

# Internal Audit Department

O R A N G E C O U N T Y  
6<sup>th</sup> Largest County in the USA

## Internal Control Audit:

### OC PUBLIC WORKS – COUNTYWIDE FLEET MANAGEMENT

For the Period July 1, 2009  
through June 30, 2010

High  
Impact  
Audit

OC Public Works/OC Fleet Services' County fleet inventory consists of 2,909 vehicles and equipment, and has an operating income of \$20 million from interdepartmental billing for services provided for fleet management, repair and maintenance.

We audited OC Public Works/OC Fleet Services to evaluate their oversight role for countywide fleet management under the direction of the Director of OC Public Works, including the administration of County fleet assignment and enforcement of vehicle rules and regulations required by Board Resolution No. 89-1302 and subsequent related resolutions, ordinances and Board actions.

We found OC Fleet Services provides departments/agencies assistance with the acquisition, replacement, retirement and surplus of County fleet, and maintains County fleet inventory records. However, Countywide policies and procedures were not established to clearly define the responsibilities for the administration and enforcement of policies related to County vehicles by OC Public Works and user department/agencies since the adoption of Resolution No. 89-1302. OC Fleet Services' oversight role of County fleet is limited to OC Public Works, and does not include countywide monitoring of vehicle use and enforcement of vehicle rules and regulations. We identified **three (3) Significant Findings** and **four (4) Control Findings** to review existing fleet management policy and to establish additional policy, procedures and controls to clarify oversight of countywide fleet management services.

AUDIT NO: 1028

REPORT DATE: APRIL 12, 2011

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#### RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach

 ORANGE COUNTY BOARD OF SUPERVISORS'  
**Internal Audit Department**

*GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010*

*Providing Facts and Perspectives Countywide*

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OC Internal Audit Department, visit our website: [www.ocgov.com/audit](http://www.ocgov.com/audit)



**OC Fraud Hotline (714) 834-3608**

# Letter from Dr. Peter Hughes, CPA

## Transmittal Letter



**Audit No.1028 April 12, 2011**

**TO:** Jess A. Carbajal, Director  
OC Public Works

**FROM:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**SUBJECT:** Internal Control Audit: OC Public Works -  
Countywide Fleet Management

We have completed an Internal Control Audit of the OC Public Works – Countywide Fleet Management for the period July 1, 2009 through June 30, 2010. We performed this audit in accordance with our *FY 2010-11 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **First Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **Second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

### ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 4.

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Countywide Fleet Management  
Audit No. 1028***

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**Audit No. 1028**

**April 12, 2011**

## Audit Highlight

Resolution No. 89-1302 and subsequent Board actions for departmental reorganization and name changes designated the Director of OC Public Works (OCPW) as being responsible for the County's vehicle fleet. OC Fleet Services in OCPW performs fleet management services for County agencies and departments and maintains fleet inventory records.

### **-Enhancements Needed-**

OC Fleet Services' oversight role of County fleet is limited to OCPW, and does not include countywide monitoring of vehicle use and enforcement of vehicle rules and regulations. This is due to lack of Countywide policies and procedures to clearly define the responsibilities for the administration and enforcement of County vehicles by OCPW and the user departments/agencies since the adoption of Resolution No. 89-1302. Also, there is an absence of clearly defined delegation of responsibility and oversight roles between OC Public Works and the user departments/agencies in subsequent Board Resolutions related to the County's restructuring plan. Therefore, policies and procedures on the management of vehicle use and monitoring compliance with vehicle rules and regulations need to be established and communicated.

TO: Jess Carbajal, Director  
OC Public Works

FROM: Dr. Peter Hughes, CPA, Director  
Internal Audit Department

SUBJECT: Internal Control Audit: OC Public Works -  
Countywide Fleet Management

## OBJECTIVES

In accordance with our *FY 2010-11 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors, the Internal Audit Department conducted an Internal Control Audit of OC Public Works - Countywide Fleet Management. Our audit included reviewing policies, procedures and processes for managing County fleet and for enforcing vehicle rules and regulations. Our audit was conducted in conformance with professional standards established by the Institute of Internal Auditors.

The two objectives of this audit were to:

1. Evaluate controls and processes in OC Fleet Services in their role under the Director of OCPW of providing administration and oversight of County fleet use and enforcement of vehicle rules and regulations in departments/agencies.
2. Evaluate the efficiency and effectiveness of OC Fleet Services' administration and enforcement processes for significant backlogs, duplication of work, or processes that could benefit from automation.

