



DeKalb County Board of Education Audit Committee Meeting August 8, 2024

Update of Fleet Operations Audit

Presented by: Joel Thibodeaux, CIA – Director of Audits & Compliance

Fleet Operations

Audit Period: 2021-2023

Fleet Operation Manager:

Fleet & Spec Transportation Director:

Deputy Chief Operation Officer:

Chief Operation Officer:

Dr. Chardra Carter

Mr. Cedric Burse

Mr. Antywn Brown

Mr. Erick Hofstetter

The scope of this audit is to assess the design and effectiveness of internal controls in place over Fleet Acquisition Purchases and identify risks associated with the management of DCSD vehicles by Fleet Operations Department for fiscal years 2021, 2022 & 2023.

- **Audit Scope I: Vehicle Inventory**
- **Audit Scope II: Vehicle Acquisition**

Audit Scope I: Vehicle Inventory

- Objective 1: Examine internal controls related to the reliability of records and reports regarding DCSD vehicle inventory.
- Objective 2: Determine that systems and procedures are in place to ensure that vehicle identification data captured is authentic, accurate and inclusive across DCSD software platforms.

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

To provide a reasonable level of assurance that RTA (Fleet Services In-house Managed Software) 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 general ledger accounts.

Fleet Services Inventory

- 435 Support Fleet Vehicles
 - Total Value=\$12,801,234
- 996 Yellow Fleet Vehicles
 - Total Value= \$79,571,090

Capital Assets Inventory

- 415 Support Fleet Vehicles
 - Total Value=\$11,979,813
- 1,173 Yellow Fleet Vehicles
 - Total Value=\$88,628,990

Audit Scope I: Vehicle Inventory Findings, Improvement Opportunities & Management Discussion

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

Improvement Opportunities

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 reliability 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.

Preliminary Management Discussion of Potential Findings

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.

Audit Scope I: Vehicle Inventory Findings, Improvement Opportunities & Management Discussion

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

Improvement Opportunities

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 real-time 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.

Preliminary Management Discussion of Findings

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.

Audit Scope II: Vehicle Acquisition

- Objective 1: Examine internal controls related to the procurement of DCSD Support Vehicles and School Buses.
- Objective 2 : Assess ‘Risks’ associated with vehicle-acquisition process; & outline potential opportunities to mitigate associated risks.

Support Vehicles Purchased during Audit Period By Department	QTY
7520-Plant Services	62
7510-Public Safety	38
7100-Transportation	18
7190-Fleet Services	2
7000-Superintendent	1
Total	121

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.

Exhibit 1: Support Vehicles purchased during audit period.

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-ES40199373-009S
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	62	\$1,837,456.60	99999SPDSPD00001550003; 99999-SPD0000155006; 99999-001-SPD0000183-0006; 99999-001-SPD0000183-0003
Total		121	\$4,228,567.60	

Exhibit 2: Yellow Fleet purchased during audit period.

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 Scope II: Vehicle Acquisition Findings, Improvement Opportunities & Management Discussion

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

***II-A-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 Opportunities

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.

Preliminary Management Discussion of Findings

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.

Audit Scope II: Vehicle Acquisition Findings, Improvement Opportunities & Management Discussion

Control Failure II-B: 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 Opportunities:

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.

Audit Scope II: Vehicle Acquisition Findings, Improvement Opportunities & Management Discussion

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

***IIC-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 Opportunities & 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.

Audit Scope II: Vehicle Acquisition Findings, Improvement Opportunities & Management Discussion

Control Failure II-D: 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.

- **IID-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.
- **IID-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.

Improvement Opportunities

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.



Recommendation Summary

Audit Scope I: Vehicle Inventory

Finding 1

Follow-Up Questions or Concerns?

Audit Committee Requests for Additional Information

Office of Internal Audits & Compliance

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