



Internal Audit Report
Pinal County
Fleet Services Review
March 2018

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Executive Summary

Background

Pinal County Internal Audit performed an audit of the Fleet Services Department to evaluate the current state of the respective policies, procedures, and controls, assess compliance with these policies and procedures, and identify Opportunities for Improvement (“OFI”).

In order to effectively serve its constituents, Pinal County provides numerous services across a large geographic region and to over 400,000 residents. Accordingly, a number of the services require the deployment of vehicles or equipment, necessitating a concentrated effort by the County to operate and manage a fleet of service vehicles and equipment to meet the service level demands expected by its citizens.

Owning and operating a Fleet Services Department requires considerable monetary investment on behalf of the county, and as a result, monitoring and oversight of public funds use is paramount to ensuring that effective stewardship of public resources is occurring. Items of particular concern for governmental fleet services departments include, but are not limited to: timely acquisition and effective distribution of fleet inventory, hiring and training of individuals operating or utilizing fleet inventory, performing timely preventative and emergency maintenance and upkeep on fleet inventory, accurately monitoring and recording fuel consumption, accurately tracking fleet inventory costs, managing utilization rates and maintenance schedules and limiting unauthorized personal use and/or abuse of County vehicles.

As of December 31, 2017, Pinal County had 1,214 vehicles (889) and pieces of equipment (325) in its fleet inventory. All vehicles and equipment are classified within three distinct governmental funds: General, Pinal County Sheriff Office (PCSO) and Public Works. In order to manage the fleet inventory, Pinal County uses the RTA Fleet Management Software, which has been utilized by the County for over a decade. However, during the planning phase of the internal audit, Fleet Management personnel indicated that it would be integrating a new fleet management software, FleetWave, to modernize its technological monitoring and management of fleet inventory.

As of December 31, 2017, the County had over 800 authorized drivers. All County drivers are required to have a valid driver’s license and reasonable driving history, as defined by the point’s assessment system used by ADOT, upon the date of hire and throughout their term of employment. Any employees that fail to maintain a valid driver’s license or responsible driving record are subject to disciplinary procedures through the Human Resources Department and the Driver Review Board.

Scope, Objective and Approach

Scope:

The scope of this review included:

- Understanding and evaluating adherence to current policies and procedures in place governing the Fleet Services Department.
- Reviewing key processes within the Fleet Services Department for adherence to compliance objectives and evaluating operational efficiencies for select sub-processes including:
 - Procurement and authorization of fleet vehicles and equipment
 - Required training and minimum standards for fleet drivers
 - Effectiveness of fleet monitoring metrics
 - Fleet maintenance program
 - Disposal or reassignment of underutilized fleet inventory
 - Annual insurance reviews
- Verifying employee access to key Fleet Services Department databases is appropriately restricted and monitored on a continual basis.

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Objectives:

The objectives of the review of Pinal County's Fleet Services Department were to:

- Assess compliance with County policies and procedures.
- Verify accuracy of fleet information retained in County financial systems; and,
- Identify improvement opportunities related to the efficiency and effectiveness of the fleet services procedures and monitoring controls.

Procedures Performed:

A summary of procedures performed during this internal audit included, but are not limited to, the following:

- Interviewed key Fleet Services, Finance, and Human Resources personnel to gain an understanding of the current policies and procedures, perceived areas of risk and individual assessments of effectiveness of fleet management procedures.
- Documented key processes and sub-processes within the Fleet Services Department utilizing process flow charts, risk points and internal controls.
- Performed statistical sampling and testing for documented controls for the following processes: Procurement, Service and Maintenance, Disposals, Reassignments, Leasing Transactions, Insurance Claims, Human Resources and System User Access Reviews to validate policies and procedures are being followed as documented from walkthrough discussions.
- Performed data analytics on targeted procedures such as cost projections/maintenance, vehicle utilization, and fuel monitoring, to identify any unusual variances or concerns requiring additional follow-up.
- Performed physical walkthroughs for both the central automotive shop and one heavy equipment yard to verify asset security, employee safety, and cleanliness of locations.
- Physically inspected ten randomly selected vehicles and pieces of equipment to verify documented assets exist, are in good working order and agree to information contained in RTA.
- Reviewed and confirmed that recommendations and management responses provided for the 2010 internal audit have been implemented by the Fleet Services Department and are operating as intended.

Summary of Results – Areas of Strength

As part of the above procedures documented, Internal Audit noted there were numerous strengths present in the Fleet Services Department. The areas of strength documented by Internal Audit include, but are not limited, to the following:

- During physical walkthroughs of both the Florence Automotive Shop and the San Tan Valley Heavy Equipment Yard, Internal Audit noted that both were well maintained and organized, specifically the following:
 - The Inventory Parts Department has all parts inventoried and labeled in a distinct location, which is restricted to select automotive personnel through locked entrances
 - Physical inventory and service parts are segregated from the service department and appropriate segregation of duties are in place to safeguard physical assets
 - Both the yard and the automotive shop were properly secured (i.e. security fences, locks on fences, and buildings being securely locked down after-hours)
 - There were no visible safety hazards (i.e. unsafe equipment or tools laying around)
- The preventative maintenance program is a point of strength for the Fleet Services Department as they are able to efficiently maintain vehicles and pieces of equipment well past the expected replacement mileage, hours and year criteria set in place.
- Leadership over Fleet Services is experienced and knowledgeable of the subject matter related to the Internal Audit.

