



**PERFORMANCE AUDIT OF
FLEET DEPARTMENT**

**FOR THE PERIODS OF
JULY 1, 2019 – SEPTEMBER 30, 2019,
JANUARY 1, 2020 - JUNE 30, 2020**

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Performance Audit of Fleet Department
Table of Contents

EXECUTIVE SUMMARY	3
AUDIT SCOPE & OBJECTIVES	4
OPERATING & INTERNAL CONTROL RISKS	4
DETAIL OF AUDIT FINDINGS	4
FINDINGS & RECOMMENDATIONS	4

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September 30, 2020 2

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Fleet Manager
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EXECUTIVE SUMMARY

The Doña Ana County Fleet Management Department consists of the Fleet Manager and 13 Personnel. Together, they provide such services as fleet management, fueling, full service maintenance and repairs, vehicle and replacement planning, vehicle towing service, specification writing, purchasing, vehicle delivery and preparation, registration, title and license, as well as disposal of surplus vehicles, to the Departments of Doña Ana County. As an operation, Fleet is tasked to recover all of its operating and internal capital costs with the objective of its revenues balancing its expenditures at the end of the year. More details about the department can be found by accessing the following link: [Fleet Services | Doña Ana County, NM \(donaanacounty.org\)](https://www.donaanacounty.org/fleet-services)

The Audit reviewed areas deemed to be at greater risks of internal control deficiencies, as well as areas of concern to the Fleet Manager. Herein, the Audit considered operations of the Fleet Department's Parts Section, recordkeeping activities, purchase card (P-Card) and fuel card purchases, shop safety, and inventory (fixed assets/sensitive items) accountability. Along with these areas, the Audit also assessed Fleet's personnel (safety records, production, etc.), budget vs actual costs, and equipment (operability, availability, accountability).

This report is intended for the executive leadership of Doña Ana County, and highlights areas that were determined as needing improvement within the County's Fleet Department. This report also acknowledges the participation received by the internal auditor during the audit, and credits Fleet's management and personnel for their cooperation.

While the Audit noted a number of minor inefficiencies within Fleet operations, the area of greatest concern involved the anomalies noted with fuel card usage. Most departments reviewed had evidence of recording inaccuracies, however the refueling records of Fire & Emergency Services' Fire section and Engineering/Roads' Roads section noted multiple, repeated inaccuracies that warrant a closer investigation. Herein, some anomalies were explained by management after a brief analysis, however others remained unexplained and suspect.

The Audit also revealed the following internal control deficiencies: 1) A lack of segregation of duties, 2) a lack of Standard Operating Procedures (SOPs), 3) inefficiencies with inventory (sensitive items such as equipment and parts), and 4), P-Card and recordkeeping discrepancies. The details of these findings are below in the Findings, Recommendations, Manager Responses, and Auditor Comments section.

During the audit, the Fleet Manager iterated the crucial need for another supervisory position. While a costs-benefits analysis was not conducted, the internal auditor collected data on the position costs vs the Fleet operating budget. The Audit notes that for the past three years Fleet has fallen short of its cost recovery goals to recover all operating and internal capital costs, as it has been operating at a growing shortfall, with revenues failing to balance expenditures at the end of the year. The results of this brief analysis is noted in the Management Letter.

September 30, 2020

3

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AUDIT SCOPE & OBJECTIVES

The Audit endeavored to determine if written procedures covering operations are maintained; staff is consistently and accurately accounting for inventory; proper shop safety protocols are followed and consistently enforced; the P-Card program is followed; fuel card usage aligns with policy; personnel and equipment are adequate for safety purposes; and tools and other sensitive items are accounted for accurately. This audit focused primarily on Fleet Department operations from July 1, 2019 through September 30, 2019, and January 1, 2020 through June 30, 2020. Thus, the scope of the audit focused upon assessing the internal controls over the following areas:

- (1) Inventory accountability procedures
- (2) Shop safety (Personnel & Equipment)
- (3) Purchase card records and procedures
- (4) Fuel card usage (refueling records)
- (5) Check-out tool records
- (6) Parts and miscellaneous items Accountability

OPERATING & INTERNAL CONTROL RISKS

This report contains no (0) High-level risks, two (2) Moderate-level risks, and fourteen (14) Low-level risks. This report also includes the auditor's Recommendations, Management Responses, and Auditor Comments (as applicable).

DETAIL OF AUDIT FINDINGS

Risk ratings are based on professional judgment to assess the extent to which deficiencies could adversely affect the performance of systems and controls of a process. More details about the risk rating in this report can be found by accessing this link:

[Audit Risk Ratings | Doña Ana County, NM \(donaanacounty.org\)](https://www.donaanacounty.org/AuditRiskRatings)

FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, & AUDITOR COMMENTS

The evidence obtained provides a reasonable basis for the findings and conclusions below, based on audit objectives. As a result of interviews, observations, reviews of the Fleet Department SOPs, Regulatory Guidance, and tests performed, the following results were recorded. While management responses are included within this report, the Audit takes no responsibility for the sufficiency of said responses, nor for the effective execution of corrective actions taken or to be taken by management. **NOTE:** Manager Responses below are written in *italics*.

