduct parts from inventory. FA Suite is a web-based system maintained on the OCPS network and interfaces with SAP to keep each in synchronization. The official book of record for the parts inventory is SAP, the district’s financial system.

The parts inventory balance ranged between \$630,000 and \$770,000 throughout the year. The inventory turned over about 1.7 times last year.

Warranty Claims Process

When Yellow Fleet parts that are still under the manufacturer’s warranty fail, they are usually saved and sent back to the manufacturer under warranty claims. Each of the three main bus manufacturers used by the district has their own way of resolving the warranty claims:

- Matthews/ Thomas sends a reimbursement check for the part and sometimes labor;
- Blue Bird sends a replacement part and sometimes a check for labor to remove and install the part; and
- International sends its own team of technicians and parts to make the replacement.

See the table below for warranty claim recoveries.

Table 1 - Warranty Claims Recovered by Year

FY	<u>Matthews /</u>	<u>Blue Bird / FL</u>	<u>International IC /</u>	Total
	<u>Thomas</u>	<u>Transportation</u>	<u>Navistar</u>	
		<u>Systems *</u>	<u>International **</u>	
2017 - 18	\$230,703.77	--	--	\$230,703.77
2018 - 19	\$162,729.88	\$4,704.67	--	\$167,434.55
2019 - 20	\$93,902.14	\$30,798.70	\$166.92	\$124,867.76
Total	\$487,335.79	\$35,503.37	\$166.92	\$523,006.08

Source: Fleet Services

* - Sends replacement parts free-of-charge and reimburses for parts

** - Performs their warranty repairs using their own technicians

Inventory value ranged between \$630,000 and \$770,000.

Each manufacturer has its own way of resolving claims.

The department recovered more than \$500,000 from warranty claims over the past three years.

OBJECTIVES, SCOPE AND METHODOLOGY:

Objectives

This was a performance audit of Fleet Services' maintenance operations, which included garages, maintenance schedules, inventory, warranty work, maintenance certifications, and outsourced work. The objectives of this audit were to evaluate the efficiency and effectiveness of the procedures used to maintain safe vehicles, maintain adequate inventory, and process warranty claims.

Scope

The scope of the audit addressed operations during the period from July 1, 2019 through September 30, 2020.

Methodology

We reviewed maintenance procedures for the Yellow and White Fleets, the inventory process and the warranty process. Our audit methodology included:

- interviewing personnel of Fleet Services
- reviewing documents and data
- observing the garages and vehicle maintenance procedures
- performing a walkthrough of the different processes
- testing the maintenance schedule of the vehicles
- comparing labor rates between SAP and FA Suite
- performing a physical vehicle inventory for a sample of both Yellow Fleet and White Fleet vehicles
- observing the inventory parts cycle counts
- observing the reconciliation of physical parts inventory to inventory records in SAP and FA Suite
- observing and testing the warranty claims process

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The objectives were to evaluate efficiency and effectiveness of procedures to maintain safe vehicles, maintain adequate inventory, and process warranty claims.

We reviewed maintenance procedures for both Yellow Fleet and White Fleet.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. No material deficiencies were noted in this audit. We also offer suggestions to improve controls or operational efficiency and effectiveness.

RESULTS & RECOMMENDATIONS:

Overall Conclusion: Our overall conclusion is that the garages have well-trained staff, repairs are reviewed properly with a two-tiered review, and maintenance schedules are used effectively to inspect and maintain school buses timely. The inventory is controlled by restricting access to authorized personnel, and performing periodic inventory counts. They have a warranty process in place to either claim reimbursement or obtain a free replacement part on failed parts still under warranty, with very little rejection of claims. In addition, they have a process in place to notify White Fleet vehicle owners to bring vehicles in for oil changes and inspections, but compliance by the vehicle owners needs to improve.

Commendation: We commend the Fleet Services department on their commitment to the safe transportation of students in well-maintained buses. We performed a sample of 149 bus inspections to determine whether they were timely performed and noted 100% compliance.

Our detailed findings and recommendations follow.

1) *White Fleet vehicles need consistent, timely oil changes and inspections. Significant Risk, Deficiency, Management [This is a Repeat Finding and was previously noted in the White Fleet Utilization Strategic Assessment performed March 2020.]*

Best Practice:

Routine oil changes and inspections keep White Fleet vehicles operating safely, maintain their value, and find small problems before they become larger and costlier.

We noted no material deficiencies.

School buses are inspected and maintained timely.

We noted 100% compliance with required bus inspections in our audit sample.

White Fleet vehicles need consistent, timely oil changes and inspections.