## RESULTS

**Objective #1:** We found OC Fleet Services provides departments/agencies assistance with the acquisition, replacement, retirement and disposal of surplus of the County fleet, and maintains County fleet inventory records. However, there is a lack of detailed fleet management policies and procedures dating back to 1989 when the General Services Agency was in existence and when responsibility for fleet management was established by Board resolution. OC Fleet Services' oversight role of County fleet is limited to OC Public Works, and does not include countywide monitoring of vehicle use and enforcement of vehicle rules and regulations. We identified **three (3) Significant Findings** and **four (4) Control Findings** to review existing fleet management policy and to establish additional policy, procedures and controls to clearly define oversight responsibilities of countywide fleet management.

**Objective #2:** We found no backlogs, duplication of work, or processes that could benefit from automation pertaining to OC Fleet Services' roles and responsibilities for monitoring the use of County vehicles and enforcement of County Vehicle Rules and Regulations.

See further discussion in the *Detailed Findings, Recommendations and Management Responses* section of this report in [Findings 1 through 7](#). See *Attachment A* for a description of Report Item Classifications.

# OC Internal Auditor's Report

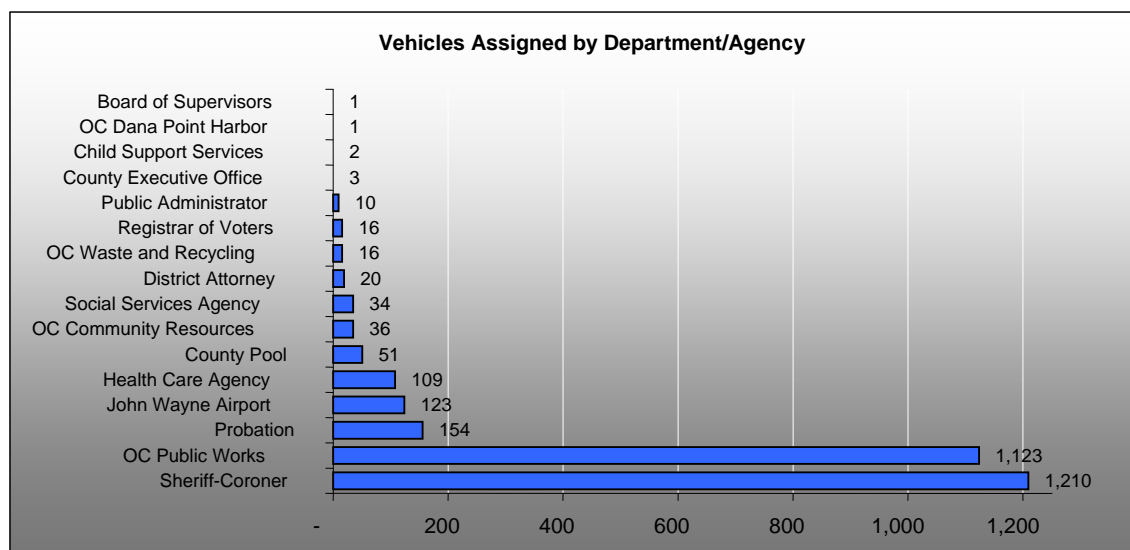


## BACKGROUND

**OC Public Works'** (OCPW) mission is to "Ensure quality of services today and quality life tomorrow." OCPW is comprised of four divisions: OC Engineering, OC Facilities, OC Planning, and Administration. Under Administration, **OC Fleet Services** "provides safe, reliable, cost-effective, timely and environmentally sensitive vehicles, equipment, maintenance and support services to County departments/agencies to help their missions serving the needs of the community." During FY 2009-10, OC Fleet Services' operating income totaled approximately \$20 million from billing for services provided for the County fleet. Board Resolution No. 08-023, dated March 18, 2008, established OC Public Works, formerly the Resources and Development Management Department, and along with previous Board actions, designated the Director of OC Public Works as being responsible for the County's vehicles.

