



CITY OF WILMINGTON

Fleet Management

Internal Audit Review

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City Auditor's Office

Terence J. Williams
City Auditor
(302) 576-2165

Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled audit of Fleet Management. The audit was conducted in accordance with the city's FY22 Internal Audit Plan.

Methodology

The objectives were met through interviewing management and staff, reviewing policies and procedures, analyzing motor vehicle inventory data, reviewing fixed asset data, and reviewing fuel usage management methods.

Audit Review Committee:

Ronald Pinkett, Chair

Angelique Dennis
Cristofer Johnson
James Spadola
Tanya Washington

Non-voting Member
Marchelle Basnight

Objective and Scope

As part of our audit plan, Internal Audit (IA) conducted a Performance Audit of the City's Fleet Management. The audit objectives were to determine whether operating procedures and internal controls are documented, operating effectively, and reasonably sufficient to provide adequate assurance of the City's fleet. The scope of the audit included the period of July 1, 2019, to December 31, 2021.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Fleet Management falls under the responsibility of the city's department of public works. Several years ago, the city, in an effort to conserve and reduce expenditures, privatized the city's motor vehicle facility which maintains the city's fleet of motor vehicles. The City is in its final year of a five-year contract with First Vehicle Services (FVS) for fleet management services. FVS's current contract with the city began on July 1, 2017, and has a built-in option for three additional one-year extensions. The Department of Public Works has designated a Contracts & Fleet Administrator to manage the relationship with FVS.

The city's fleet consist of approximately 661 vehicle equivalent units (VEU). Which include sedans, trucks, sport utility vehicles (SUV), motorcycles, buses, vans, and mowers. Also included as VEUs are specialized equipment such as street sweepers, sanitation trucks, leaf vacuums, command units, trailers, and fire suppressions apparatuses (e.g., See Key Stats for further breakdown of units per department). FVS is responsible for equipment repairs, maintenance and ensuring that unit downtime is minimal. Minimizing unit downtime is important to ensure city services continue uninterrupted. The city maintains all decision-making authority with respect to the disposal, replacement, and adding of units.

Another important component of the city's fleet management is providing fuel. The city currently has two main fueling sites for city vehicles; one is located at the Municipal Services Complex (Capacity: 22K gal. gas and 13K gal. diesel) and the other is at the Public Safety Building (Capacity: 3K gal. gas). Both sites use a technology called FuelMaster to manage and track fuel usage by vehicle and department. Each vehicle is equipped with a fuel system module that includes an RFID ring that is installed on each vehicles fuel inlet. The fuel system module, RFID ring, and the driver's ID badge act as a security verification source to activate the FuelMaster system. If one of these security sources is missing, the system will not dispense fuel.

The city has three additional stations for the Fire Department, located at Stations #1 and #3 for fueling fire suppression apparatuses, and at Old Swedes Landing Road at the boat dock which is utilized for fueling Fire Boat 7 and Marine 7, as well as the police boat.

Key Statistics

Vehicle Equivalent Units (VEU) by City Department

Department	VEU Count	Department	VEU Count
City Council	3	Office of the Mayor	6
Communications	2	Parks & Recreation	
Public Works		Maintenance	53
Admin	12	Admin	5
Property Maintenance	8	WHACC	1
Sanitation	32	Youth & Family	4
Street Cleaning	67	Other	4
Street Maintenance	23	Parks & Recreation Total	67
Traffic	8	Planning	2
Water	53	Police	
Water Quality	3	Admin	68
Public Works Total	206	CID/Vice	21
Emergency Management	28	Loaner	1
Finance		Operations	15
Parking Enforcement	10	Patrol	91
Admin	1	Special Operations	13
Water	2	Support Services	1
Finance Total	13	Traffic	12
Fire		Police Total	222
Admin	23	Real Estate & Housing	5
Suppression	26	Risk Management	2
Fire Total	49	Treasurer	1
Human Resources	1	Urban Forestry	9
License & Inspections	29	Valley Garden	1
Motor Vehicle	15		
Total Vehicle Equivalent Units			661

Source: First Vehicle Services Inventory as of 2/1/2022

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Fixed Asset Accounting				✓	
Fixed Asset Software				✓	
Fringe Benefit Compliance				✓	
Inventory Control				✓	
Policies & Procedures				✓	
Policies and Procedures / Inventory Control				✓	

Fixed Asset Accounting

1. Inconsistencies exist surrounding the accounting of Fund 506 Fixed Asset records.

An analysis and comparison test of the Depreciation Expense Report (City Finance) and the Vehicle Inventory Report (FVS) as of June 30, 2020, reflected the following issues:

- Fixed assets no longer in inventory remain on Finance’s fixed asset schedule.
- Assets depreciable life differed between the two reports
- Purchase prices differed between the two reports, due to vehicles having additional equipment installed and the cost inconsistently being added to the purchase price and/ being listed separately.