September 30, 2020

4

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1. **Fuel Card Refueling Discrepancies. Moderate.**

Condition: A review of fuel card purchases indicated the following discrepancies within the refueling practices of several County departments, within the 6-12 month period reviewed:

- 1) Repeated individual mileage and odometer input errors by operators were noted wherein odometer readings either did not change, showed negative mileage usage, or indicated erratic mileage usage that contained large gaps in mileage
- 2) The Audit noted 22 occasions wherein vehicles were fueled 2 or more times within the same day, and 11 wherein refueling was within 5 minutes
- 3) The dispensing of different fuel types, during the same time period for a particular unit/vehicle was noted on nine different occasions, but explained by management
- 4) The dispensing of gallons of fuel beyond a particular vehicle's fuel tank capacity – four occurrences were noted within a three-month period
- 5) The multiple uses of a fuel card belonging to one unit, to refuel a different unit
- 6) Wide fluctuations in odometer readings between vehicle uses
- 7) The unconfirmed dispensing of a fuel source that does not match the type of fuel utilized by the listed vehicle
- 8) For 8 of 68 vehicles the odometer readings consistently, repeatedly matched the vehicle unit number instead of miles/hours of usage

Effect: Inaccuracies in odometer recordings and the cross-use of fuel cards from one vehicle for another are clear violations of fuel card policy. While after-hour and weekend fuel purchases along with the dispensing of different fuel types for a particular vehicle could be explained, the number of repeated discrepancies indicate that more thorough research is warranted.

Criteria: Per the DAC Driver Fuel Policies, drivers are not allowed to share their PIN with anyone, and must immediately notify a supervisor or fleet manager if their PIN is compromised; drivers must enter an accurate odometer reading upon refueling; and fuel cards that are assigned to specific county vehicles are not to be swapped or shared between vehicles.

Cause: *The condition exists for lack of someone consistently monitoring fuel transactions from within the department. Training within the department and training from Fleet so departments know their row in identifying discrepancies and possible theft. Having a Fleet Supervisor would greatly increase the time that Fleet can train and assist departments with fuel issues. Currently the County has a contract with 3 vendors to provide fuel through fuel card usage. WEX provides the most fuel station locations that DASO and Fire use. However, WEX is a credit card company that does not provide the best price and has shut down fuel services when payments were delayed. Their customer service is poor and has not improved. Brewer oil has a new fuel station on Amador that provides the space for Road Department to fuel their large trucks safely but has limited locations. Western Refining provides the best*

September 30, 2020

5

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price at three locations within City limits but their locations are limited. Fleet Department is always looking at vendors that can provide better service, price, and technology with the goal of finding one vendor to take care of all of the County's fuel needs.

Recommendation(s): While the Fleet website states, "The staff provides fuel cards to users and monitors fuel usage," the website does not speak to the degree of monitoring by Fleet. Thus, the Audit views the user department to be in the best position for close oversight of its refueling practices.

The internal auditor was able to make department directors and managers aware of sporadic, irregular violations of policy. In such cases, management agreed to make staff aware of the discrepancies so that corrective actions could be taken. However, both the Fire Administration and the Roads Department refueling practices indicated multiple refueling discrepancies, resulting in the recommendation that a separate, more in-depth audit of fuel card practices be conducted in these areas as soon as possible.

Manager's Response: *Any inconsistencies from fuel invoices should be reviewed by each user department each month when they get their billing. If any inconsistencies are detected when Fleet first receives the invoices from the contract vendor, fleet will notify the user department. Fleet provides fuel cards for new vehicles and at the request of a department (lost/stolen). Fleet provides fuel pins at the request of a department. Fleet is unaware of employee separation within other departments, therefore, if the department does not advise Fleet of an employee no longer with DAC their fuel pin will not be terminated. Fleet processes fuel invoices for payment for all departments (excluding DASO). All fuel invoices are sent to each department on a monthly basis (billing) for review. As Fleet is unaware of each department's specific daily operations, Fleet cannot determine fuel usage and the inconsistencies that arise from that usage. Fleet Department was having meetings with departments in 2010-2014 to discuss fleet's operation that included fuel usage and fuel cards. Not having a shop Fleet Supervisor increased the workload to the other two supervisors and reduced the time spent having meetings with departments. Fleet will start having meetings again with user departments to discuss fleet's operation and our support, plus discuss fuel operations and fuel cards. Fleet Department has two fuel trucks that fuel construction equipment and generators out in the field. Not having a consistent full crew (4 Heavy Equipment Mechanic positions with Class A Commercial Driver's Licenses) to operate these trucks creates difficulty in fueling and supporting departments like Road Department. At this time Road Department is utilizing pony/auxiliary fuel tanks on their pickup trucks to keep up with the demand of fueling their construction equipment. Again we are talking about positions and retaining employees. The solution in keeping Heavy Equipment Mechanics is pay and benefits (stay competitive).*

Auditor Comments: While the above named discrepancies were brought to light during an
September 30, 2020

6

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audit of the Fleet Department, the Audit acknowledges that department-level responsibility for the monitoring of fuel card usage should exist. Thus, oversight at the department level would be more prudent than solely at the Fleet level.