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- Fleet Services Department personnel have identified potential risk points and have attempted to implement steps to reduce exposure despite consistent underfunding and cutback of staff personnel over the recent timeframe.
- Purchasing and disposal of fleet vehicles and equipment are appropriately segregated between Fleet Services, Finance and requesting departments.
- The Fleet Services Department has incorporated feedback and improvement opportunities noted in the Fleet Services internal audit performed in 2010 into their processes.
- Fleet Services management was forthright and honest with the internal audit staff, resulting in consistent communication and sharing of information, which was helpful in identifying potential risks, documenting process gaps and developing operational recommendations to address process deficiencies.

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Summary of Results – Opportunities for Improvement

The following **opportunities for improvement** were observed during the review. Control and process improvement opportunities identified by Internal Audit are discussed more thoroughly in the Detailed Improvement Opportunities and Action Plans section that follows.

No.	Opportunities for Improvement	Risk Ranking
1.	County Fleet vehicles should be more effectively monitored and allocated among County departments and Fleet Service’s motor pool.	High
2.	A strategic plan should be developed at the County to address the increasing cost burden of rapidly aging fleet inventory.	High
3.	Completeness and accuracy of RTA data should be evaluated as data integrity issues were discovered (i.e. incorrect odometer readings and vehicle information).	High
4.	Proper supporting documentation is not being completed or retained for processes around vehicles and equipment.	Medium
5.	Human Resources documentation and review procedures around County vehicle operator’s motor vehicle records should be enhanced.	Medium
6.	Fuel variances, both at the employee and the fuel truck level, should be reviewed and resolved on a consistent basis.	Medium
7.	County policies and procedures should be reviewed on a periodic basis and enhanced to include defined thresholds for high impact processes and management review procedures.	Medium
8.	User access and permissions related to RTA and Voyager should be reviewed on a periodic basis.	Medium
9.	Driver safety trainings should be required and formally documented for all individuals eligible to operate County vehicles or equipment.	Medium
10.	Additional restrictions on input of incorrect odometer readings during the fueling process should be considered.	Medium

*Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

In addition to the observations noted above, Internal Audit identified several process enhancements for management’s consideration. However, due to their low risk nature, Management responses for identified process enhancements are not required. Please review Appendix D for additional information on process enhancements identified during the course of the engagement.

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Detailed Improvement Opportunities and Action Plans

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
1.	<p>County Fleet vehicles should be more effectively monitored and allocated among County departments and Fleet Service’s motor pool.</p> <p>Internal Audit noted through inquiry and data analysis that a material portion of fleet vehicles are being underutilized. To analyze data trends, Internal Audit utilized the current vehicle inventory listing as of 12/31/2017 and compared ending mileage for the years ending 2016 and 2017. Various factors analysed by Internal Audit include:</p> <ol style="list-style-type: none"> 1. Number of Miles Driven in 2017 by Vehicle 2. Average Miles Driven in 2017 by Department 3. Number of Vehicles per Department 4. Average Age of Vehicles <p>Based on the information obtained from the data analysis above, Internal Audit has concluded that Pinal County is not effectively utilizing vehicles and may be inefficiently utilizing resources due to low utilization of some vehicles. Please refer to Appendix C for additional information on vehicle underutilization and observations noted during the data analysis.*</p> <p>Additionally, Internal Audit noted through various discussions and inquiry with County employees that vehicles under County departments are only utilized for tasks such as grabbing the mail, or are “wasting away in the parking lot” as was described by several individuals, which may result in a perception of County waste or abuse of public monies.</p> <p>*Based on the source data provided, Internal Audit was unable to identify if vehicles have grant funding utilization limitations or speciality district restrictions that inhibit reallocation of vehicles or restriction of use. As a result, vehicles identified as underutilized in Appendix C require further analysis by the County to identify unique restrictions that may explain low usage.</p>	High	<ol style="list-style-type: none"> 1. Internal Audit recommends that the Fleet Services Department review their existing inventory and objectively assess the needs of County Departments, including a cost benefit analysis of utilizing leased vehicles as part of its fleet management strategy. After completing the above analysis, Fleet Management should engage County Management and the Board of Supervisors to begin transitioning to an expanded centralized motor pool function, which would increase utilization of current fleet inventory and allow for a reduction in total fleet vehicles. Additionally, with the integration of FleetWave, Fleet Management will be able to provide online on-demand scheduling and management of motor pool reservations on a go-forward basis to increase efficiency and ease of use for the expanded motor pool. 2. As part of the transition to the expanded centralized motor pool model, it would benefit the Fleet Services Department to review the current fleet inventory and make strategic planning decisions on retaining newer and less costly vehicles in the motor pool. Accordingly, this would facilitate the disposal of older more costly vehicles, therefore assisting with the capital asset replacement process. 	<p>Responsible Party: Fleet Services Director and Automotive Fleet Manager</p> <p>Expected Completion Date(s): June 30, 2018 & June 30, 2019</p> <p>Management Action Plan #1: Monitor usage of county-owned vehicles on a quarterly basis. Additionally, Fleet Services will consult with department directors and elected officials on alternatives, consistent with management objectives, to improve vehicle utilization and reduce the number of vehicles in our Fleet.</p> <p>Management Action Plan #2: Increase efficiency and effectiveness of motor pool by increasing the number of quality vehicles in the motor pool and through implementation of new Fleet Management software.</p>