Fixed Asset Software

2. Inefficiencies were noted in the management and accounting of fixed assets (Fund 506 Motor Vehicles).

A walkthrough and observation of the management and accounting for Fund 506 Fixed Assets reflected that a separate software other than the City's system of record (Munis) is being utilized to account for and manage fixed assets, although the software is not interfaced with Munis and only one Senior Accountant is responsible for managing it. Based on our observation, the current process is manual and time consuming. For instance, during our fieldwork, the Senior Accountant was only able to produce reports in PDF format and not Excel, making it difficult to analyze the data.

Fringe Benefit Compliance

3. Noncompliance exists surrounding the reporting of the commuting fringe benefit for civilian employees assigned a city take-home vehicle.

Testing of the Take Home Vehicle List provided by the Payroll Department and analysis of the Inventory Report provided by FVS identified approximately 17 civilian employees with assigned take-home vehicles. W-2 forms reviewed for years 2019, 2020 and 2021 revealed 10 exceptions:

- Three of the forms had no benefit reported for two of the three years tested.
- Seven of the forms had no benefit reported for all three years tested.

Inventory Control

4. Lack of a defined utilization threshold for vehicle and equivalent units exists.

Based on inquiries with the Contracts and Fleet Administrator, we obtained a Vehicle Equivalent Units and Replacement Parameters worksheet, which is good because it gives a useful life expectancy for each unit; however, that does not define a utilization threshold. A utilization threshold should capture the minimum number of miles driven, or hours operated (per day, month, or year) to warrant having a vehicle or equipment unit in inventory. There are several factors that can impact this number or the way it is counted.

Policies and Procedures

5. Based on our review of the City's Fleet Rightsizing Study Final Report, September 2017, the following was identified as repeat finding:

A clear and concise policy is still lacking regarding the authorization of and use of take-home vehicles.

The current policy is vague and does not consider the recognition of cost or benefit to the city.

Policies and Procedures / Inventory Control

6. Based on our review of the City's Fleet Rightsizing Study Final Report, September 2017, the following was identified as a repeat finding:

Various ranks among the Wilmington Police Department (WPD) are still allowed to have take-home vehicles.

An analysis of current police inventory reflected that WPD is assigned 212 vehicle and equipment units (not including nine trailers and one boat). Fifty-six police vehicles or 26% are assigned as take-home vehicles. Of which the following was noted surrounding the 56 take-home vehicles:

- Thirty-eight (68%) assigned take-home vehicles ranked below Lieutenant
- Eleven (20%) assigned take-home vehicles ranked at Lieutenant
- Twenty-two (39%) vehicles were assigned to employees residing out of the city
- Twelve (21%) vehicles were assigned to employees residing out of state.

Additional Observations

Fuel Controls

At the time of this review, there were no controls in place surrounding the monitoring of fuel consumption for gas cans and excessive use as they were not being monitored. A monthly or quarterly review of fuel consumption reports would help detect issues of this kind, if they should arise or stop fraud, waste, and abuse of fuel usage.

In addition, with vehicle idling being a major culprit of fuel spend, management should utilize reports from its vehicle telematics systems on a consistent basis to identify and communicate excessive idling with those employees' assigned vehicles. This not only is important due to the current rise in gas prices, but this is also a responsible measure to take to avoid wasteful spending of taxpayer funds

Driver Training

Our current understanding is that drivers of city vehicles are required to attend a City of Wilmington Driving Orientation at the time they are hired, but nothing thereafter. IA suggests that the City consider implementing a recurring driver refresher course for all city drivers or require the completion of a defensive driving course (as required for vehicle insurance discounts). Implementing this will help decrease risk to the city with respect to vehicle accidents.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: Management should assign someone within the accounting division to reconcile Fund 506 fixed assets with the current inventory on record by First Vehicle Services (ensuring the removal of assets no longer in service or in possession by the City).

Finance and Fleet Management should reconcile their depreciation schedules to ensure there are no material differences and to determine which depreciation method will be utilized for vehicle and equipment going forward.

