



Internal Audit Department

AUDIT REPORT

Fleet Operations Audit

Scope Areas 1 & 2:

Vehicle Inventory & Procurement

Project Number: FY2024-FLEETOPS

Report Date: June 14, 2024

To: Office of the Superintendent

Auditors:

Tisha Smoots, Internal Auditor II

Nicole Cook, Senior Compliance Auditor

Scope Area 1: Inventory

Objective 1: Examine internal controls related to the reliability of records and reports regarding DeKalb County School District Vehicle Fleet Inventory.

Objective 2: Determine that systems and practice are in place to ensure that vehicle identification data captured is authentic, accurate and inclusive across DCSD software platforms.

As of April 2024, DeKalb County School District (DCSD) vehicle fleets consisted of approximately 996 buses (yellow fleet) and 435 support vehicles (white fleet). DCSD Fleet Services Division primarily oversees the maintenance, repair, and disposal of fleet vehicles. Fleet Services works in collaboration with select departments (i.e. Operations, Transportation, Plant Services, Public Safety, and the Superintendent’s Office) during the budget, approval, and requisition stages of vehicle acquisition.

DeKalb County School District Vehicle Inventory as of April 2024	Count
School Buses	996
Support Vehicles	435

Audit Team Actions:

The auditors conducted interviews with key Fleet Services and Finance personnel to gain a better understanding of their respective roles within the inventory management process. The auditors assessed controls in place regarding inventory management, against Board Policy - ‘Capital Assets’, Standard Operating Procedures; including other areas not covered by the above statutes and guidelines, i.e. best practice. The auditors reviewed vehicle inventory reports provided by Fleet Services & Finance Department - ‘Capital Asset Management Team’. Inventory reports received from Fleet Services were compared to the Asset Inquiry Report obtained from Finance. The asset inquiry report reflected 415 support vehicles and 1,173 school buses-yellow fleet in contrast to our final count reconciled to Fleet Services reports. As, indicated in the table above the asset inquiry report failed the data integrity test of inclusiveness. Reports were provided from Fleet Services in-house managed software (RTA) and DCSD in house managed software (MUNIS). To provide a reasonable level of assurance that RTA inventory records are reliable the auditors performed a two-way match of the full population of approximately 996

school buses & 435 support vehicles by reviewing reports generated from RTA and MUNIS. A reconciliation was performed by tracing and vouching vehicle records from the reports to the general ledger accounts. Reports were reviewed to ensure that pertinent vehicle details (vehicle identification number, make, model, year, mileage etc.) were recorded correctly. The auditors performed several data integrity tests to ensure that inventory records were accurate, authentic, systematic, and inclusive. Vehicle Fleet counts and details were examined for accuracy and consistency across the various software systems. The auditor identified several instances where data was either missing or incorrectly recorded within the software. As a result, Fleet Services inventory records failed several data integrity tests pertaining to missing and the accuracy of pertinent vehicle identification details. The active fleet asset inventory records in RTA and MUNIS are materially inconsistent. The auditor deemed the vehicle inventory records unreliable. The discrepancies listed below were discussed with management.

Control Failure 1A: Insufficient, incomplete, and inaccurate vehicle information found within Fleet Vehicle Management Systems records. [Fleet Services Division]-High Risk

Requirement per DCSD Operations Division-Fleet Services Department SOP21-22 Section 1: Vehicle Procurement, Deployment and Disposal.

Procurement – Acquisition states: “The Fleet Service will assist departments by providing historical vehicle data to justify the replacement of a current vehicle...The Fleet Service Department’s role in the acquisition of vehicles include Historical Vehicle Data, et al”.

1A-1. Questionable Purchase Price (\$0.00 & \$33.00 & \$103 & \$0); Input Error. The auditor identified 4 support vehicles and 12 yellow fleet vehicles with erroneous purchase prices. (*Inaccurate*)

1A-2. Questionable IN-SERVICE DATE (00/00/0000); Missing Data. The auditor identified 184 support fleet vehicles and 33 yellow fleet vehicles with questionable In-service dates. (*Inaccurate & Insufficient*)

1A-3. Questionable VEH LOCATION; Missing Data. The auditor identified 158 support fleet vehicles with no location listed. (*Insufficient & Incomplete*)

Improvement Opportunity:

Upon review of audit documents and reports received from Fleet Services, we have observed some inconsistencies. Since safeguarding of assets is a critical part of management controls, receiving reports that contained missing ‘in-service’ dates and physical assigned locations for support vehicles/school buses bring into question the reliable of the inventory records provided. Information access is only the beginning of data sharing across departments; though Fleet Services and Finance have shared access via Samsara, we have observed gaps in the practice of that process. To ensure that systems and practices are in place to manage and monitor vehicle identification records; efficiencies must be developed and introduced to error-proof the data

entry of pertinent vehicle identification details and the process of generating reports for reconciliation and audit purposes. Sufficient, complete, and accurate vehicle information is necessary.