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No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
2.	<p>A strategic plan should be developed at the County to address the increasing cost burden and rapidly aging fleet inventory.</p> <p>Internal Audit noted that Pinal County's fleet inventory is aged and contains a significant percentage of vehicles and equipment that should be considered for retirement and/or replacement. Per Pinal County Policy "8.9 – <i>Vehicle Replacement</i>", light duty vehicles are considered for retirement at ten years or 150,000 miles. For heavy equipment, the replacement consideration threshold is ten years or 14,000 hours. Based on the fleet inventory listing as of 12/31/2017, Internal Audit noted the following:</p> <p><u>Vehicles – 889 Total Vehicles**</u> # of Vehicles > 200,000 Miles: 26 # of Vehicles 175,000-200,000 Miles: 52 # of Vehicles 150,000-175,000 Miles: 109 # of Vehicles 125,000-150,000 Miles: 121 # of Vehicles < 125,000 Miles: 581 Total # of Vehicles over Replacement Threshold: 187 Total % of Vehicles over Replacement Threshold: 21% Total % of Vehicles over Replacement / Approaching Threshold: 35%</p> <p><u>Equipment – 275 Total Equipment**</u> # of Equipment >20,000 Hours: 33 # of Equipment 16,000-20,000 Hours: 18 # of Equipment 14,000-16,000 Hours: 10 # of Equipment 12,000-14,000 Hours: 15 # of Equipment < 12,000 Hours: 199 Total # of Equipment over Replacement Threshold: 61 Total % of Equipment over Replacement Threshold: 22% Total % of Vehicles over Replacement / Approaching Threshold: 28%</p>	High	<p>In addition to making the changes identified in Improvement Opportunity #1, it is recommended that Pinal County integrate an annual capital asset assessment and rolling five year replacement strategy into the annual budgeting process.</p> <p>The periodic assessment and development of a documented replacement strategy will assist the budgeting process to identify changes in departmental needs in a timely manner and minimize excess service costs incurred with maintaining aging fleet inventory.</p>	<p>Responsible Party: Fleet Services Director and Automotive Fleet Manager</p> <p>Expected Completion Date(s): June 30, 2018 & June 30, 2019</p> <p>Management Action Plan #1: Continue production of a rolling, five-year projection of vehicle replacement needs and report annually to the County Manager and Board of Supervisors on funds required for needed vehicle and equipment replacements.</p> <p>Management Action Plan #2: Collaborate with departments to reduce the number of vehicles in the Fleet and improve vehicle utilization.</p>

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No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
	<p>Per inquiry with Fleet Management personnel, it does not appear that County Management has integrated a consolidated strategic plan to effectively evaluate and plan for replacement of aging assets; instead, it appears that the Maintenance Department is heavily relied upon to keep aged inventory running, even for vehicles or equipment that have passed the disposal threshold. As a result, Internal Audit noted that increased vehicle and equipment age may lead to increased maintenance cost burdens absorbed by the County on an annual basis.</p> <p>**Per the fleet inventory listing as of 12/31/2017, Internal Audit noted that it contained 1,218 vehicles and pieces of equipment. For purposes of the above analysis, Internal Audit removed 54 inventory items due to their lack of mileage/hours tracking (i.e. trailers and haulers).</p>			
3.	<p>Completeness and accuracy of RTA data should be evaluated as data integrity issues were discovered (i.e. incorrect odometer readings and vehicle information).</p> <p>During the course of the review, Internal Audit noted various data issues were present within the RTA system. Data issues included:</p> <ol style="list-style-type: none"> 1. Odometer reading updates from Voyager (i.e. accuracy and timeliness concerns) 2. Vehicle information (i.e. Make, Model, Year) 3. Reliability of reporting capabilities <p>During the fieldwork portion of the review, Internal Audit attempted to perform detailed data analytics related to the maintenance costs from the prior fiscal year. However, upon receiving the 2017 RTA Costing Report, several discrepancies related to service costs were identified. Upon discovery of the discrepancies, Internal Audit met with the Fleet Inventory Supervisor and validated that the information contained in the 2017 RTA Costing Report was inaccurate through comparison to the 2017 Work Order Listing Report from Crystal. Upon further investigation, it was discovered that the RTA system was pulling costing information from prior reporting years (i.e. 2014 – 2015), which rendered the costing data unusable for the</p>	High	<ol style="list-style-type: none"> 1. Prior to beginning the Fleet Management review, Internal Audit was notified that Pinal County had intended to upgrade its fleet management software from RTA to FleetWave. Based on research performed, it appears that FleetWave will address the data issues identified in observation #3. 2. However, Internal Audit recommends that Fleet Management prioritize the following features when integrating FleetWave with Voyager fueling solution: electronic motor pool scheduling, maintenance notifications, custom reporting (e.g. maintenance, utilization, vehicle life cycle reviews, etc). Additionally, due to identified RTA data integrity issues, Fleet Management should consider validating all vehicle and 	<p>Responsible Party: Fleet Inventory Supervisor</p> <p>Expected Completion Date: December 31, 2018</p> <p>Management Action Plan: Acquire electronic fleet management system, currently in progress, that will include one-way data integration with the Voyager fuel management system. Additional benefits will include:</p> <ul style="list-style-type: none"> • Alerting Fleet Services of discrepancies with odometers; • Creation of additional custom management reports;