The Audit also notes a March 2010 audit finding wherein another auditor recommended that the department and manager review fuel usage details to ensure that all fuel card usage is for county business, promptly investigating unusual behavior.

2. **Lack of Segregation of Duties. Moderate.**

Condition: The Inventory Technician may both order and receive on parts ordered for vehicles.

Effect: There is a lack of segregation of duties when one person can both order and receive on parts that s/he ordered; this allows for a lack of internal control within the parts ordering procedures. When separate individuals do not perform the functions above, a significant risk exists that errors and intentional errors (fraud) could go undetected, bringing about a loss for the County.

Criteria: Segregation of duties helps to significantly reduce the risk of error or fraud within an organization. In this matter, proper segregation of duties purport that the person who orders a part be different than the person who receives on that part.

Cause: *The condition exists because Fleet Department can't keep and retain personnel. The second Inventory Technician position has been filled several times but the persons that have previously filled the position have not stayed for more than a year. Some have left within a month. From their response, pay is the number one reason they leave. The County is not competitive. The responsibility of vacant positions falls on others within the department.*

Recommendation(s): A main objective of an internal control here is to ensure the separation of functions or to implement actions that will serve as an oversight function when one person performs multiple, incompatible tasks. Thus, it is recommended that management take the necessary steps to either 1) ensure that the person ordering a certain part(s), does not receive on that part(s), and/or 2) input a compensating control (separate of the inventory technicians who order the parts) that allows a supervisor to review receiving documentation for accuracy and compliance.

Manager's Response: *Fleet Department's continuous challenge is to hire and keep employee's. In this particular case Fleet just hired a new Inventory Technician. The instruction given to the Parts Room is to alternate both Inventory Technicians where one does the ordering and the other will receive on the invoices. If one of the Inventory Technicians is off for a long period of time, the Parts Room Supervisor will do the receiving on the parts ordered. This will be included in the Parts Room SOP.*

September 30, 2020

7

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Auditor Comments: The Audit notes a similar finding from a March 2010 Audit Report of the Road and Fleet Department, wherein Fleet management agreed to have the Fleet Coordinator receive on purchase orders that were created by Inventory Technicians. However, the Audit did not learn of this practice occurring. The current plan of action by management should allow for proper segregation of duties.

3. **Lack of Standard Operating Procedures. Low.**

Condition: Interviews with staff at Fleet revealed that there are no written procedures in place to give guidance for parts room operations.

Effect: When policies or procedures are absent it allows for a lack of guidance as well as a lack of consistency. In addition, without SOPs the County lacks a prevalent resource to guard against possible brain-drain when well experienced staff leave County service.

Criteria: SOPs exist to give guidance to staff, current and future, and establish the standard to which management expects certain tasks to be performed. SOPs also allow for the preservation of organization-specific knowledge.

Cause: *The condition exists because improved procedures SOP is needed and training on the SOP.*

Recommendation(s): The Audit recommends that parts room procedures be chronicled in detail, within an SOP. While the degree of detail necessary is at management's discretion, SOPs should contain enough information to guide a parts room professional in daily, monthly, quarterly, and annual operations.

As the current practice is to require a supervisor's signature on parts request forms for parts costing above a determined amount, these details should also be included within a signature approved Parts Section SOP.

Manager's Response: *The current "Procedure to Purchase Automotive and Truck Parts for Dona Ana County Fleet Department" will be reviewed and modified as requested by the Auditor. Detail within the SOP for the Parts Room will include receiving and ordering parts, Supervisor/Fleet Manager signature for parts exceeding \$1,000/\$3,000, procedures for direct issue of parts, and frequency of physical inventories. Plus any other findings in this audit will be addressed and added to the Parts Room SOP.*

4. **Incomplete Annual Inventory of Tools. Low.**

Condition: Fleet's annual inventory listing includes 191 items. However, it does not include the 270 items/tools located in the parts room (this estimate intentionally excludes parts). Thus, the parts room actually has an inventory listing of the tools and books that can be checked out by mechanics, however an inventory of these items is not conducted annually.

September 30, 2020

8

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Effect: When an inventory of fixed assets and/or sensitive items is not conducted annually, it can allow for assets to remain unaccounted for, with the County being unaware of items that exist or may be missing.

Criteria: Per the DAC Capital Outlay (Fixed Assets) policy, “The Office of the State Auditor, per the Audit Act (Section 12-6-10 NMSA, 1978), requires each agency to conduct an annual physical inventory of all movable property and equipment at the end of each fiscal year. The departmental inventory lists will contain all assets as of June 30...”

