



Ricky D. Hatch, CPA
Clerk/Auditor

30 June 2021

Weber County Audit Committee
2380 Washington Blvd.
Ogden, UT 84401

Dear Committee Members:

I recently completed a comprehensive key internal control audit of the Fleet Management's operations and administrative procedures. My purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls. My examination period covered 2020 transactions and vehicle mileage history since procurement through May 2021.

My audit scope included tests from the following Internal Control Questionnaires (ICQ), used as my audit program:

- Accounts Payable Disbursements
- Accounts Receivable Procedures
- General Journal Entries

I expanded my audit scope to include the following:

- Utah Counties Indemnity Pool (UCIP) Reporting and Coverage
- County Vehicle Annualized Mileage Compared to Industry Standards

Background:

Fleet Management is one of four internal service funds used to accumulate and allocate costs internally among the County's various functions. The budget for Fleet Management follows:

<u>Year</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Equipment*</u>	<u>Actual Equipment</u>
• 2021	1,250,726	1,397,229	1,277,817	
• 2020	1,355,060	2,515,964	1,388,595	1,111,277
• 2019	1,713,580	2,769,029	1,640,000	1,534,367
• 2018	1,083,388	1,642,811	470,000	473,102
• 2017	1,274,000	1,162,877	1,681,300	1,725,463
• 2016	942,800	984,547	1,150,000	1,786,773

*This information is taken from MUNIS budget reports. Actual equipment purchases are not reported in the financial statements as Fleet Management expenses, but are shown in the balance sheet as capitalized assets.

Weber County spends an average \$1,126,194 annually on Fleet managed equipment. The average cost for passenger cars, trucks, vans, and SUVs, which is part of this, is just under \$40,000 per vehicle. Reducing the fleet by just 12.5 vehicles could save \$500,000.

FASTER Asset Solutions is currently used to manage all aspects of fleet management. The *Equipment Master List By Department Report* identifies 666 inventory items. Of these, 306 are passenger class cars, vans, SUVs, and trucks up to medium duty 1 1/2 ton vehicles. The 2020 Comprehensive Annual Financial Report (CAFR) reported 267 of these vehicles. Surplus vehicles waiting for sale/disposal were excluded from the CAFR.

Key Internal Control Testing

Cash Receipting and Deposits:

Scope:

Revenues are posted through journal entry for interdepartmental billings. There were only two cash receipt postings totaling \$25,581 for surplus equipment sales. There were no variances and no recommendations

Accounts Payable Disbursements:

Scope:

There were 78 accounts payable transactions totaling \$1,118,398.57. I randomly sampled 25 (32%) of these transactions totaling \$461,588.73 (41.3%). All support documentation was available for review. There were no variances and no recommendations.

Accounts Receivables Procedures:

Scope:

Fleet Management prepares a quarterly interdepartmental billing for assigned assets. There were 263 assigned assets in the fourth quarter 2020 billing. The Clerk/Auditor's office posts the department expenditures to object code 810030 and the Fleet revenue to object code 444000 through journal entry. In past audits I have found only one vehicle charged to the wrong department. It is the responsibility of the Department Directors to verify that their charges are correct. This is especially important when there are dispositions, procurements, and reassignments. I didn't identify any variances in the billings and there are no recommendations.

General Journal Entries:

Scope:

There were 34 journal entries with 87 lines for Fleet Management. I sampled 17 (50%) of these transactions. There were no variances and no recommendations.

Utah Counties Indemnity Pool (UCIP) Reporting and Coverage

Scope:

UCIP forwarded me seven relevant equipment lists indicating equipment currently insured. My review comparing UCIP data to FASTER data revealed the following:

<u>UCIP List</u>	<u>#</u>	<u>No Longer Owned</u>	<u>Value Disposed</u>
Vehicles	220	11	565,777
Trailers	32	5	8,250
Motorcycles	11	1	20,000
ATV UTV	5	0	
Snowmobiles	11	0	
Watercraft	1	0	
Mobile Equip	65	40	<u>4,704,735</u>
Total Over Insured		57	<u>\$ 5,298,762</u>

Comparing FASTER with UCIP resulted in identifying 97 vehicles on Weber County's inventory not on UCIP's insured asset list.

The list of assets insured that are no longer owned or in service, and the list of assets owned and not insured, were forwarded to the Weber County Attorney's Office for review and inclusion or deletion with UCIP.