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	<p>current year analysis. As a result, Internal Audit concluded that significant data issues are present in the current system. Possible causes for the data issues may be related to the current system's age or issues incurred during the integration process with Voyager.</p>		<p>equipment information prior to populating FleetWave.</p> <p>3. It is recommended that Fleet Services engage the County Information Technology Department to ensure proper integration with existing County IT policies, parameters and guidelines.</p>	<ul style="list-style-type: none"> Enhanced notifications of required preventive maintenance
4.	<p>Proper supporting documentation is not being completed or retained for processes around vehicles and equipment.</p> <p>Internal Audit noted that appropriate follow through and retention of key documentation was not performed for selected transactions, as prescribed by County policies and procedures. Based on detailed testing performed, the following observations were noted:</p> <ol style="list-style-type: none"> For 3 of 10 vehicle purchases selected, evidence of consultation from the Fleet Services Department could not be obtained. For 2 of 25 vehicle maintenance samples selected, the odometer reading input from the maintenance work order did not agree to the closest fuelling activity, within a designated tolerable limit of 2,000 miles. For 3 of 4 disposal samples selected, the Fixed Asset Change Form was not properly completed prior to the disposal of the vehicle or piece of equipment. For 2 of 10 vehicles selected, Internal Audit was unable to obtain the purchase invoice to substantiate information uploaded into RTA. <p>Additionally, Internal Audit noted through inquiry that several of the items above were discussed verbally between departments and resulted in a lack of documentation being created. As a result of the observations noted above, Internal Audit has concluded that additional efforts to properly authorize and retain documentation for fleet inventory transactions is required. Failure to enforce defined policies and procedures may result in unauthorized or fraudulent transactions being processed.</p>	Medium	<ol style="list-style-type: none"> Internal Audit recommends that Fleet Services and Finance Department management reinforce existing expectations regarding established policies and procedures, acceptable documentation standards and record retention procedures for County documentation. Additionally, Internal Audit recommends that Fleet Management personnel document verbal discussions with various departments through email, at a minimum, substantiate purchase, reassignment and disposal transactions. 	<p>Responsible Party:</p> <p>Automotive Fleet Manager, Heavy Equipment Fleet Manager, Fleet Support Specialist</p> <p>Expected Completion Date:</p> <p>June 30, 2018</p> <p>Management Action Plan:</p> <p>Increase enforcement of internal procedure that require:</p> <ul style="list-style-type: none"> Completion of the Fixed Asset Form by all parties prior to disposal or transfer of automobiles or mobile equipment; Enhanced retention of electronic Fixed Asset Forms by Fleet Services Increased document execution, retention and communication protocols with Finance Department.

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5.	<p>Human Resources documentation and review procedures around County vehicle operator’s motor vehicle records should be enhanced.</p> <p>Internal Audit noted that documentation of procedures performed to review a new hire’s driving record is not consistently performed, or evidence of completion is not consistently retained by the Human Resources department. As a result, there is a risk that County employees with access to County vehicles do not have the appropriate qualifications to operate vehicles as part of their job function or are operating vehicles with a suspended or restricted driver’s license.</p> <p>As part of the testing performed, Internal Audit selected 20 employees with authorized access to County Vehicles and noted the following:</p> <ol style="list-style-type: none"> For 8 of 20 employees selected, evidence of a driver’s license check prior to hire could not be obtained. For 10 of 20 employees selected, evidence of review of a current driver’s MVR record for driving restrictions prior to hire could not be obtained. For 4 of 7 employees with job descriptions requiring a Commercial Driver’s License (CDL), evidence of an active CDL was not maintained by the Human Resources Department. <p>Additionally, Internal Audit noted that annual reviews of employee MVR records is not centrally managed and documentation of results is not maintained by the Human Resources Department, Fleet Services Department or the individual County Departments. As a result, the only method for Pinal County to identify employees that have engaged in activity detrimental to their driving record, resulting in a review by the Driving Review Board for determination of enacting driving restrictions, is through employee self-reporting or through submitted insurance claims and accident reports involving County personnel.</p>	Medium	<ol style="list-style-type: none"> Internal Audit recommends that the Human Resources Department work in concert with the Fleet Services Department to update existing policies and procedures to further define roles and responsibilities and enhance the “New Hire Checklist” to include applicable steps regarding the review and retention of supporting documentation regarding verification of valid driver’s licenses, specialty licenses (i.e. CDL), and appropriate Motor Vehicle Record (MVR). Additionally, Internal Audit recommends implementing a formalized review, no less than annually, of the current MVR for all authorized employees. Ownership of the formalized review should be maintained by the Fleet Services Department or Human Resources Department, with final review and sign-off evidenced by the Fleet Services Director. 	<p>Responsible Party: Risk Management Specialist</p> <p>Expected Completion Date: March 31, 2019</p> <p>Management Action Plan #1: Enhance the current process through:</p> <ul style="list-style-type: none"> Collaborating with Human Resources to promote better compliance with Policy 6.80, <i>Vehicle and Equipment Operation</i>. Ascertain the feasibility of having the firm that does background investigations of new employees include a check of MVR in such investigations. Ascertain the feasibility of outsourcing annual reviews of MVR checks on all employees. Amend Policy 6.80 and have sufficient resources allocated to ensure compliance with acquisition and retention of MVR. <p>Responsible Party: Human Resources Director</p> <p>Expected Completion Date: June 01, 2018</p>