**County fleet** refers to all vehicles and components (sometimes referred to as equipment), which are assets related to fleet vehicles, such as trailers, generators, or fixed assets such as lawn mowers. OC Fleet Services is responsible for maintaining records of County fleet and uses a system called Fleet Focus to establish and maintain the records. As of August 30, 2010, OC Fleet Services reported **2,519 vehicles** and **390 components** for a total fleet inventory of **2,909** items. See charts below for distribution of County fleet by Agency/Department:

Agency/Department	Vehicles	Components	Total
Sheriff-Coroner	1,137	73	1,210
OC Public Works	884	239	1,123
Probation	150	4	154
John Wayne Airport	87	36	123
Health Care Agency	79	30	109
County Pool	51	-	51
OC Community Resources	34	2	36
Social Services Agency	31	3	34
District Attorney	19	1	20
OC Waste and Recycling	16	-	16
Registrar of Voters	14	2	16
Public Administrator/Public Guardian	10	-	10
County Executive office	3	-	3
Child Support Services	2	-	2
OC Dana Point Harbor	1	-	1
Board of Supervisors	1	-	1
<b>County Total</b>	<b>2,519</b>	<b>390</b>	<b>2,909</b>



Source: OC Fleet Services, Fleet Focus (8/30/2010)



**County fleet** is categorized as either an **Internal Services Fund (ISF) asset** or a **non-ISF asset**. An ISF asset is a vehicle or a component/equipment that is purchased through OC Public Works' Transportation ISF 296, which includes pool vehicles (see discussion of pool vehicles below). County departments/agencies will generally initiate purchases of County fleet and coordinate the purchases with OC Fleet Services. A non-ISF asset is when a vehicle or a component/equipment is purchased by a department/agency using their own fund other than the Transportation ISF 296.

**County Pool Vehicles** are stored at the County's Civic Center Garage for County employees to use on an as-needed basis or for emergencies. As of August 30, 2010, OC Fleet Services had **51 pool vehicles**. Subsequent to our fieldwork, the number of pool vehicles was reduced to 42 due to the County's budget shortage whereby some pool vehicles were transferred to departments/agencies to save costs on purchasing new vehicles.

Agencies/departments are assigned *Vehicle Check-Out Cards* for purposes of obtaining a pool vehicle and for tracking subsequent billings. Departments/agencies must authorize the pool vehicle usage, and the approval is documented on a *Pool Vehicle Assignment Form*. The Motor Pool Vehicle Control Center inside the Civic Center Garage issues the pool vehicles. OC Public Works bills the user department/agency for the pool vehicle based on the Board-adopted rental rate.

**Vehicle Rules and Regulations** for the County of Orange were established by Board Resolution No. 89-1302, dated September 12, 1989. We noted there have been no revisions or updates to the Vehicle Rules and Regulations since that time, except for Board actions and Resolutions adopted in June 1996, November 1996, January 2004 and March 2008 that transferred responsibilities for these rules and regulations to the Public Facilities and Resources Department, the Resources Development and Management Department, and then to OC Public Works.

Vehicle rules and regulations contain policies and procedures regarding the provision, use, and assignment of County vehicles, including authorization requirements for justifying the assignment of the vehicles. According to the Board Resolution, "*County Vehicles shall be used only for official County business.*" Other responsibilities include a "*review of requests of additional vehicles and special equipment; the preparation and approval of all specifications for vehicles; the receiving, checking, numbering, assigning, and subsequent maintenance of vehicles and equipment.*"

## SCOPE AND METHODOLOGY

Our audit covered the period July 1, 2009 through June 30, 2010 and included the following:

- Reviewed Board Resolutions, vehicle rules and regulations, and OC Fleet Services' procedures for administration of fleet management and enforcement of rules and regulations.
- Evaluated controls and processes in OC Fleet Services for acquisition, assignment, replacement, and surplus of County fleet, and the inventory of County vehicles and equipment.
- Performed a surprise inventory of pool vehicles to determine if all vehicles were accounted for and had authorization by departments/agencies for the vehicles in use.

## SCOPE EXCLUSIONS

Our audit scope did not include the following:

- Controls, policies and processes in departments/agencies over the assignment, use, safeguarding, and compliance monitoring of assigned County fleet.
- Controls and processes over OC Public Works' interdepartmental billing processes because these were addressed in a prior internal audit (No. 2823).



## Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual section S-2 *Internal Control Systems*, "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated (by Management) and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for OC Public Works' and OC Fleet Services' continuing emphasis on control activities and self-assessment of control risks.

## Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the OC Public Works' and OC Fleet Services' operating procedures, accounting practices, and compliance with County policy.

## Acknowledgment

We appreciate the courtesy extended to us by the OC Public Works and OC Fleet Services during our audit. If we can be of further assistance, please contact me directly; or Eli Littner, Deputy Director at 834-5899; or Michael Goodwin, Senior Audit Manager at 834-6066.

## Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Alisa Drakodaidis, Deputy CEO, OC Infrastructure
- Carlos Bustamante, Director, OC Public Works/Administrative Services
- Tony Bernard, Manager, OCPW/Purchasing/Contract Services and Fleet Services
- Anthony Marquez, Manager, OCPW/OC Fleet Services
- Juan Ochoa, Operations Manager, OCPW/OC Fleet Services
- Liz Jewell, Manager, OCPW/Administrative Services/Finance Services
- Mary Fitzgerald, Manager, OCPW/Accounting Services
- Larry Stansifer, Manager, OCPW/Administration
- Foreperson, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors





## Finding 1 - Board Resolution and Defining Responsibility for Fleet Management

### Summary

Board Resolution No. 89-1302 designated the Director of the General Services Agency (GSA) responsibility for administering and enforcing County vehicle assignments and related functions. The resolution established “centralized oversight” of County vehicle use and enforcement under the GSA Director. We found current fleet management responsibility is not aligned with the Board Resolution adopted in 1989, and subsequent Board actions, and the current responsibility lies with the departments/agencies for monitoring the use of County fleet and the enforcement of vehicle rules and regulations. Clearly defined responsibility and oversight roles are lacking between the Director of OC Public Works and the user departments/agencies. **(Significant Finding)**

### Details

OC Fleet Services does not provide monitoring and oversight of County fleet or enforcement of vehicle rules and regulations after the fleet is assigned to departments/agencies. They provide limited monitoring, oversight and enforcement of pool vehicles maintained in the Civic Center Garage for employee use. OC Fleet Services relies on departments/agencies to perform these monitoring and oversight responsibilities. As such, County fleet management appears to be a hybrid environment with some responsibilities centralized, and other responsibilities decentralized.

Board Resolution No. 89-1302 “*enacts rules and regulations concerning the use of vehicles on County business.*” It designates the responsibility of the Director of GSA for the administration and enforcement of County vehicle assignment, and specifically includes the enforcement of existing rules and regulations. It also states that vehicles assigned to an agency/department shall be under the management of GSA at either the Transportation Division facilities or an approved departmental/agency location as recommended by the Director of GSA or designee. The Director of GSA evolved into the County Chief Executive Officer based on Ordinance No. 96-3972.

Since Resolution No. 89-1302 was adopted, the County underwent three reorganizations: portions of GSA became the Public Facilities and Resources Department (PFRD), which became Resources and Development Management Department (RDMD), and currently OC Public Works. Board Resolution No. 96-825 established PFRD and a supporting restructuring plan stated PFRD would be comprised of “transportation functions from GSA.” Specifically the PFRD Director was to be responsible for directing programs for the acquisition, maintenance and repair of County vehicles and equipment, and the administration of the transportation fleet vehicle program and related functions. In subsequent Board Resolutions (04-015 and 08-023), PFRD became RDMD, and then OC Public Works. With each reorganization, the department Director was reaffirmed as being responsible for the County’s fleet vehicles. We could not identify or locate any delegation of responsibility for vehicle use and enforcement of policies from the Director of OC Public Works to County departments/agencies and the practice appears to have been in place for many years.

Because responsibility for fleet management needs to be re-evaluated, OC Public Works and the County Executive Office have an opportunity to explore other options and alternatives in determining the future administration of County fleet management.

### Recommendation No. 1

OC Public Works partner with the County Executive Office to evaluate existing Board policy including the determination of responsibility for monitoring and oversight of County fleet management, and take measures to ensure Board policy is aligned with actual practices.

### OC Public Works Management Response:

Concur. In conjunction with the audit findings, OC Public Works has been evaluating existing Board policy, and will partner with the County Executive Office concerning updates, revisions and recommendations in implementing Board directed OC Fleet management, oversight and responsibilities, on a countywide basis.



## Finding 2 – Establishment of Countywide Policies and Procedures

### Summary

As indicated in [Finding 1](#), County fleet management lies primarily in departments/agencies and they are responsible for administering and monitoring acquisition, use, replacement, retirement, surplus of the fleet, as well as ensuring compliance with vehicle rules and regulations. OC Fleet provides guidance which affects the decisions that are made. Most of the vehicles are ISF assets and are purchased by OC Fleet. We found there was a lack of detailed County policies and procedures dating back to the GSA era, specifically for defining the roles and responsibilities at user departments/agencies for fleet management and for monitoring compliance. As a result, OC Fleet does not always make the final decision, as there has been uncertainty concerning which entity had authority. **(Significant Finding)**

### Details

Except for Board Resolution No. 89-1302 and the *County Vehicle Rules and Regulations* handbook, there are no countywide policies and procedures for use by departments/agencies. We also noted the existing Board resolution and County vehicle rules and regulations do not address the following fleet management issues:

- Acquisition of fleet and notification to OC Fleet Services
- Assignment overnight and take-home vehicles
- Use of personal vehicles for County business
- Monitoring enforcement of County Vehicle Rules and Regulations
- Replacing, retiring, leasing, and surplus of county fleet
- Identifying drivers with suspended licenses and traffic tickets
- Taxable fringe benefits
- Fuel cards and fuel usage
- Vehicles under Green Government initiatives
- Physical Inventories of County fleet

Board Resolution No. 89-1302 establishes vehicle rules and regulations for the County. Certain policy requirements are summarized in the *County Vehicle Rules and Regulations* handbook included in each vehicle. OC Public Works has detailed written policies and procedures on the use of County vehicles, reporting requirements and take-home vehicles. However, this document is only distributed to OC Public Works' employees.

Countywide policies and procedures should be updated and/or established to provide clear and consistent guidelines in administering and monitoring the County fleet. Not having policies and procedures for monitoring vehicle use and enforcing vehicle rules and regulation can result in inconsistent and ineffective oversight of County fleet.

### Recommendation No. 2

OC Public Works establish and make available countywide policies and procedures that address the above administrative responsibilities over County fleet management.

### OC Public Works Management Response:

Concur. OC Public Works will review and update countywide policies and procedures that address approved OC Fleet management responsibilities.



## Finding 3 – Notification of County Fleet Purchases to OC Fleet Services

### Summary

OC Fleet Services maintains County fleet inventory records. There are instances when a department/agency acquires new vehicles and equipment and OC Fleet Services may not be notified or subsequently made aware of the acquisition. As a result, OC Fleet Services' inventory of County fleet in the Fleet Focus system is not a complete and accurate representation of County fleet. **(Significant Finding)**

### Details

In general, OC Fleet Services is aware of all Internal Service Fund (ISF) fleet asset acquisitions, and accordingly updates the inventory records in the Fleet Focus system. Since departments/agencies can acquire fleet assets out of their own funds (non-ISF), OC Fleet Services may not be notified of the asset. OC Fleet Services may subsequently become aware of the assets when they are brought in for service and maintenance; however, the user department/agency can use an outside vendor for maintenance services instead of OC Fleet Services. In these instances, OC Fleet Services will have no record of the fleet asset.

Board Resolution No. 89-1302 states that the Director of GSA is responsible for the administration and enforcement of County vehicle assignment. As mentioned above, these duties were subsequently given to the Director of OC Public Works. Those responsibilities include a "*review of requests of additional vehicles and special equipment; the receiving, checking, numbering, and assigning of vehicles and equipment; and the subsequent maintenance of vehicles and equipment.*" We found there was no written countywide policies and procedures for acquisition of County fleet assets that describes purchasing assets as either an ISF or non-ISF asset and for notifying OC Fleet Services of all non-ISF asset acquisitions.

One of OC Fleet Services' responsibilities is to ensure vehicles and equipment complies with various rules and regulations, such as the requirements under the Air Quality Management District. Not being notified of all fleet purchases increase the risk County fleet may not be in compliance, and could result in penalties and fines from other governing agencies. Also, OC Fleet Services does not have complete and accurate inventory of the County fleet to perform their fleet management services responsibility.

### Recommendation No. 3

OC Public Works partner with County Executive Office to establish a countywide policy ensuring OC Fleet Services is notified of all fleet purchases by County departments/agencies and being informed of any repair and/or maintenance services from non-County authorized vendors.

### OC Public Works Management Response:

Concur. OC Public Works will partner with County Executive Office to establish and ensure the policy of ensuring that all vehicle purchases are made through OC Fleet Services; that any vehicle or equipment purchased outside the policy is approved by the County Executive Office and recorded by OC Fleet as inventory; and that OC Fleet be informed of any repair and/or maintenance from non-County authorized vendors.



## Finding 4 – Reconciliation of County Fleet Records to Capital Asset Inventories

### Summary

OC Fleet Services' inventory record of County fleet could be incomplete because departments/agencies can purchase and maintain vehicles and equipment from their own budgets without notification to OC Fleet Services. Reconciliations or reviews of department/agency biennial capital asset inventories can provide OC Fleet Services with current information on County fleet to update their inventory records. **(Control Finding)**

### Details

As indicated in [Finding No. 3](#), some departments/agencies can purchase fleet assets (vehicles and equipment) that may not be reported to OC Fleet Services. Departments/agencies can purchase assets from their own operating budgets (referred to as non-ISF assets) instead of OC Fleet Services' fund (ISF assets). ISF assets are recorded into the Fleet Focus inventory records. OC Fleet Services only include non-ISF assets in the Fleet Focus system inventory when notified of the purchases or when the assets are brought to OC Fleet Services for repair and maintenance.