- Regular monitoring and reporting of financial and operational information between Fleet Services & Finance Department - 'Capital Asset Management Team should be implemented to support decision-making and to ensure optimal management of the DCSD vehicle fleets.
- Management should consider including the assigned department location for all vehicle assets as a critical part of data collection/reporting as a safeguarding tool for all vehicles.

Management Response:

Meeting Held 04/23/2024.

Fleet Services stated that they are now collaborating with Finance to ensure they have the most current fleet inventory records. Fleet Operations Manager has informed us that policies governing vehicle purchases are concurrently being reviewed and updated. As a result, a written 'School Bus & Support Vehicle Administration Guide' is in the works. Fleet Services Director – has championed this endeavor which should be approved in the near future. In the meantime, Fleet Data Specialist III will be providing periodic updates to 'Support vehicles' (White Fleet) inventory; 'Buses' (Yellow Fleet) inventory; as well as a 'Vehicles on hold and sold' report to the Capital Asset Management Team on a quarterly basis.

Control Failure 1B: Unfinished/un-official Vehicle Audit Inventory Report per Fiscal Year-2021. [Finance-Capital Asset Management]-High Risk

Requirement per Board Policy DIB-Capital Assets Policy for Capital Assets: Adopted/Last Reviewed: 04/18/2022.

Physical Inventory and Tracking Assets states: "A physical inventory will be conducted on an annual basis for all Capital Assets. The Division of Finance Capital Asset team will coordinate the annual physical inventories".

1B-1. Fiscal Year 2021- Audit Inventory Report. Auditors found both lapses in continuous monitoring, and the complete lack of written proper controls related to the tracking of capital assets, "vehicle class'. The audit team heard anecdotal evidence concerning inventory monitoring, but no formal reports were furnished to corroborate the statement. The lack of proper controls related to Inventory Management and oversight are evidenced here and the risk exposure should be mitigated immediately. *(Fiscal Year 2021- Inventory Report not provided for review).*

1B-2. Questionable number of vehicles. Difference of 20 vehicles. Finance report identified 415 white fleet vehicles. Fleet Services identified 435 white fleet vehicles. Auditors reconciled 995 yellow fleet vehicles to 996 identified by Fleet Services. *(Inaccurate/Incorrect).*

1B-3. Questionable Model Year. Upon full examination of vehicle model year records, Auditor has found as many as 75 inconsistencies per Yellow Vehicle Listing provided by Finance. *(Missing Data).*

1B-4. Questionable Serial/Parcel VIN. Fifty-five (55) Vehicle Identification numbers – not found. Incomplete vehicle records deemed unacceptable. *(Missing Data).*

Improvement Opportunity:

In the absence of being provided an official Vehicle Inventory Report; the reports received via Capital Assets personnel were found to be deficient, incomplete, and ill-suited to accomplish audit objectives. Consequently, huge discrepancies in total vehicle count were discovered, i.e. over two-hundred Yellow Fleet Vehicles when compared to Fleet Services records. In addition, Finance did not provide evidence of the Fiscal Year 2021- Audit Inventory Report. Our examination of records provided from multiple software system became difficult and time-consuming to fit into a format that was user-friendly for verification of data for audit purposes. Presently, Tyler Munis, RTA, Samsara, and other systems work independently but not as a whole. Periodic reviews of vehicle asset class are critical yet equally so are the right tools that would produce the desired data output and consistency. What we refer to as ‘the gap’ in the current process has been identified as function/role within Finance that would translate realtime vehicle data and transactions from Fleet Services to the Department of Finance - General Ledger function and vice-versa. On-going monitoring will also be required.

- We recommend that the Capital Assets Management Team fully comply with GAAP Guidelines as it relates to the integrity of transactional data (re: general ledger entries), as well as the accuracy and validity of Financial Statements Reporting.
- Management should conduct annual analyses or reviews of physical inventory results.
- Since an official Vehicle Inventory Audit has not been conducted in recent years, we advise its implementation as a strong control against risks observed.