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No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
				<p>Management Action Plan #2:</p> <ul style="list-style-type: none"> Identify centrally located responsibility for roles and responsibilities for new hire vs. existing employee updates. Update new hire checklist to include “verified by” for critical items such as CDL and e-verify. Human Resources creates annual CDL review schedule.
6.	<p>Fuel variances, both at the employee and fuel truck level, should be reviewed and resolved on a consistent basis.</p> <p>Internal Audit noted during discussions with Fleet Services that fuel variances related to both vehicles and fuel trucks are currently not being reviewed, followed up on or resolved on a consistent basis, resulting in a risk for fraudulent employee behavior in respect to fuelling activities.</p> <p>Using various data analytics procedures, Internal Audit reviewed the Voyager fuel transaction logs from calendar year 2017 and identified a number of fuel transactions that appeared unusual and required additional follow-up and review. Upon additional investigation of the unusual transactions, it does not appear that fraudulent activity was occurring.</p> <p>However, upon review of the current practices in place, it is reasonably possible that fraudulent activity would not have been identified and resolved if it had occurred during the calendar year. As a result, current internal practices and controls do not provide reasonable assurance that fuel activity is appropriate.</p>	Medium	<p>Internal Audit recommends that the Fleet Services Department incorporate a periodic review of fueling activity on a defined cadence to identify fuel variances that are unusual or inappropriate. Items of note to review include, but are not limited to: over fueling based on vehicle model, fueling vehicles during off-shift times and unusual fueling intervals.</p> <p>For all identified variances, Fleet Services personnel will perform additional investigation and work to resolve the variance with the appropriate parties to reduce the risk of inappropriate fueling practices.</p>	<p>Responsible Party:</p> <p>Heavy Equipment Fleet Manager and Senior Administrative Assistant</p> <p>Expected Completion Date:</p> <p>Completed</p> <p>Management Action Plan:</p> <p>This was corrected by implementing an internal policy that requires:</p> <ul style="list-style-type: none"> Heavy Equipment hour meters are checked and adjusted from fuel sheets daily; The mobile, 100-gallon fuel tank utilized at the Riverside Public Works Highway Maintenance Yard must be filled from

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				<p>our Fuel and Lubrication Truck as opposed to using a Voyager Fuel Card at a retail fuel station.</p> <p>Additionally, enhanced automated controls identified in the action plan for observation #10 should assist in the identification and investigation of fuel variances.</p>
7.	<p>County policies and procedures should be reviewed on a periodic basis and enhanced to include defined thresholds for high impact processes and management review procedures.</p> <p>Internal Audit was provided eight County policies and procedures related to Fleet Management and noted that all policies received had not been updated in over five years. Additionally, it was noted that several policies and procedures had been last updated over a decade prior to the engagement date (i.e. Vehicle and Equipment Operations – 6.80 was last updated in 2003), indicating that there are no formal procedures for reviewing and updating policies in a timely fashion.</p> <p>As a result, policies and procedures may not be indicative of current practices in place and may not provide adequate structure or standardization of key processes under Fleet Services' direction.</p> <p>Additionally, Internal Audit noted that several policies and procedures provided by Fleet Management could be enhanced with additional information on management review thresholds, detailed accounts of dollar thresholds and time constraints for critical activities (i.e. Vehicle and Equipment Operation – 6.8. related to frequency of driver record review follow-ups).</p>	Medium	<ol style="list-style-type: none"> 1. Internal Audit recommends that Fleet Management implements a process to formalize policies and procedures reviews and updates, no less than every three years. 2. As part of the policy and procedures review process, it is recommended that Fleet Management review its current inventory of policies and procedures to identify opportunities for enhancement and clarification of critical processes. 	<p>Responsible Party: Fleet Services Director</p> <p>Expected Completion Date: December 31, 2018</p> <p>Management Action Plan: Implement a process to review existing policies at least annually. As part of the review, Fleet Services will amend policies as needed and implement new policies required.</p>
8.	<p>User Access and Permissions related to RTA and Voyager should be reviewed on a periodic basis.</p>	Medium	Internal Audit recommends that Fleet Services perform user access and permissions review for the RTA and	<p>Responsible Party:</p>

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	<p>Internal Audit noted that no periodic review of user access and permissions related to Fleet Service’s RTA and Voyager systems are being performed; therefore, there is a risk of inappropriate access by unauthorized personnel. Internal Audit identified several users that required removal from the Voyager listing.</p>		<p>Voyager systems that are in alignment with County IT policies</p>	<p>Fleet Inventory Supervisor and Senior Administrative Assistant</p> <p>Expected Completion Date:</p> <p>June 30, 2018</p> <p>Management Action Plan:</p> <p>Fleet Management will begin performing user access and permissions review for the Fleet Management Information System and Voyager system in accordance with County IT policies.</p>
9.	<p>Driver safety trainings should be required and formally documented for all individuals eligible to operate County vehicles or equipment.</p> <p>Per discussion with Fleet Services and Human Resources, Internal Audit noted that no formal driver safety trainings are required or being tracked for vehicle operators of Pinal County.</p> <p>As part of the testing performed, Internal Audit selected 20 employees with authorized access to County Vehicles and noted the following:</p> <ol style="list-style-type: none"> 1. For 11 of 20 employees selected, evidence of completion of any County training or safety trainings in the respective personnel file could not be obtained. <p>Based on the above observation and detailed testing performed, there is a risk of County operators practicing unsafe driving habits, leading to an increased rate of vehicle or equipment accidents.</p>	Medium	<ol style="list-style-type: none"> 1. Internal Audit recommends Pinal County develop formal driver safety training to be tracked and completed by all vehicle operators of Pinal County on an annual basis. 2. Additionally, it was noted that County-wide trainings are in development by the Human Resources Department. Internal Audit recommends that the Human Resources Department work with Fleet Management and other departments to identify and prioritize key trainings for high risk areas (e.g. OSHA, Ethical Conduct) to incorporate in a comprehensive training program. 	<p>Responsible Party:</p> <p>Initial State: Fleet Management Future State: Safety Manager</p> <p>Expected Completion Date:</p> <p>June 30, 2019</p> <p>Management Action Plan #1:</p> <p>Amend Policy 6.80 “<i>Vehicle and Equipment Operation</i>” to require appropriate driver safety training for all employees who operate motor vehicles or mobile equipment on behalf of Pinal County.</p> <p>Management Action Plan #2:</p> <p>Hire a Safety Manger to provide safety consultation to departments and ensure</p>