Observation:

This is a repeat finding. Similar issues were identified in my 2016 Fleet Management audit. It appears that the communication between Weber County and UCIP is not adequate. In addition, the Attorney's Office does not have a baseline to reconcile the assets requiring insurance with UCIP. Only information received from Weber County Departments is reported to UCIP. If Departments do not feed correct data to the Attorney's Office, then UCIP coverage is inadequate.

Recommendation 1:

Fleet Management ensure that the responsible party at Weber County that maintains accurate UCIP insurance coverage, has access to Weber County capital asset inventory in MUNIS and in FASTER.

Recommendation 2:

The UCIP to Weber County and Weber County to UCIP data basis need to be reconciled on a regular basis, at least quarterly, by the responsible party, to ensure correct insurance coverage.

Vehicle Annualized Mileage

Scope:

Average annual miles of fleet vehicles range widely by industry. My research disclosed the following:

	<u>Commercial Fleet Vehicles</u>	<u>General Use</u>	<u>GSA</u>
• Compact Cars	21,168	11,507	12,000
• Intermediate Cars	23,412	11,507	12,000
• Pickup Trucks	23,340	11,991	13,000
• Minivans	23,940	11,991	12,000
• SUVs	22,800	11,507	12,000
• Full Sized Vans	21,888	12,958	10,000
• Motorcycle		2,356	

Fleet Management uses a minimum 3,000 miles to justify need. I will use 10,000 miles.

My initial sample included 197 of the 377 vehicles reported in FASTER. Of these, 92 vehicles were driven at least 10,000 miles, as follows:

<u>Department</u>	<u>Sampled</u>	<u>10,000+</u>	<u>Percent</u>
• Attorney	3	2	66.67%
• Sheriff	103	69	70.00
• Jail	11	4	36.36
• Engineering	1	1	100.00
• Property Management	5	1	20.00
• Garage	1	1	100.00
• Building Inspection	3	2	66.67
• Roads	12	4	18.18
• USU Extension	1	1	100.00
• GSEC	3	2	66.67
• Library	3	2	66.67
• Health Dept.	11	1	9.09
• Undefined (Surplus)	7	2	28.57
• All Others	<u>33</u>	<u>0</u>	<u>0.00</u>
Totals	<u>197</u>	<u>92</u>	<u>46.70%</u>

I expanded my sample to include all vehicles controlled by departments located close the Weber Center. This was used as a control group to determine if savings could result with an increase in motor pool vehicles to absorb the requirements of departments using assigned vehicles less than 10,000 miles annually. My findings follow:

<u>Department</u>	<u>Current Vehicles</u>	<u>Total Miles</u>	<u>Required Vehicles</u>
Assessor	7	34,382	3.42
Attorney	6	45,470	4.55
Surveyor	4	27,821	2.78
IT	2	17,751	1.78
Engineering	3	32,273	3.23
Property Mgmt.	14	99,616	9.96
Planning	1	5,103	.51
Builder Inspect.	4	50,991	5.10
Fleet	8	41,140	4.11
OECC	<u>1</u>	<u>729</u>	<u>.07</u>
Totals	<u>50</u>	<u>355,276</u>	<u>35.53</u>

This illustration shows a potential reduction of 14 vehicles for departments close to the Weber Center. At \$40,000 per vehicle, that could be a savings of \$560,000. The Health Department is not in this illustration. WMHD has 23 assigned vehicles with similar mileage, and could benefit from motor pool vehicles.

Vehicles loaded with specialized equipment, such as the trucks used by the Surveyor, would have to be evaluated against the 10,000 mile rule. This illustration is best case scenario and is given as evaluation information only. If evaluation determines it would be advantageous to limit assigned vehicles to a minimum 10,000 miles per year and expand the motor pool for common use, then a countywide evaluation may be warranted.

Recommendation:

I recommend that Weber County Fleet Management establish a reasonable minimum average annual mileage rate for assigned vehicles. Then, evaluate if reductions in the number of assigned vehicles can be achieved without mission effectiveness compromise through increased availability of motor pool vehicles.

I appreciate the time spent by Fleet Management and Garage management and staff, and the Weber County Clerk/Auditor's staff, for their help and support during my audit. They were friendly, courteous, and cooperative, answering my questions, gathering necessary documents and records, and allowing me access to their information.

Sincerely,

Roger K Larsen
Weber County Internal Auditor