Cause: *The condition exists because yearly inventory of these tools has never been performed. Most of these tools referenced by the auditor are hand tools with a value of \$50.00 or less and were purchased before 2007.*

Recommendation(s): It is recommended, per guidance of the Capital Outlay (Fixed Assets) policy, that an inventory of all fixed assets and sensitive items is conducted annually. The Audit recommends that tools in the parts room are included in this annual inventory, and included on the inventory listing that is remitted to Finance.

Manager’s Response: *Again Fleet Department’s continuous challenge is to hire and keep employee’s. In this particular case Fleet just hired a new Inventory Technician. Having two Inventory Technicians is essential for Parts Room operations. The tools will be checked and added to the annual inventory. Most of these tools are handheld tools with a value less than \$50.00. All tools/equipment with an original acquisition cost of \$5,000 or more as per Resolution No. 2006-112 including sensitive tools/equipment have always been included in the annual inventory given to Finance/purchasing. This inventory list was given to the Auditor.*

Auditor Comments: The internal auditor acknowledges receipt of the aforementioned inventory list. The Capital Outlay Fixed Assets SOP refers to sensitive items as property valued at less than \$5,000, and characterized as ‘walk away’ items or items that are prone to theft or misuse. To management’s credit, the internal auditor was able to find each tool sought (reference finding # 10 below) during the tools inventory that was performed.

5. **Asset Ledger lacks Updates. Low.**

Condition: The Fleet Department utilizes RTA Fleet Management Software to track parts and tool movements. However, there is currently no RTA Fleet Management Software training program available for new Staff. Herein, the current staff relays knowledge to newer staff about the interworking’s of the software.

Effect: When no written or digital training is available, new staff is forced to learn via trial-and-error or from a current staff member, but may be limited to learning only as much as the current staff knows.

September 30, 2020

9

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Criteria: Fleet should not have to depend upon present staff alone to fully train new staff on the RTA software. Events could occur that prevent this first-hand training, thus the department should have alternatives available. In addition, current staff may not be familiar with all functions of the software.

Cause: *The condition exists because Inventory Technicians forgot or were not aware that the software has a digital user manual. Senior Inventory Technician has never indicated that he needed training as he attended the initial training provided when the County purchased the software in 2011. Specific issues we have direct contact with RTA to clarify and obtain feedback on their software. Overall training and communication is why the condition exists.*

Recommendation(s): As the RTA website entails a Training & Events tab, if Fleet plans to continue its use of RTA software the Audit recommends that management review and budget for training as necessary, to ensure that staff is familiar with the functionality of the RTA software. In addition, printed guidance should be acquired from RTA concerning the functionality of its software. If printed nor digital guidance cannot be acquired, staff should chronicle known software functionality data in a Section SOP.

Manager's Response: *RTA software has a Manual that includes valuable information about parts inventory which includes detailed procedures. Something that the senior Part Inventory Technician may have forgotten or overlooked. Fleet Management will insure that both Inventory Technicians know about the RTA Manual. Training with RTA will be scheduled in the near future to keep Parts Personnel up to date with the everyday functions of the RTA software.*

6. **Obsolete Parts Inventory. Low.**

Condition: The Parts Section has shelves of obsolete parts (new and salvaged), oil, and other items that are either no longer used on vehicles within the County's inventory, or are surplus items. The internal auditor learned that the items have been there for an extended period of time but are not accounted for during inventory. In addition, there is not an estimated value of these items.

Effect: The obsolete and surplus items are out of circulation and have been on the shelves for extended periods of time (for years), taking up space that could be utilized more efficiently. In addition, when there is a lack of accountability, the department may not be fully aware of the type and quantity of assets in its possession.

Criteria: County departments should not only be knowledgeable of its current assets, but also have a plan for the use or disposal of those assets when they are no longer viable.

Cause: *The condition exists is because the parts room obsolete inventory has not been recently reviewed and addressed. Last period that obsolete parts were reviewed and removed from Inventory was 2011. Transferred parts from DASO to Fleet was in 2015.*

September 30, 2020

10

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Recommendation(s): Per a discussion with the Fleet Manager, auctions are apt to greatly devalue many of the items referenced in this finding, as sellers are often subject to what a perspective buyer is willing to pay. As this could be an option, the Audit recommends that the vendors are contacted so that the new and unused items can be returned for credit that Fleet can later apply to future purchases. As many of the items have been on the shelves for years, if this recommendation is accepted then expedience is advised, along with verifying the shelf life of each item.

In addition, for accountability purposes these parts/items should be inventoried annually, and include an estimated value, so that Fleet is fully aware of the assets it currently possesses.