In addition, both departments should come to a consensus on how additional equipment will be accounted for; currently there is no consistency on whether the additional equipment is listed separately or added to the vehicle purchase price.

Management response & action plan: The Department of Finance will work with the Department of Public Works to reconcile Public Work's asset file against Finance's Sage Fixed Asset system to determine:

- A. What vehicles are posted in the fixed asset file that are now unserviceable, unavailable, or disposed.
- B. To align the life cycle of the vehicles based on the First Vehicle contract and accounting guidance on useful life.
- C. Develop protocol for updating the MUNIS system on a monthly basis to track vehicle fixed assets.

Completion Date: December 31, 2022

Recommendation #2: Management should consider managing fixed assets within Munis, as Munis has the capability to account for fixed assets. If management decides not to manage fixed assets within Munis, then they should interface the Sage Fixed Asset software with Munis to allow for a more seamless accounting between the two systems rather than the current manual process.

In addition, if management does decide to continue to use Sage Fixed Asset software, then a second person should be trained on the process.

Management response & action plan: The Department utilizes a separate fixed asset software (Sage Fixed Asset software) to account for the lack of capability within MUNIS to track fixed assets. The adoption of the fixed asset module will require additional costs. Also, we recognize that an API to interface the Sage system with MUNIS may be impractical.

Nonetheless, the Finance Department will utilize MUNIS as the system of record and will input fixed asset data on vehicles on a monthly basis in conjunction with Public Works.

Completion Date: TBD

Recommendation #3: Management (Fleet and Payroll) should corroborate to confirm that all employees assigned take-home vehicles not excludable as a working condition fringe benefit are captured, a proper calculation is used to determine the fringe benefit that is taxable and ensure that the taxable benefit is reported on IRS form W-2.

For elected officials with a government owned vehicle, the IRS requires a calculation using the lease value of the vehicle and a statement of the percentage of total vehicle usage that is personal in nature. Refer to IRS Fringe Benefit Guide Publication 5137 (Rev. 2-2020) for further instruction and guidance.

Management response & action plan: Human Resources will coordinate with Public Works to develop a workflow that ensures Payroll is immediately notified when a take-home vehicle is assigned.

Completion Date: TBD

Recommendation #4: Management should define a utilization threshold (which could differ per unit type) and implement a periodic review of usage data provided from departments to identify potentially underutilized vehicle or equipment units in the City's fleet through statistical analysis of vehicle and equipment utilization data, which will assist in developing preliminary recommendations for reassignment or removal of units.

The analysis should be reviewed with the fleet user department heads to establish an agreement surrounding the implementation process.

Management response & action plan: Public Works is responsible for the purchase and maintenance of the fleet vehicles in accordance with the City Charter. PW can provide reports for maintenance and mileage as requested.

The utilization of specific vehicles within the user departments is the responsibility of the department head. The decision to reduce the fleet size for what could be described as underutilized vehicles is best made by the COS. This is reviewed annually during the budget process by the COS and OMB.

Completion Date: Complete

Recommendation #5: Management should develop and implement a clear and concise policy regarding the authorization of and use of take-home vehicles. The policy should include a thorough process for justification of take-home vehicles, which cover:

- Reason for allowing take-home

- Authority to Assign / Rescind take-home privileges
- Recognition of cost
- Benefit to the City

The “Take-Home” policy should have an annual renewal period to ensure up to date information.

Additionally, the city should look at alternatives for executive take-home vehicles beyond acquiring a vehicle to add to the city fleet. Jurisdictions have been known to offer monthly stipends in place of a vehicle to compensate for executive personal use.

Management response & action plan: Human Resources will coordinate with the Mayor’s Office and Public Works to review HR Policy 605.4 Motor Vehicles and make any necessary revisions.

Completion Date: TBD

Recommendation #6: Management (Police) should consider a reduction in the number of take-home vehicles assigned to police personnel. The reduction should comply with the newly defined policy for the authorization of and use of take-home vehicles. Consideration should also be given to the past practice of granting take-home units to only those above the Lieutenant rank with small exceptions for K-9 units as this will dramatically reduce the number of take-home police vehicles.

Management response & action plan: Management response was not received at the time of the audit publication but will be provided by management at a later date.

Completion Date: TBD

Audit Team

Michael J. Maldonado, Senior Auditor
Nicole Sammons-Johnson, Senior Auditor
Tamara Thompson, Audit Manager