OC Fleet Services uses the Fleet Focus system to maintain inventory records of County fleet. County Accounting Procedures require departments/agencies to conduct biennial physical inventories of capital assets costing \$5,000 or more. Because County fleet vehicle and equipment costs generally exceed \$5,000, they are included in the physical inventories. OC Fleet Services should evaluate the feasibility of conducting reconciliations or reviews of department/agency capital asset inventories to the Fleet Focus inventory records as a means to maintain a current and complete inventory of County fleet.

Lack of a complete and accurate inventory of County vehicles and equipment affects OC Fleet Services ability to perform their administrative oversight responsibility for purposes of monitoring, oversight and compliance with rules and regulations.

### Recommendation No. 4

OC Public Works evaluate the feasibility of reconciling department/agency capital asset inventories to the records maintained in Fleet Focus to ensure completeness and accuracy of County fleet inventory records.

### OC Public Works Management Response:

Concur. OC Public Works will evaluate the feasibility of reconciling department/agency capital asset inventories to the record maintained in Fleet Focus to ensure their completeness and accuracy.



## Finding 5 – Establishment of Policies For Take-Home County Vehicles

### Summary

Policies and procedures need to be established to define the assignment and allow usage of take-home County vehicles, including requirements for written, authorized justification, and related monitoring requirements to ensure safeguarding of vehicles and compliance with County policy, rules and regulations. **(Control Finding)**

### Details

Although Board Resolution No. 89-1302 allows the after-hour use of County vehicles, it does not provide specific requirements for take-home vehicles or monitoring compliance and usage of the vehicles. A *County Vehicle Rules and Regulations Handbook* is maintained in each vehicle providing general guidelines for using County vehicles; however, we did not find a countywide policy addressing the justification, assignment and monitoring of take-home vehicles. Drivers of County vehicles are not required to acknowledge receiving and adhering to County policy, rules and regulations.

The Board Resolution indicates that “assignment of a vehicle shall mean that such vehicle is at the continuous disposal of the employee to whom assigned, including its use for conveyance to and from work and permitting its overnight garaging at the employee’s home.” It also states that “County vehicles shall be used only for official County business and use of an official vehicle as conveyance to and from work or other personal use is not sanctioned unless such use has been previously justified and approved through adopted procedures.” It indicates vehicles can be assigned on a temporary or a continuous basis. No written countywide policy and procedures exist for justifying the assignment of take-home vehicles. Departments/agencies have responsibility for assigning and monitoring take-home vehicles.

Since County vehicles are used on public roads and highways, the County is exposed to additional risk and liability if they are used for non-County purposes. Policies and procedures should be established to clearly define conditions for the authorized use of County fleet during and after office hours. Without specific criteria and monitoring requirements, there is an increased risk of unauthorized use for non-County purposes.

To ensure the policy requirements are followed, users should be required to acknowledge having read and received a copy of the take-home vehicle policy, and management should periodically evaluate the continued need for take-home vehicles to employees.

### Recommendation No. 5

OC Public Works establish countywide policy and procedures that state the criteria for assigning and monitoring compliance of take-home vehicles. This policy should include periodic evaluations for assignment and continued use of take-home vehicles and require user’s signature to acknowledge having read and received a copy of the take-home vehicle policy.

### OC Public Works Management Response:

Concur. OC Public Works will develop the policy and procedures and request that agencies/departments monitor, oversee compliance, regularly audit adherence, keep records and make records available for inspection by Internal Audit as requested.



## Finding 6 – Establishment of Policy for Replacing, Retiring and Surplus of Fleet

### Summary

There is no countywide policy addressing the replacement, retirement and surplus of County fleet vehicles. Departments/agencies follow other County policy requirements to perform these fleet management functions. **(Control Finding)**

### Details

Currently, there is no countywide policy that specifically address the replacement, retirement, disposal, auctioning, or surplus of County fleet. OC Fleet Services has responsibility for these functions in OC Public Works, and is utilized by departments/agencies for these fleet management functions only when requested. Departments/agencies perform these functions using other County procedures and we noted there are no centralized or standardized procedures specific to County fleet.