Audit Result:

Two out of ten White Fleet vehicles we tested did not have timely oil changes and inspections. One of those two went 12 months between oil changes and inspections, while the second went 16-months.

Fleet Services sends out notices when a vehicle needs an oil change and inspection. The departments are responsible for bringing the vehicles to the garage when they receive this notice. These notices were sent out timely to the various departments that operate the White Fleet vehicles, but the vehicles were not brought in timely.

Reasons for departments failing to bring their vehicles for service:

- the department contact person fails to inform the vehicle driver of the need for service and
- the department does not want the driver to take time out of their day to take the vehicle and wait while it is serviced.

To address this problem, the department has drafted a White Fleet procedure stating:

“If a department repeatedly fails to complete any scheduled maintenance, whether regular or annual, Fleet Services will retrieve the vehicle(s), complete the repairs, and maintain possession of the vehicle until the Department Head provides assurance that a corrective measure is in place to avoid future occurrences.”

When approved and implemented, these procedures will give Fleet Services more authority and should help maintain White Fleet vehicles in a timely manner.

Recommendation:

White Fleet vehicles should have timely oil changes and inspections.

2) A full parts inventory count should be performed annually. *Moderate Risk, Deficiency, Management*

Best Practice:

A full parts inventory count performed annually provides a baseline of the complete inventory at one point in time. All inventory on the

Notices are sent out timely to departments with White Fleet vehicles, but vehicles are not brought in timely.

Reasons include:

- *Failure of the department contact person to inform the vehicle driver*
- *Not wanting to take time from their work day*

A draft White Fleet procedure addresses this matter.

property is documented at once and reveals items a narrower range of inventory count might miss.

Audit Result:

The department counts portions of the parts inventory in cycles periodically throughout the year. Although cycle counts are a good practice and facilitate keeping inventory counts accurate throughout the year, a full parts inventory count should be conducted at least once a year, ideally at fiscal year-end.

Recommendation:

Perform a full parts inventory count at least once a year.

3) Security alarm systems should be activated and monitored at the garages. *Moderate Risk, Deficiency, Internal Audit*

Best Practice:

Security systems safeguard district assets such as parts inventories.

Audit Result:

We reviewed the alarm logs and noted that the alarms were not set consistently at night at two of the garages. Setting the alarms deters theft and helps detect unauthorized intrusions after hours. No one receives and reviews the alarm logs for those locations. Reviewing the alarm logs will detect when the alarms are not set and whether after-hours access has occurred.

Recommendation:

Set the security alarm every night and monitor the alarm logs to detect unauthorized access.

4) Physical access to the parts room inventory should be controlled. *Moderate Risk, Deficiency, Internal Audit*

Best Practice:

Inventory parts rooms are secured.

A full parts inventory should be performed annually.

Security monitoring should be activated at the garages.

Alarms were not set consistently at night.

Alarm logs were not received and reviewed for two locations.

Physical access to the parts room should be controlled.

Audit Result:

We observed that that an outside door of the parts room was consistently left unlocked. We checked the door on three different occasions and each time it was unlocked. This condition could allow unauthorized access to inventory and theft. The doors should always be secured to maintain physical control over inventory.

Recommendation:

Maintain physical security over the inventory parts room.

5) Labor rates should be calculated, updated each year, and agree across systems. *Moderate Risk, Deficiency, Internal Audit*

Best Practice:

Accurate labor rates times accurate labor hours produce accurate labor costs for repairs. This practice provides accurate historical costs for vehicles and helps in making future purchase decisions. Each year the labor rate should be calculated and updated in both SAP and FA Suite for proper costing.

Audit Result:

The labor rate used in SAP was \$57.50 / hour; however, the calculation for FY20 showed the rate should have been \$65.48 / hour. The last time the calculated labor rate was near \$57.50 was in FY15 when it was \$56.74. This SAP labor rate is multiplied by labor hours to calculate the labor cost for repairs recorded in SAP.

Additionally, SAP and FA Suite use two different labor rates. SAP uses \$57.50 / hours as stated above, while FA Suite uses \$55.00 / hour. These two should be the same. While SAP is the more important of the two to correct, it is an easy fix to have the two systems agree.

Recommendation:

The labor rate should be calculated each year and input into SAP and FA Suite.

An outside door was consistently left unlocked.

Labor rates should be calculated, updated, and agree across systems.

Labor rate in SAP used \$57.50 / hour while FA Suite was \$55 / hour.

6) *Labor rate and labor hours should be broken out on vendor quotes/estimates and invoices. Moderate Risk, Deficiency, Internal Audit*

Best Practice:

In order to ensure compliance with contract terms and avoid overpaying, the district should require vendors to provide labor rates and labor hours used in their calculation of labor costs for estimates, quotes, and invoices. The labor rate on each of these should match the labor rate contractually agreed upon with OCPS.