Manager's Response: *When Fleet Department moved from the old shop to the new Fleet Facility in 2011 all parts in the Parts Room were evaluated. Obsolete parts were first evaluated, and then presented to County contract vendors for the highest value given. Credit was given for the obsolete parts. When DASO no longer performed their own repairs (in 2015) the parts in their inventory was transferred to Fleet Department to utilize. Most of the parts pertain to Crown Victoria's. Fleet Department is in the process of having County contract vendors evaluate the value and see how much these obsolete parts are worth. If no value is given from the County contract vendors, the obsolete parts will be auctioned off.*

7. **Inoperable Equipment. Low.**

Condition: When conducting inventory of Fleet assets, all assets were identified and located. Herein, the auditor selected 5 of 17 vehicles, and 36 of 175 pieces of equipment. All selected assets were located during the inventory. However, the following deficiencies were noted. A 160N Wireless Lift System-Gray Manufacturing (Item # 524) is not described as being a 4-piece set.

The equipment below is listed on the inventory listing as inoperable but not listed for repairs-

ProValue 8" Bench Grinder
Lincoln Air Grease Gun 82050
JD Oil Filter Crusher
Robinair Cooltech 34788 AC Machine
3 1/2 ton Service Jack
Welder Handler 175 Hobart

The Fleet Manager inquired with the internal auditor about the proper means of disposing of worn out, unusable, or otherwise obsolete public property.

Effect: If the wireless lift system is not listed as '4 each' or 'x 4,' then one may incorrectly presume it to be one piece of equipment. As for unusable or worn out equipment, it is inefficient to allow such items to occupy valuable shop space that could be used otherwise. Depending upon their disposition, such equipment could also become obstacles or hazards.

September 30, 2020

11

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Criteria: DAC's Capital Outlay (Fixed Assets) manual, Section 5, outlines the procedures available for disposing of worn out, unusable, or otherwise obsolete public property. Equipment that still has a useful life should be kept in working condition for County use.

Cause: *The condition exists because of the difficulty to properly dispose of worn out unusable tools, furniture, and equipment. Fleet Department's method is through auctions conducted by Dickerson Auctions (County contract) as scheduled, usually once per year.*

Recommendation(s): The Audit recommends that the inventory listing is updated to indicate that Item # 524 is a 4-piece set. The Audit also recommends that applicable equipment be sold to other governmental agencies for a negotiated amount, auctioned off, donated, or permanently disposed of via the avenues presented in the Capital Outlay (Fixed Assets) manual. If items are still of use, they should be repaired and reinstated to service.

Manager's Response: *The 4-piece truck lift works as one unit to lift tandem axle trucks. The inventory listing will be updated to indicate that there are 4 parts to the truck lift. The list of inoperable equipment will be reviewed and if not repairable will be auctioned off. It was indicated to the Auditor that disposing of broken equipment and furniture was difficult because the responsibility falls entirely on the department. The example of a broken chair was given. If the chair is thrown in the trash how is this documented in our inventory plus what documentation do we keep other than a picture of the broken chair and someone's word. I explained to the Auditor that when I worked for the City of El Paso, the Purchasing Department would confirm that the tool/equipment/furniture was broken/inoperable and both departments would approve that the item would be disposed of and how. In the case of the chair, both parties would agree that the chair would be thrown in the trash. If any questions are presented, having two departments approve the fate of the chair is better than one.*

Auditor Comments: A digital version of Doña Ana County Asset Disposal Form (Form FA03, found in Tab 3 of the Capital Outlay [Fixed Assets] SOP) should allow for multiple entries so that Fleet can dispose of selected items collectively.

8. **Untagged Assets. Low.**

Condition: Upon reviewing P-Card purchases for January 2020 – June 2020, the internal auditor inquired of and learned that many sensitive items purchased have not yet been tagged. While there were multiple tool kits still in the packaging within the Fleet Manager's office, the auditor noted of the 121 items purchased, approximately 27 items could require inventory tags. The value of items purchased was approximately \$39,651.12.

Effect: When assets are not tagged after acquisition, they are not readily available on inventory listings for accountability. Thus in the event of theft or loss via a disaster, there is a risk that such items would not be properly accounted for.

September 30, 2020

12

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Criteria: Per the Capital Outlay (Fixed Assets) manual, once capital assets are received they must be safeguarded and accurately accounted for. It is the department's responsibility to ensure that such assets are properly tagged, which requires the items to be added to the inventory listing.

Cause: *The condition exists because it is time consuming to organize and document new hand tools/toolboxes to mechanics so all tools can be quickly inventoried by the user mechanic and management. The new tool sets have over 800 individual items. The inventory needs to be done daily, weekly, and yearly so all tools can be accounted for. The Fleet Manager has taken the task to perform the initial process of transferring the new tools to the mechanics. Once this is completed (new tools/toolbox for 8 mechanics), future inventory of these items will be done quickly.*

Recommendation(s): It is recommended that as*applicable, assets acquired are properly tagged and added to the inventory listing within a minimal timeframe (optimally upon arrival) to promote timely accountability. Herein, if items are lost or stolen the inventory listing can be referenced to quickly learn what items are missing.

* The Audit notes that some items/tool kits will be unpackaged and included in tool box inventories, and thus may not require an individual inventory tag.