Management Response:

Meeting Held 05/01/2024.

The Capital Asset Management Team under the leadership of ‘Comptroller’ have explained; that the team is collaborating with Fleet Services Division personnel to work out the kinks in the process, to correct vehicle records in efforts to match General Ledger Records to actual transactional activities inputted by Fleet Services. This endeavor is recent and will be adjusted upon the completion of newly updated policies and procedures. The Team is preparing for

Physical Inventory which should be conducted this Summer-2024. The prior physical vehicle inventory results were brought into question; however, we have not received any new information that would change our current finding, i.e. 'unfinished/unofficial Vehicle Inventory Report'. Capital Asset Management Team has also communicated that they hope to add one more person to the team whose function would help bridge the gap between Finance and Fleet Services.

Scope Area 2: Acquisition

Objective1: Examine internal controls related to the procurement of DCSD Support Vehicles and School Buses

Objective2: Assess 'Risks' associated with vehicle-acquisition process; & outline potential opportunities to mitigate associated risks.

DCSD Departments are responsible for obtaining funds for the acquisition of new and or replacement support vehicles. The department meets with Fleet Services to discuss vehicle needs. DCSD makes a regular capital investment in the school bus fleet, although the number of buses purchased each year varies. School buses are then sourced via qualified and approved vendors (i.e. Peachstate Freightliner LLC; Rush Truck Center) while support vehicles are facilitated by active vendors: Allan Vigil Ford, Akin Ford LLC, Wade Ford, Hardy Chevy Buick, and Griffin Chevrolet. Designated vehicles spend amounts are distributed among named vendors in accordance with Board of Education Directives awarded. Please refer below regarding the departments that purchased vehicles during the audit period with the related dollar spend.

Exhibit 1: Support Vehicles purchased during Audit Scope Period: July 1, 2020, throughout June 30, 2023.

Department	GL Charge Code	Vehicle Purchases	Expenditures	Contract No.
700 Superintendent	573000	1	\$45,763.00	99999-001-SPD-0000155-0006
710 Transportation	573000	18	\$557,315.00	99999-SPD-ES40199373002
719 Fleet Services	573000	2	\$101,890.00	99999-SPD-ES40199373-0095
751 Public Safety	573000	38	\$1,686,143.00	99999-001-SPD0000183-0003; 99999-001-SPD0000183-0006 ; 99999SPDSPD00001550003; 99999-SPD-SPD0000155-0006
752 Operations/Plant Services	573000; 543012	63	\$1,837,456.60	99999SPDSPD00001550003; 99999-SPD0000155006; 99999-001-SPD0000183-0006; 99999-001-SPD0000183-0003
Total		121	\$4,228,567.60	

Exhibit 2: School Buses purchased during Audit Scope Period: July 1, 2020, throughout June 30, 2023.

Department	GL Charge Code	BUS Purchases	Expenditures	Contract No.
710 Transportation	573200	25	\$3,490,696.40	99999-SPD-G201-60601-0001; 99999-SPD-G201-60601-0003; 99999-SPD-SWL20200630-001
752 Operations	573200	14	\$1,507,243.00	99999-SPD-G201-60601-0001; 99999-SPD-G201-60601-0003; 99999-SPD-G201-60601-0002;
Total		37	\$4,997,939.40	

Audit Team Actions:

We conducted interviews with key Fleet Services, Finance and Public Safety personnel to gain a better understanding of their respective roles within the vehicle acquisition process. Control activities were observed and tested by tracing purchase transactions extracted from Munis to supporting documentation (I.e. BOE Memorandums, Expense Summary Reports, Requisitions, Purchase Orders, Invoices). Vehicle Acquisition Process was evaluated for adherence, accuracy, efficiency, and management oversight. The phases of this process involved vehicle request approval, budget verification, dual controls - approval of requisition package, requisition-purchase order creation, order, delivery, inspection, registration & installation, vehicle historical data input and storage. DCSD Procurement policy, procedures, purchase transactions, corresponding financial reports, interviews, organizational hierarchical data including any supplemental audit data collected have all been examined and evaluated for adherence, completeness, accuracy, timeliness, as well as management’s activities associated with internal controls and risk assessment.