OC Fleet Services has general recommendations for replacing County fleet. For example, a Class A pursuit vehicle (aka black and white patrol vehicle) is considered for replacement after 3 years or 80,000 miles, and light duty fleet is considered for replacement after 5 years or 80,000 miles. For surplus of fleet, OC Fleet Services follows requirements in the County Procurement Office's procedure for surplus of personal property.

When requested to retire/dispose of fleet, OC Fleet Services arranges for auctions using an authorized vendor to store and provide auction services. OC Fleet Services is also in process of developing a website for listing fleet that is waiting for disposal so departments/agencies can view what is available for acquisition. Once developed, a County policy should be established to require departments/agencies to view this website prior to purchasing new fleet.

Not having countywide policies and procedures for the replacement, retirement, disposal, auctioning, or surplus of County fleet can result in possible waste, inconsistent application of policies and procedures.

### Recommendation No. 6

OC Public Works establish countywide policies and procedures over fleet replacement, retirement, disposal, auctioning and surplus of County fleet.

### OC Public Works Management Response:

Concur. This recommendation is in process; OC Public Works is presenting an ASR to the Board to establish countywide policies and procedures over fleet replacement, retirement, disposal, auctioning and surplus. At this time, OC Public Works and County Executive Office are jointly working on the policy and procedures for disposal of County surplus assets.



## Finding 7 – Updating Policy and Procedures for Pool Vehicle Administration

### Summary

We conducted an unannounced inventory of pool vehicles and found there were no *Pool Vehicle Assignment Forms* on file, as required by OC Public Works policies and procedures, for **9 out of 42 pool vehicles** in use at the time of our inventory. OC Fleet Services' policy and procedures were not aligned with current practices, including processes for same day use by walk-up employees; use of pool vehicles by OC Public Works administrative employees; pool vehicles used as loaner vehicles to departments/agencies, and use of standard authorization forms. **(Control Finding)**

### Details

In the Civic Center Garage on November 29, 2010, our inventory noted there were 42 pool vehicles available, which was 9 less vehicles than the 51 reported at the beginning of our audit. Due to budget shortfalls, some departments/agencies were unable to purchase new vehicles; therefore, nine (9) vehicles were transferred: five (5) to OC Animal Care; two (2) to the Sheriff-Coroner; and two (2) to OC Public Works. We found documentation on file in OC Fleet Services to support these departmental transfers.

We verified all 42 pool vehicles were properly accounted for: 33 units were parked in designated stalls; in the car wash area; or under repair. Seven (7) units were checked out to employees for same day use. One (1) vehicle was in use by an OC Public Works administrative employee, and one (1) was a loaner vehicle to a department because the assigned vehicle was under repair.

The seven (7) vehicles checked out to walk-up employees for same day use did not have a *Pool Vehicle Assignment Form* to document their agency's approval. Instead, the users checked out the vehicles using their department/agency **Vehicle Check-Out Card**, and OC Public Works/Motor Pool Center prepared a **Vehicle Pool Ticket** for documentation. This practice was not addressed in the written policy and procedures. In addition, there were no *Pool Vehicle Assignment Forms* or other documentation for two (2) vehicles; one in use by an OC Public Works administrative manager, and one that was a loaner vehicle to a department. The procedures did not address that certain OC Public Works employees are authorized to use pool vehicles for County business without any documentation, or that pool vehicles can be used as loaner cars to departments if the assigned vehicle is being repaired.

We also noted there is not a standard form that departments/agencies use to authorize employee use of pool vehicles. OC Public Works' policies and procedures require employees to use a *Pool Vehicle Assignment Form*, which is accessible to all employees on the County Intranet to request a pool vehicle for same day or overnight use. However, we noted this form is not consistently used for requesting or approving a pool vehicle.

### Recommendation No. 7

OC Public Works/OC Fleet Services update their policies and procedures over pool vehicles including standardized form use to reflect current practices.

### OC Public Works Management Response:

Concur. OC Public Works/OC Fleet Services will update their policies and procedures over pool vehicles, including standardize form use, to reflect current practices.



## ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s) and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

▶ **Control Findings:**

Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.





## ATTACHMENT B: OC Public Works Management Responses

**RECEIVED**  
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**Jess A Carbajal, Director**  
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**memo**

**DATE:** April 4, 2011

**TO:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**FROM:** Jess A. Carbajal, Director

**SUBJECT:** Response to OC Public Works – Countywide Fleet Management, Audit No. 1028

I am pleased to provide OC Public Works' response to the Internal Audit Department's Draft Report on the OC Public Works - Countywide Fleet Management Audit No. 1028. Our response has been reviewed and approved by the County Executive Office.