Manager's Response: *Having a full staff at Fleet Department is crucial in the department's everyday operation. Having only two supervisors (Eliminating the Fleet Shop Supervisor position four years ago) creates challenges for Fleet. New hand tools with toolboxes have been purchased and has been a slow process in organizing the tools for quick future inventory (Fleet Manager is requiring the mechanics perform an inventory of the hand tools issued to them within 10 minutes). During the process of assigning and organizing the tools, the tools have been kept in the Fleet Manager's office and the Parts Room for security. Once issued to the assigned mechanic the tools will be the responsibility of the mechanic. Note: no inventory tag will be issued to the hand tools only the toolbox. The inventory list of the hand tools and toolbox will be kept in file and a copy will be given to the mechanic. Invoices of all tools purchased are kept in file.*

9. **P-Card Discrepancies. Low.**

Condition: The Audit reviewed P-Card reconciliation records for January – June of 2020, which amounted to 121 purchased items valued at \$39,651.12. A review of P-Card reconciliations revealed the following discrepancies:

1 x item was purchased, wherein sales tax of \$1.31 was charged

2 x items purchased did not have receipts attached; the items totaled \$2,854.96

September 30, 2020

13

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Effect: The County's exemption from Gross Receipts Tax (GRT) allows the County to expend those financial resources for other needs. Thus paying GRT unnecessarily negatively effects the efficient use of financial resources. Also, attached receipts allow Finance to verify that required reconciliations were performed, serving as proof for purchases made.

Criteria: In many cases the County is exempt from paying gross receipt taxes. Also, when reconciliations are performed, all receipts are to be remitted to Finance along with P-Card statements as verification of purchases.

Cause: *Receipts were presented and sales tax of \$1.31 was addressed.*

Recommendation(s): It is recommended that management consistently adhere to proper protocol concerning the use and reconciliation of P-card transactions.

Manager's Response: *Fleet Department has attended P-card training provided by the Purchasing Department (Don Bullard). Fleet Department has only one assigned person to make P-card transactions and the Fleet Manager oversees and approves all P-card transactions. Finance Department also reviews all P-card transactions and informs the Fleet Manager of any discrepancies.*

Auditor Comments: The errors above were the only ones found within the 6-month period reviewed. To its credit, management was able to produce the missing receipts, and was already in the process of addressing the incident wherein a sales tax was paid.

10. **Tools Inventory Inaccuracies. Low.**

Condition: The tools inventory totals approximately 270 items (this does NOT include parts). An inventory of these tools revealed the following discrepancies:

- Brakes – Book (A5) & LT Vehicle Diesel Engine – Book (A9) could not be located.
- Many of the books mechanics can use as a reference were found stacked inside of a box in no particular order
- A Puncture Repair Kit was found but did not have a tool #/Tag
- Tools 0094 & 0095, Red & Black welding Hoods (respectively) are listed as items to be checked out however they actually remain in the shop area at all times and do not require a check out

Effect: When reference books are missing or not readily available, this can cost the mechanic time in learning how to properly address a vehicle maintenance issue.

Unaccounted for items can be misplaced or lost without the department's knowledge.

Sensitive items that are listed as being in a specific location can be mistaken as misplaced if not properly noted/documented.

September 30, 2020

14

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Criteria: Books utilized as references by mechanics are items that should be accounted for. Also, these books should be readily available and easy to locate for increased efficiency. All sensitive items (as applicable) should have a tag number, and be included on the department's inventory listing.

Tools that are listed as check out items, should remain in the Parts Section until checked out by an individual.

Cause: *The condition exists because someone needs to be assigned to review all hand tools in the Parts Room and review the status of the tools including if obsolete, the value, and any discrepancies.*

Recommendation(s): The Audit recommends the following -

Lost books should be reported and replaced as applicable. Also, such reference materials should be organized and made readily available on book shelves so that mechanics can check out and access them as necessary. The tool check out sheet should continue to allow for proper tracking of these materials.

The repair kit should be assigned a tool/tag number and accounted for on the inventory listing.

As the welding hoods normally remain in the shop area and are routinely replaced as needed, this should be indicated on the tools inventory listing and the hoods removed from the Tools Check-Out Listing.

Manager's Response: *Again having two Inventory Technicians to oversee the tools in the Parts Room helps greatly. The ASE study guides are obsolete (ASE exams are revised every 5 years due to new technology) and new study material is available. The remaining study guides are locked up in the Supervisors office and if they are utilized will be checked out including any new study material. The two welding helmets will be kept in the Parts Room and will be checked in and out as needed. Meeting conducted October 8, 2020 focused on signing tools in and out, plus the responsibility of Parts Room personnel in keeping track of tools in the Parts Room.*

The puncture repair kit will be added to the service truck 19013 tool inventory.

11. **Tool Recordkeeping Discrepancies. Low.**

Condition: A review of listings of Checked-Out Tools, dated August 2019 – August 2020, indicated that records for only 5 of 126 (4%) Check-Outs/Ins were without errors, with 68 of 126 (54%) missing the Tool # or Description, and 117 of 126 (93%) missing a Check-In Date or Check-In Initials.