The auditors applied monetary unit calculation based on the number of vehicles purchased by department during the audit period to determine the best representation of the vehicle acquisition process for the purposes of this audit. The auditors conducted acquisition process analysis for the top 3 departments (Transportation, Operations and Public Safety) that acquired support vehicles during the audit period. The purchase of school buses is mainly handled by Fleet Services in collaboration with the department of Transportation. In addition, professional judgement was utilized to include a few random departments in order to ascertain whether a standard purchase process was consistently applied. The auditors evaluated the vehicle acquisition process and observed the lack of organizational cohesion, as well as non-

conformance to standards. The audit team identified *4-Internal Control Failures & 1-Inherent Risk* during the observation of internal controls governing vehicles' acquisition.

Control Failure 2A: Vehicle Purchases recorded to incorrect general ledger account. [Operations Department/Plant Services]-High Risk

2A-1. General Ledger Account 543012-Maint-Fleet Trucks. Management was unaware that incorrect General Ledger charge codes had been utilized in purchase transactions. Support vehicles totaling \$906,814.00 were purchased using charge code 543012 instead of the designated 573000-Purchase of Equipment other than Bus category per GDOE-Chart of Accounts. Evidently, this was never caught; due to the lack of efficient processes, control activities (i.e. report reconciliations), and inter-organizational collaboration. (*Inaccurate/Incorrect*).

Improvement Opportunity:

Internal Controls over processes and procedures must be strengthened by making sure that qualified personnel are staffed and equipped to meet defined departmental objectives. Effective policies and procedures governing vehicles' acquisition must be established or updated to improve adherence and compliance. Collaboration and data sharing in cases where key functions overlap/cross departments is another critical step. It is important that Fleet Services Division and Finance – '*Capital Assets Team*' establish/improve communications as needed.

Management Response:

Meeting Held 04/23/2024. Director of Fleet Services Division has informed us of a *work-in-process* standard operating procedures manual which is expected to be completed – Fiscal Year End 2024. Please refer to Management Response additional details in the Inventory Scope section of this report.

Control Failure 2B: Lack of written standard operating procedures. [Transportation Department]-High Risk

2B-1. Written Standard Operating Procedures. Upon examination of purchase order packages related to bus purchases during 2022 and 2023, we have found that Fleet Department personnel functioned as authorized buyer for these transactions. Information gathered and departmental practice were such that some departments assumed the responsibilities to procure their vehicles while others leaned on Fleet Services Personnel to assist them in the process. Consequently, bus acquisition transactions did not originate from the Transportation Department. Since, there is not yet a recognized standardized process either communicated or practiced, uniformity and

consistency has been lacking. Again, the lack of the proper control environment and information & communication components of internal control are evidenced here.

Improvement Opportunity:

As June 2024, the Transportation department has requested that the Board of Education approve the purchase of Forty (40) Type C, 72-passenger Air-Conditioned Bluebird gasoline engine school buses and Five (5) 2026 Blue Bird/Vision 48-Passenger School Bus with lift from Yancey Bus Sales through the Georgia Statewide Contract (SWC) #99999-SPD-G20160601 for an amount of \$6,446,455. In order to improve operational efficiencies, the processes must be re-structured, communicated and practiced so that there are uniformity departments wide. This will improve the basis for carrying out the necessary internal controls across the organization-DCSD. It is especially urgent to get newer processes implemented promptly.

Control Failure 2C: *Lack of written standard operating procedures. [Department of Public Safety]-High Risk*

2C-1. Standard Operating Procedures. The Department of Public Safety has informed us that to-date their vehicle acquisition method has been primarily their own. In the absence of a centralized process and procedures, they have assumed the responsibility of purchasing their vehicle fleets. The buyer per transaction records indicate that vehicle acquisition originated from the Department of Public Safety in collaboration with Fleet Services personnel where necessary. They have reported little or no training to handle this task. And has suggested that this is outside of their purview and desires that Fleet Services take over this role.

INHERENT RISK Identified: *Segregation of Duty [Department of Public Safety]-High Risk*

The auditor identified some concerns related to 'Segregation of Duty' (SoD). The risk identified within the Department of Public Safety stems from insufficient or inadequate staffing and assigned roles that should raise conflict-of-duty concerns (i.e. SoD). The current Vehicle Acquisition guidelines performed is an unofficial one in the absence of management oversight, review, or monitoring. It is apparent that in some situations the distinctions between certain job functions and those who perform them are at times either obscure or non-existent. Consequently, a single employee had been tasked with multiple roles that could potentially lead to risk exposure associated with abuse and fraud. When an employee has multiple roles within a particular business process it is difficult to determine when that process is in danger of being circumvented, such is the case of the Vehicle Acquisition Process in the 'named department. It appears that executive assistant working in the capacity as initial requestor, buyer, while

simultaneously fully responsible for the administration of the final vehicle outfitting process in connection to the Peach Pass.