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No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
				required safety training is completed and documented.
10.	<p>Additional restrictions on input of incorrect odometer readings during the fuelling process should be considered.</p> <p>Internal Audit observed through analytics performed on provided Voyager transactions from the period of 1/1/2017-12/31/2017 that multiple occurrences of inappropriate odometer readings were uploaded and accepted into RTA. Specifically, Internal Audit noted one extreme case where the odometer reading of a vehicle was 2,107,614 miles in RTA and, when questioned, was investigated by Fleet Management and physically verified by Internal Audit. As a result, RTA was updated to reflect the current mileage.</p> <p>Based on the observation above, as well as Fleet Services reliance upon updated odometer readings in order to track required maintenance, the risk of data integrity issues within RTA may result in process inefficiencies and increased cost to the County.</p>	Medium	<ol style="list-style-type: none"> 1. Internal Audit recommends Pinal County work with its fuel vendor, Voyager, to implement automated controls regarding data inputs to begin fueling activity (i.e. parameters for odometer input) to reduce the risk of incorrect odometer readings. 2. Currently, Voyager is programmed to produce an exception report for all fueling activity for vehicles that enter mileage with an absolute variance greater than 800 miles from the last recorded fuel transaction. If an automated solution is not palatable, then Internal Audit recommends enhancing and reinforcing existing monitoring procedures for the exception reporting to manually identify and resolve odometer errors in a timely manner. 	<p>Responsible Party: Fleet Inventory Supervisor and Risk Management Specialist</p> <p>Expected Completion Date: July 1, 2018</p> <p>Management Action Plan #1: Utilize additional controls for fuel purchases available through the Voyager web interface including:</p> <ul style="list-style-type: none"> • Distance from last fueling; • Time of day restrictions. <p>Management Action Plan #2: Review transactions from last year to determine the appropriate controls to implement to avoid unnecessary transaction denial and develop weekly reports to monitor:</p> <ul style="list-style-type: none"> • Distance between fueling • Number of transactions per day • Time of transactions • Fuel economy • Fuel quantity compared to vehicle fuel capacity.

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Appendix A: Pinal County Risk Ranking Definitions

High	Medium	Low
Material impact on financial statements of the organization	Less than a material impact on financial statements	No impact on financial statements
Significant impact on the operating effectiveness	Moderate impact on operating effectiveness	Minor impact on operating effectiveness
Significant impact on the safeguarding of critical assets throughout the organization	Moderate impact on the safeguarding of critical assets	No significant risk to the organization
Significant impact on the accomplishment of the operational objectives for the organization	Moderate impact on the accomplishment of the operational objectives	Management relied upon for minor modifications to manage the issue
Significant impact on management's decision making for the organization	Moderate impact on management's decision making	Materiality is low
Significant risk for non-compliance with regulations, laws and policies	Potential for non-compliance with regulations, laws and policies	Minimal risk for non-compliance with regulations, laws and policies
Significant risk for litigation for the organization	Potential risk for litigation	Low risk for litigation
Numerous occurrences of the noted issue	Random occurrences of the noted issue	Minimal occurrences of the noted issue
No controls or mitigation plans exist	Controls/ mitigation plans need to be updated and improved	Controls/ mitigation plans are in place and consistently applied
Significant impact/loss of staff, critical widespread impact on morale	Some impact on a few staff or negative impact on morale	Minimal impact on staff