Effect: When personnel fail to input required data, the recordkeeping documents lack pertinent information to identify specifics of interactions that occurred. This includes the ability to identify all parties involved in an interaction or transaction.

September 30, 2020

15

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Criteria: When an SOP is lacking or fails to address normal procedures, the Audit relies upon normal practices as learned during interviews, and known common practices for applicable operations. In this case, the documentation (Column Headings) was used as the standard for the data that should be collected, as this supports proper recordkeeping.

Cause: *The condition exists mainly because of the pandemic where signing in/out tools was relaxed. However all sensitive tools were inventoried and accounted for.*

Recommendation(s): It is recommended that inventory technicians take the actions necessary to ensure that the Checked-Out Tools listing is fully completed when issuing and receiving tools/items.

Manager's Response: *As explained in the Management Letter to the Auditor, the decision to keep all doors open at the Fleet Facility during the pandemic was my decision, and this was done to keep Fleet personnel safe from COVID-19. The few times that Fleet Department was tested for the virus confirmed that we were doing the right thing (only one mechanic tested positive). I personally conducted an inventory of all sensitive tools and all were accounted for. However, this caused problems with consistency in the forms for signing tools in and out from the Parts Room and Supervisor's office. Plus having two Inventory Technicians greatly assists Fleet operations in all aspects. Meeting conducted October 8, 2020 focused on signing tools in and out, plus the responsibility of Parts Room personnel in keeping track of tools in the Parts Room. The doors to the Parts Room and Supervisor's office are locked, only office management and Parts Room personnel have access to these areas. All tools and equipment will be signed in and out. At the end of each week Fleet Management will review and make sure all tools are turned in and accounted for.*

12. **Lack of Parts Inventory & Documentation, Low.**

Condition: During interviews the Inventory Technician stated that a partial parts inventory is conducted on a monthly basis. However, the Audit notes that neither an August 2020 nor September 2020 parts inventory was conducted, nor requested documentation produced for the internal auditor's review to verify that inventories were conducted for January 2020 – June 2020. In addition, the Inventory Discrepancy Sheets for this period of time were also not produced.

Effect: When documentation is lacking, the Audit is not able to confirm actions taken or not taken, by personnel.

Criteria: When an SOP is lacking or fails to address normal procedures, the Audit relies upon data of normal practices as gathered during interviews, and known common practices for applicable operations. In this case, documentation of inventories performed should serve to verify that the monthly inventories are indeed conducted, as purported by Parts Section staff, as this supports proper recordkeeping.

September 30, 2020

16

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Cause: *The condition exists because the second Inventory Technician had not been filled out permanently to consistently conduct monthly parts inventory. The pandemic is the other condition of why this exists.*

Recommendation(s): The Audit recommends that documentation is scanned in and saved on a shared drive, for the monthly inventories conducted. Management should also determine the length of time documentation is to be preserved on the shared drive, as well as establish this standard in an SOP for the Parts section.

Manager's Response: *The pandemic has caused challenges for Fleet and still does. Having two Inventory Technicians greatly increases the efficiency of the Parts Room. The SOP will include the frequency of inventory taken in the Parts Room, procedures, and timeframe on specific tasks. Including that documentation be scanned and saved for all inventories taken.*

13. **Parts Request Direct Issue Form Discrepancies. Low.**

Condition: The Audit reviewed six months (January – June, 2020) of Parts Request Direct Issue forms, reconciling parts invoices to receiving documents to find no reconciliation discrepancies. However, the following discrepancies were noted with the Parts Request Direct Issue forms -

- 50 of 124 forms were missing Signatures (41%)
- 15 of 124 were missing Units (13%)
- 3 of 124 were missing Dates (2%)
- 8 of 124 did not have a *Slash across the documents (6%).

In addition, the forms currently do not indicate who issued the parts/items.

* A slash is drawn across the forms to indicate that the forms' data has been inputted into the RTA system.

Effect: When personnel fail to input required data, the documents lack pertinent information to identify specifics of interactions that occurred. This includes the ability to identify all parties involved in an interaction or transaction.

Criteria: When an SOP is lacking or fails to address normal procedures, the Audit relies upon normal practices as learned during interviews, and known common practices for applicable operations. In this case, the documentation (Column Headings) was used as the standard for the data that should be collected, along with practices purported by parts staff. In addition, common practice found on a similar document indicates that the person issuing the part be identified, as this supports proper recordkeeping.

Cause: *The condition exists because the form and process has not been currently reviewed.*

September 30, 2020

17

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Recommendation(s): It is recommended that management update the Parts Direct Issue Forms to include a means of identifying which personnel issued the part or item. Also, inventory technicians should take action as necessary to ensure that these forms are fully completed when issuing parts/items. In the event that Fleet is utilizing the part or item, 'Fleet Department' should be identified specifically on the form rather than 'Department Use.'