Improvement Opportunity/Risk Mitigation:

As of June 2024, Fleet Services requested that the Board of Education approve the purchase of fifteen (15) police vehicles. Fifteen (15) - 2024 Ford Explorer Police Interceptor (Black) utility vehicles would be purchased from Wade Ford Inc. through State of Georgia Contract 99999-001-SPD0000183-0006 and outfitting of the vehicles would be purchased by an approved vendor for an amount not to exceed \$883,416.30. Internal controls can be strengthened by first evaluating the effectiveness of its controls, identifying opportunities to discourage errors, while halting potential abuse and fraud. Once controls have been thoroughly assessed, management must make needed adjustments and improvements in all areas where internal controls have been insufficient or compromised. It should be understood that ... The Buyer's role should be always distinct from Accounts Payable process; subsequent transactions impacting the General Ledger should be performed by one individual who must remain independent of '*the approvals*' function. Risk can be further mitigated and contained by spreading accountability among a team of associates making it harder for any one individual to have total control.

Control Failure 2D: *After-the-Fact Purchases [Fleet Services]-Medium Risk*

DCSD Procurement policy, procedures, purchase transactions, corresponding financial reports, interviews, organizational hierarchical data including any supplemental audit data collected have all been examined and evaluated for adherence, timeliness, as well as management's activities associated with internal controls and related risk.

2D-1. After the Fact Purchase. During our audit we selected and analyzed a sample of purchase order packages using the Monetary Unit method resulting in the most vehicles purchased, the corresponding amounts, as well as adherence to procedures. Tyler-Munis generated transaction records were vouched to Fleet Service Division historical purchase activity spreadsheet to determine adherence and timeliness. Six packages among Bus Fleets and thirteen from Support Vehicle Fleets were selected. *After-the-fact purchase orders* in both fleet categories were found and are highlighted in table below indicating the control failure related to timeliness and adherence to policy and procedures.

2D-2. After the Fact Purchase. Negligence related to the breach of Purchase Policy was discovered according to '*after-the-fact purchase order*' referenced in the table below. Three buses were allowed to be ordered and invoiced prior to fiscal year ending 6/30/2021 without the appropriate Board of Education approval as stated in the

'Justification for the deviation of Policy' portion of the form on record. Board approval was finalized three months later which led to late payment and late bus delivery. Thirty-five Support Vehicles purchased fell short of the Purchasing Policy- DJE requirement which states that goods or services obtained without valid DCSD purchase order is a violation. This resulted in the cancellation and replacement of purchase order to reflect the true transaction period and activity. Consequently, back ordered vehicles led to major delays in vehicles delivery, as well as changes in order dates, receive dates, invoice dates and payments.

Exhibit 3: *After-the-fact Purchase Orders:* School Bus & 'Support Vehicle' fleet categories.

Purchase Order #s Per FY 21, 22, 23	\$Spend	Vehicle Purchases	Order/Recv./Inv./Pymt. Dates	Contract No.
22006502	\$299,908.40	3	11-18-2021/11-30- 2021/06-28-2021/12- 03-2021	GSSB# 99999-SPD- G20160601-0001
23001480/22008454	\$837,150.00	35	08-16-2022/08-17- 2022-02-22-2023/08- 01-2022-10-27- 03-03- 2023	GSC-99999-SPD- ES40199-373-002

Improvement Opportunity:

Acquisition internal controls ensure audit compliance, reduce risk, and eliminate financial waste. Internal controls set the rules for what can be purchased, how, and from what supplier. After-the-fact purchase orders are highly discouraged however, a more comprehensive response plan should be implemented by management. Once the purchase policy has been violated, the next steps should include robust re-training of all personnel concerned. Purchase order packages should include a verification checklist with components such as BOE date of approval as a pre-requisite to the final dual signatures' approval. Management should also evaluate current vendor performance and encourage the sourcing of quality and reliable suppliers. Once again, proper internal controls over key processes cannot be emphasized enough; notwithstanding, there will be legitimate instances where items are just not available.