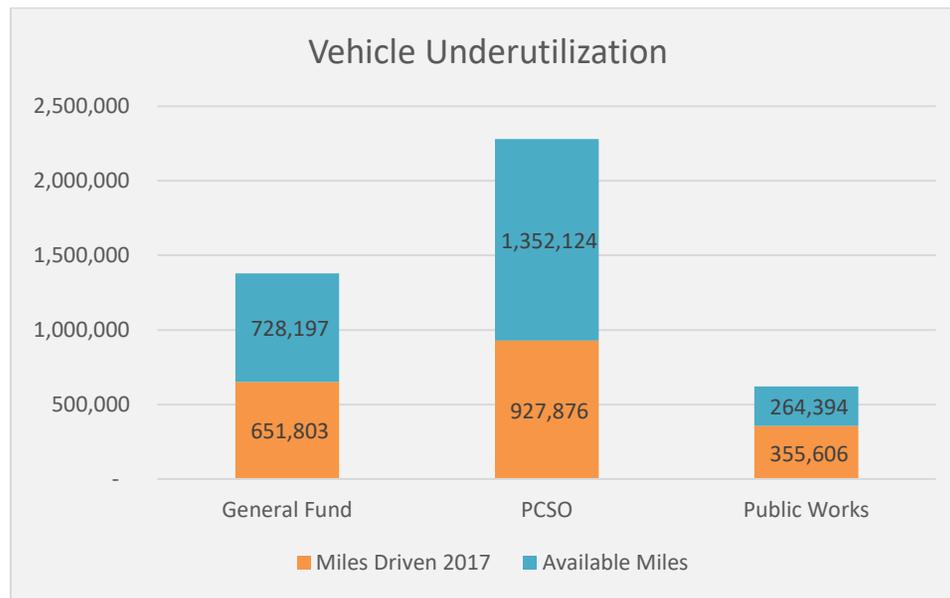
Appendix B: Statement of Limitations

This report (e.g. report of findings/recommendations, table, chart, summary) provides Pinal County management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel will significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

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Appendix C: Data Analytics

The graphs below depict the vehicle underutilization analysis performed by Internal Audit. To conduct the analysis, Internal Audit established a baseline of 10,000 miles driven in a calendar year to reflect an appropriate vehicle utilization indicator. As a result, Internal Audit evaluated all vehicles in the Fleet Management inventory listing as of 12/31/2017 to identify any vehicles below the 10,000 mile threshold. The result of the vehicle underutilization analysis was to determine the number of vehicles miles that are not being utilized on an annual basis to determine the aggregate “available miles” in a calendar year. Based on the analysis performed, the data indicates that over the three funds analyzed, a significant number of miles, approximately 2.4 million, are available for use on an annual basis in a centralized motor pool function. As a result of the analysis performed, Internal Audit has provided recommendations to more efficiently utilize the fleet inventory in a centralized motor pool function. Additionally, the analysis performed provides key details used to develop recommendations on the number of vehicles that could be reassigned or disposed of to decrease maintenance, registration and insurance fees on an annual basis.



*Approximately 25 specialty vehicles (i.e. inmate vans, specialty trucks) were removed from the analysis as they would not qualify as a candidate for reassignment to the motor pool.

Fund	# of Vehicles =<10K miles in 2017	Available Miles
General Fund	156	728,197
PCSO	233	1,352,124
Public Works	64	264,394

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Average Miles Driven by Department Analysis

The analysis below identifies departments that are likely candidates for reassignment of fleet vehicles. The data indicates that several departments have vehicles that are underutilized, and could be of use in the centralized motor pool function. This list is not an exhaustive list of departments with excess vehicles, but a snapshot of comparative allocation of County resources.

Fund	Number of Departments per Fund	Departments	Number of Vehicles per Department	Average Miles Driven per Vehicle
General Fund	40	ELECTIONS DEPARTMENT	4	821
		JUVENILE DETENTION	3	1,433
		COUNTY TREASUER	1	1,541
		LIBRARY	1	1,715
		SCHOOL SUPER INTENDENT	4	3,918
		PUBLIC DEFENDER	5	3,937
		MGT. INFO SYSTEMS	10	4,810
		FACILITIES - CONSTRUCTION	8	5,898
		AIR QUALITY / PERMITS	7	6,137

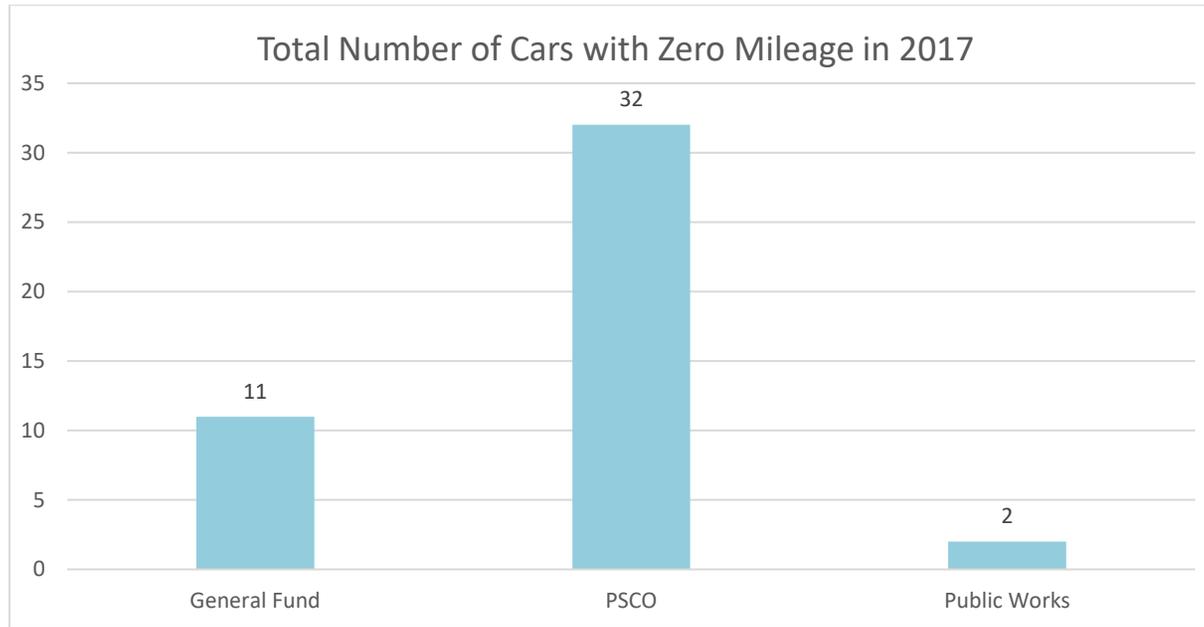
Fund	Number of Departments per Fund	Departments	Number of Vehicles per Department	Average Miles Driven per Vehicle
PSCO	6	ATTY/PCSOTASK FORCE	4	5,743
		PCSO/ADULT DETENTION	22	7,240
		TASK-FORCE SHERIFF	1	7,694