Audit Result:

We reviewed vendor repair invoices and noted that labor rates and labor hours were not always broken out for labor charges on repair invoices. Fleet Services cannot know whether it is being charged the contractual labor rate when only a lump sum labor fee is charged.

Recommendation:

Require that the vendor provide a breakout of labor rate and labor hours on estimates, quotes, and invoices and ensure payment follows the contractually agreed upon rate.

We wish to thank the Transportation Fleet Services staff for their cooperation and assistance with this audit.

Vendor repair invoices did not break out labor charges into components of labor rate and labor hours.



Department / School Name	Transportation Services
Administrator / Department Head	Bill Wen
Cabinet Official / Area Superintendent	Roberto Pacheco

Exception Noted (Finding / recommendation) What is? What should be?	Management Response (Corrective Action) What needs to be done?	Responsible Person (Name & Title) Who needs to do it?	Expected Outcome & Completion Date What is the evidence of the corrective action? When will the action be completed?
White Fleet vehicles need consistent, timely oil changes and inspections.	<p>Fleet Services has updated the Guidelines and Procedures manual for the utilization and maintenance of white fleet vehicles. The updates allow for a more proactive role by white fleet services since it delineates the roles, responsibilities, and accountability process.</p> <p>Fleet Services will ensure that all appropriate parties have received and reviewed the White Fleet updated Guidelines and Procedures manual.</p>	<p>Maurice Frye – Senior Administrator of Fleet Services</p> <p>Kerry Odell – Manager White Fleet Services & Logistics</p>	<p>The evidence of the corrective actions will be reflected by the higher percentage of oil changes and maintenance work completed as scheduled. (December 2021)</p>
A full parts inventory count should be performed annually.	In addition to a monthly, random partial inventory count, a full parts inventory count will be reinstated and conducted during the fourth quarter of the fiscal year.	<p>Karen Ausberry – Senior Administrator of Business Services</p> <p>David Lavery - Parts & Warranty Manager</p>	<p>The Business Services team will document the full inventory count as well as the random monthly counts. (June 2022)</p>



<p>Security alarm systems should be activated and monitored at the garages.</p>	<p>Training will be finalized and documented for the Fleet Tech IV's on how to properly secure the facility and set the alarm at the end of the nightly shift.</p> <p>Asset Protection will supply the alarm logs monthly for all locations.</p>	<p>Maurice Frye – Senior Administrator of Fleet Services</p> <p>Eugene Hupp – Fleet Manager HMC</p> <p>Carlos Navarro– Fleet Manager LNC</p> <p>Grant Shaw– Fleet Manager PHC</p>	<p>Create an SOP for Fleet Tech IV's training to close a facility and conduct the training. (October 2021)</p>
<p>Physical access to the parts room inventory should be controlled.</p>	<p>Business Services maintains physical security over the inventory parts rooms. To increase controls, doors locks will be replaced with card readers at all three garages with parts rooms (HMG, LNG, and PHG). Once installed, only authorized staff will have access to the parts rooms.</p>	<p>Karen Ausberry – Senior Administrator of Business Services</p> <p>David Lavery - Parts & Warranty Manager</p>	<p>OCPS Asset Protection has contracted with a vendor to install the systems. (December 2021)</p>
<p>Labor rates should be calculated, updated each year, and agree across systems.</p>	<p>The labor rate will be calculated annually and entered into SAP and FA Suite.</p>	<p>Maurice Frye – Senior Administrator of Fleet Services</p> <p>Karen Ausberry – Senior Administrator of Business Services</p>	<p>Providing consistent and accurate labor rates and labor hours will produce accurate labor costs for repairs. This will also provide better historical costs to make future vehicle purchase decisions.</p> <p>Correct labor rates should be calculated and entered into both SAP and FA Suites. (October 2021).</p>



<p>Labor rate and labor hours should be broken out on vendor quotes/estimates and invoices.</p>	<p>Fleet Services will require the vendors to provide a standard invoice with a breakout of labor rate, labor hours on estimates, quotes, and invoices and ensure payment follows the contractually agreed upon rate.</p>	<p>Maurice Frye – Senior Administrator of Fleet Services Karen Ausberry – Senior Administrator of Business Services David Lavery - Parts & Warranty Manager</p>	<p>Fleet and Business Services review invoices presently and the team will communicate with the vendors the need for a breakout of labor rate, labor hours on estimates, quotes, and invoices prior to payment. (October 2021)</p>
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