Manager's Response: *Parts Direct Issue items will be limited, items for direct issue will be identified and included in the SOP. The form will be reviewed and updated with input from departments. All signatures required will be entered. Parts Room Supervisor will review on a weekly basis that Parts Direct Issue procedures are followed.*

14. Tools Check-Out Listing Discrepancies. Low.

Condition: The internal auditor cross-referenced 29 items from the Tools Inventory Listing to the Tools Check-Out Listing. The Tools Inventory Listing annotates the status of checked out tools. Only 5 of 29 (17%) items could be verified between the two listings, as matching.

Effect: Documentation presented to the internal auditor is presumed valid and accurate, unless otherwise specified. When documents that should coincide fail to corroborate each other, this brings into question the validity of the data in both documents.

Criteria: The Tools Inventory Listing's status column should match the Tools Check-Out Listing, concerning details about specific tools that are/were checked out.

Cause: *The condition exists because the process has not been currently reviewed. The pandemic has produced new challenges for Fleet Department.*

Recommendation(s): The Audit recommends that the status section of the Tools Inventory Listing be updated as necessary, and the Tools Checkout listing be properly maintained so that the documents collaborate one another's data, to support proper recordkeeping.

Manager's Response: *Again Fleet Department's continuous challenge is to hire and keep employee's. In this particular case Fleet just hired a new Inventory Technician. Having two Inventory Technicians is essential for Parts Room operations. The tools check-out listing will be checked on a weekly basis by the Parts Room Supervisor for accuracy and completion. Meeting conducted October 8, 2020 focused on signing tools in and out, plus the responsibility of Parts Room personnel in keeping track of tools in the Parts Room. The doors to the Parts Room and Supervisor's office are locked, only office management and Parts Room personnel have access to these areas. All tools and equipment will be signed in and out. At the end of each week Fleet Management will review and make sure all tools are turned in and accounted for.*

September 30, 2020

18

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15. **Mechanic's Request for Parts Form Discrepancies. Low.**

Condition: The Audit reviewed 316 Mechanic's Request for Parts forms and found discrepancies with 315 of them; most discrepancies involved missing signatures and missing dates or times.

Effect: When personnel fail to input required data, the recordkeeping documents lack pertinent information to identify specifics of interactions that occurred. This includes the ability to identify all parties involved in an interaction or transaction.

Criteria: When an SOP is lacking or fails to address normal procedures, the Audit relies upon normal practices as learned during interviews, and known common practices for applicable operations. In this case, the documentation (Colum Headings) was used as the standard for the data that should be collected, to support proper recordkeeping.

Cause: *The condition exists because the process has not been currently reviewed for improvements, discrepancies, effectiveness, and how management will enforce the process.*

Recommendation(s): It is recommended that inventory technicians take the actions necessary to ensure that the Mechanic's Request for Parts forms are fully completed when issuing parts/items. This includes having the inventory technicians sign consistently to identify who administered the service, placing an 'X' on the document to indicate the need for a Supervisor's signature, and consistently filling out the Work Order line, even if the item is for Fleet shop use.

Manager's Response: *Training will be conducted with Parts Room personnel that will include how important it is to complete all necessary information and signatures on Mechanic's Request for Parts Form. Filling out the Parts Request form will be included in the Parts Room SOP. Parts Room Supervisor will review on a weekly basis that Mechanic's Request for Parts forms are completed with all necessary signatures.*

16. **Inventory Adjustments. Low.**

Condition: Currently the inventory technician adjusts the digital inventory records when discrepancies exist between digital records and actual inventory on-hand. However, an Inventory Discrepancy Sheet is to be turned in to the Fleet Administrator to serve as notification of the discrepancy and adjustment.

Effect: Adjustments in inventory levels by the person conducting the inventory prior to supervisory verification, could leave the person conducting the inventory in the compromising position of being under suspicion, particularly if adjustments occur often. This also leaves the County at risk of absorbing unnecessary costs in the event of theft.

September 30, 2020

19

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Criteria: Sound internal controls purport that someone other than the person taking inventory, verify and update the digital inventory. This protects both the staff and the County, leaving an audit trail supporting the segregation of duties.

Cause: *The condition exists because the process has not been currently reviewed and an SOP for consistency needs to be done. Plus, not having one of the two Inventory Technician positions filled long term creates inconsistencies of processes.*

Recommendation(s): The Audit recommends that inventory technicians submit all discrepancies between inventory quantities listed in the system to physical inventory quantities, on Inventory Discrepancy Sheets, to a supervisor. The supervisor should verify the discrepancy, acquire and record an explanation, and update the inventory level in the system to match physical inventory quantities on-hand.

Manager's Response: *The Parts Room Supervisor is the assigned supervisor to verify, approve and perform all adjustments when performing inventories. The Fleet Manager will sign off after reviewing all data from start to finish. The Parts Room SOP will include procedures, the role of Inventory Technicians, record of an explanation, and the role of the Parts Room Supervisor.*



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Internal Auditor – Doña Ana County

Date

19 September 2023

September 30, 2020

20

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