Fund	Number of Departments per Fund	Departments	Number of Vehicles per Department	Average Miles Driven per Vehicle
Public Works	5	PUBLIC WORKS/FLEET SVCS	15	7,361
		SOLID WASTE	3	7,741
		ROAD WAY DEV	1	8,875

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Zero Mileage Analysis

The analysis below identifies the number of vehicles per fund that did not have recorded mileage in calendar year 2017. Internal Audit noted that a total of 45 vehicles had the same recorded mileage on 12/31/2016 and 12/31/2017 in RTA, indicating that they did not move or moved less than one full tank of gas in the 2017 calendar year. Additionally, it was noted that the average model year of these vehicles was within 2002-2005, depending on the fund analyzed below. Based on this information, it appears that there are excess vehicles that can be inserted into the motor pool or disposed of by the County, with minimal interruptions to County activities, to reduce annual fuel expenses, maintenance costs and cost of insurance.



Fund	Total Number of Cars	Total Number of Cars with Zero Mileage in 2017	Average Age of Vehicles with Zero Mileage in 2017
General Fund	251	11	2005
PSCO	438	32	2002
Public Works	131	2	2003

*The above analysis excluded 69 vehicles from the initial population of 889 vehicles. The 69 excluded vehicles were assigned to the motor pool and enterprise vehicle funds and did not have any vehicles with zero miles driven in calendar year 2017.

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Appendix D: Process Enhancements

Internal Audit identified several items of note and process enhancements for management’s consideration below. Internal Audit encourages the Fleet Management department to review the process enhancements below and develop solutions to improve the corresponding sub-process. However, due to their low risk nature, Management responses for identified process enhancements are not required.

No.	Process Enhancements
1.	Driving logs are not utilized in vehicles designated as "motor pool" vehicles, resulting in an inability to track utilization and potential employee misuse of County assets.
2.	Technicians performing non-scheduled maintenance on heavy equipment can buy required parts from approved vendors in the field, without obtaining prior approval from Fleet Management.
3.	County vehicle operators are not following County policy by purchasing fuel that is not unleaded or diesel, resulting in approximately \$5,000 of additional fuel costs per year.
4.	Formal ongoing tracking of County driver speciality license expirations and/or requirements is not occurring, which may result in utilizing drivers with expired or inappropriate credentials for commercial vehicles.
5.	Scheduling and tracking of maintenance services is manual in nature and can result in an inefficient distribution of services and inconvenience to County customers.
6.	There is no process for formally restrict use of County vehicles that have passed the upper tolerable limit of miles driven over the designated preventative service marker.

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Appendix E: Prior Audit Recommendations

No.	Process Enhancements
1.	The Fleet Services Director should reassign current responsibilities of parts room duties (i.e. segregation of receiving and invoicing from ordering/payment/inventory). The position(s) responsible for ordering parts will collectively need P-Card monthly dollar limits sufficient to carry out these duties, while still complying with the County's current P-Card policy.
2.	The Fleet Services Director should develop policies and procedures that include a requirement that supervisors document their review of all WOs, prior to closing them out in RTA. Supervisors should also be required to frequently review all open WOs in RTA and close out WOs timely, as determined by the Fleet Services Director.
3.	The Fleet Services Director should include in policies and procedures a requirement that only supervisors have the authority, and system access, to both open and close out WOs in RTA. The Supply Technician, responsible for ordering parts, should have access to create and/or update WOs, as necessary, but not the ability to close them.
4.	The Fleet Services Director should include in policies and procedures a requirement that Supervisors review P-card statements each month to ensure only authorized parts have been ordered.
5.	The Fleet Services Director should immediately discontinue permanent, ongoing administrative rights for all Fleet personnel. Temporary administrative rights may be authorized by the IT Department when an employee profile needs to be changed/added/deleted. Temporary administrative rights for this purpose should be limited to Supervisors only.
6.	The Fleet Services Director should establish in department policies and procedures a requirement that RTA users frequently change their passwords and never share their passwords with any other individual.
7.	The Fleet Services Director should consider installing a taller and sturdier perimeter fence as soon as practicable.
8.	The Fleet Services Director should ensure the main door to the parts room is closed and locked. The Supply Technician's desk should be re-located to the front window (near door) to ensure the front door remains closed and be able to readily respond to parts request at the front window. It is also necessary to position the Supply Technician's computer near the window to allow mechanics to view parts online.
9.	The Fleet Services Director should ensure parts currently stored in the mobile minis are organized and inventoried. All units, including the battery mobile mini, should be closed and locked when not in use. Written procedures (i.e. proper lock up procedures, inventory of parts, liquids, etc.) should be developed and distributed to all staff. All mobile minis should be located inside the gated areas. The Fleet Director may also want to consider additional night lighting for these areas.