We will work to implement the Internal Audit Department's recommendations as indicated in our following responses.

I would like to express my appreciation for the professionalism of the Internal Audit Department staff that conducted this audit.

Should you have any questions regarding OC Public Works' responses to the recommendations, or require additional information on these items, please contact Larry Stansifer at (714) 667-3286 or Tony Bernard at (714) 667-3209.

Thank you.

Attachment

c: Alisa Drakodaidis, Deputy CEO, OC Infrastructure  
Carlos Bustamante, Director, Administrative Services, OC Public Works  
Liz Jewell, Manager, Finance Services, Administrative Services, OC Public Works  
Larry Stansifer, Manager, Administrative Services, OC Public Works  
Tony Bernard, Manager, OC Fleet & Procurement Services, OC Public Works



## ATTACHMENT B: OC Public Works Management Responses (continued)

Countywide Fleet Management, Audit No. 1028  
Page 2 of 3

### **OC Public Works Responses to the Internal Audit Department's Draft Report: OC Public Works Countywide Fleet Management, Audit No. 1028**

#### **Recommendation No. 1**

OC Public Works partner with the County Executive Office to evaluate existing Board policy including the determination of responsibility for monitoring and oversight of County fleet management, and take measures to ensure Board policy is aligned with actual practices.

#### **OC Public Works, OC Fleet Response:**

Concur. In conjunction with the audit findings, OC Public Works has been evaluating existing Board policy, and will partner with the County Executive Office concerning updates, revisions and recommendations in implementing Board directed OC Fleet management, oversight and responsibilities, on a countywide basis.

#### **Recommendation No. 2**

OC Public Works establish and make available countywide policies and procedures that address the above administrative responsibilities over County fleet management.

#### **OC Public Works, OC Fleet Response:**

Concur. OC Public Works will review and update countywide policies and procedures that address approved OC Fleet management responsibilities.

#### **Recommendation No. 3**

OC Public Works partner with County Executive Office to establish a countywide policy ensuring OC Fleet Services is notified of all fleet purchases by County agencies/departments and being informed of any repair and/or maintenance services from non-County authorized vendors.

#### **OC Public Works, OC Fleet Response:**

Concur. OC Public Works will partner with the County Executive Office to establish and ensure the policy of ensuring that all vehicle purchases are made through OC Fleet Services; that any vehicle or equipment purchased outside the policy is approved by the County Executive Office and recorded by OC Fleet as inventory; and that OC Fleet be informed of any repair and/or maintenance from non-County authorized vendors.

#### **Recommendation No. 4**

OC Public Works evaluate the feasibility of reconciling department/agency capital asset inventories to the record maintained in Fleet Focus to ensure completeness and accuracy of County fleet inventory records.



## ATTACHMENT B: OC Public Works Management Responses (continued)

Countywide Fleet Management, Audit No. 1028  
Page 3 of 3

### **OC Public Works, OC Fleet Response:**

Concur. OC Public Works will evaluate the feasibility of reconciling department/agency capital asset inventories to the record maintained in Fleet Focus to ensure their completeness and accuracy.

### **Recommendation No. 5**

OC Public Works establish countywide policy and procedures that state the criteria for assigning and monitoring compliance of take-home vehicles. This policy should include periodic evaluations for assignment and continued use of take-home vehicles and require user's signature to acknowledge having read and received a copy of the take-home vehicle policy.

### **OC Public Works/Fleet Services Response:**

Concur. OC Public Works will develop the policy and procedures and request that agencies/departments monitor, oversee compliance, regularly audit adherence, keep records and make records available for inspection by Internal Audit as requested.

### **Recommendation No. 6**

OC Public Works establish countywide policies and procedures over fleet replacement, retirement, disposal, auctioning and surplus of County fleet.

### **OC Public Works, OC Fleet Response:**

Concur. This recommendation is in process; OC Public Works is presenting an ASR to the Board to establish countywide policies and procedures over fleet replacement, retirement, disposal, auctioning and surplus. At this time, OC Public Works and County Executive Office are jointly working on the policy and procedures for disposal of County surplus assets.

### **Recommendation No. 7**

OC Public Works/OC Fleet Services update their policies and procedures over pool vehicles, including standardize form use, to reflect current practices.

### **OC Public Works, OC Fleet Response:**

Concur. OC Public Works/OC Fleet Services will update their policies and procedures over pool vehicles, including standardize form use, to reflect current practices.