

Hernando County Clerk of Circuit Court
Audit Services Department
Follow-Up Audit Report
of
Fleet Vehicle and Fuel Rate Charging Review
October 26, 2020

MANAGEMENT LETTER

TO: Jeffrey Rogers, County Administrator

VIA: The Honorable Doug Chorvat, Jr. 

FROM: Elizabeth Hogan, CIA, CFE, Director of Audit Services 

DATE: October 26, 2020

SUBJECT: Follow-Up Audit of Fleet Vehicle and Fuel Rate Charging Review

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted a follow-up audit of the Fleet Vehicle and Fuel Rate Charging Review. Based on limited testing, observations, and communications with key personnel, the audit team produced the attached report for your review. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "Correspondence to Note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this review, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesies and cooperation extended by the employees of the Hernando County Fleet Department during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or just stop by our offices in Room 215.

ATTACHMENT: Fleet Vehicle and Fuel Rate Charging Review

Copy: Gordon Onderdonk, Director of Utilities

Copy: Board of County Commissioners

Chairman John Mitten
Commissioner John Allocco
Commissioner Wayne Dukes
Commissioner Jeff Holcomb
Commissioner Steve Champion

Copy: Audit Services Planning & Priorities Committee

The Honorable Doug Chorvat, Jr., Clerk of the Circuit Court and Comptroller
Amy Gillis, CPA, CGFO, Director, Financial Services
Jon Jouben, Deputy County Attorney
Tobey Phillips, Deputy County Administrator
Jeffrey Rogers, County Administrator
Stephanie Russ, Budget Manager, Office of Management & Budget
Jeff Wolf, CPA, Senior Audit Manager, MSL P.A.
William Blend, CPA, CFE Shareholder, MSL P.A.

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Executive Summary

The Audit Services Department (ASD) conducted a follow-up audit of the Fleet Vehicle and Fuel Rate Charging Review dated July 6, 2016. The purpose of this follow-up audit was to determine the status of the previous recommendations for improvement and management's corrective actions.

The purpose of the original Fleet Vehicle and Fuel Rate Charging Review was to perform a review of rates charged by the Fleet Department to users of County vehicles. The four types of rates reviewed included: fuel; vehicle maintenance; GPS – telematics; and vehicle replacement & insurance.

To assess the status of previous recommendations, ASD interviewed management and performed limited testing to identify the actual actions taken to implement improvements.

Of the four recommendations in the original review for Fuel Rates, ASD determined that three recommendations were fully implemented and one recommendation was not implemented.

The three recommendations for Fuel Rates that were fully implemented pertained to the following Audit comments:

- ✦ #1 – Perform an annual break-even analysis to properly determine the billable fuel fee per gallon, which is added on to Fleet's fuel cost per gallon.
- ✦ #2 - Send notices of fuel rate changes to all user departments before effective dates to allow user departments to plan for rate changes. Consider implementing rate changes at the start of a fiscal year to sync up with the annual budget.
- ✦ #4 – Re-visit the Administrative Fee for Public Safety Vehicles to determine if Fleet still provides administrative support for WEX cards.

The one recommendation that was not implemented is as follows:

- ✦ #3 – Fuel disbursements from the Landfill fuel truck into other County vehicles should be recorded into Fleet Focus and that fuel usage tracked by the end user vehicle.

Fuel disbursements from the Landfill fuel truck are recorded in Fleet Focus with date, time, and gallons. There are no reports in Fleet Focus that tracks the fuel usage to specific end user vehicles/equipment.

Fleet Management provided the following response to the recommendation. On Oct 1, 2020 Fleet updated the fuel controller in the Landfill fuel truck and added a nozzle tag to the truck to automatically pick up information from the fuel ring on every vehicle/equipment that the fuel truck fuels. This information including asset number, meter readings, date, time, and gallons are logged directly into the Fleet Focus system.

Two recommendations in the original review for Vehicle Maintenance were fully implemented and pertained to the following Audit comments:

- ⚡ #1 – Perform an annual break-even analysis to properly determine the billable hourly vehicle maintenance rate.
- ⚡ #2 – Send notices of vehicle maintenance billing rate changes to all user departments before the effective date to allow user departments to plan for these changes. Consider implementing rate changes at the start of a fiscal year to sync up with the annual budget.

Three recommendations in the original review for GPS-Telematics were fully implemented and pertained to the following Audit comments:

- ⚡ #1 – All fees should be properly approved and supported by quantitative data (e.g., actual charge and/or actual hours expended).
- ⚡ #2 – New charges and changes to monthly charges should be communicated to user departments prior to the effective date.
- ⚡ #3 – Billings for GPS units should be thoroughly reviewed for accuracy, including the billing for all GPS vehicles and non-billing for non-GPS vehicles, prior to submission to the Financial Services Department.

There were no recommendations at the time of the original review for Vehicle Replacement & Insurance, but a review of Fleet's revised methodology was suggested at a later date.

The review of Vehicle Replacement & Insurance found that the Fleet Department has both a clearly defined Vehicle Replacement Policy and Vehicle Replacement Plan in place.

ASD commends management for the full implementation of recommended improvements and we encourage management to fully implement all recommendations.

Audit Comment No.	Audit Services Recommendation	Implementation Status				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1.1	Fleet should perform a break-even analysis to properly determine the billable fuel fee per gallon, which is added on to Fleet's fuel cost per gallon.	✓				
1.2	Fleet management should send notices of fuel rate changes to all user departments before effective dates, to allow user departments to plan for rate changes. Fleet may want to consider implementing rate changes at the start of a fiscal year, to sync up with the annual budget.	✓				
1.3	All disbursements from the Landfill fuel truck into other County vehicles should be recorded in Fleet Focus to track fuel usage by the end user vehicle.				✓*	
1.4	The administrative fee should be re-visited by Fleet and Public Safety, to determine if Fleet still provides administrative support for WEX cards.	✓				
2.1	Fleet should perform a break-even analysis to properly determine the billable hourly vehicle maintenance rate.	✓				
2.2	Fleet management should send notices of vehicle maintenance billing rate changes to all user departments before the effective date, to allow user departments to plan for these changes. Fleet may want to consider implementing rate changes at the start of a fiscal year, to sync up with the annual budget.	✓				
3.1	Fleet should have all fees properly approved and supported by quantitative data (e.g., actual charge and/or actual hours).	✓				
3.2	New charges and changes to monthly charges should be communicated to user departments prior to the effective date.	✓				
3.3	Billings for GPS units should be thoroughly reviewed for accuracy, including the billing for all GPS and non-billing for non-GPS vehicles, prior to submission to the Finance Division.	✓				
4.1	Revise methodology for the Fleet Replacement Program.	✓				

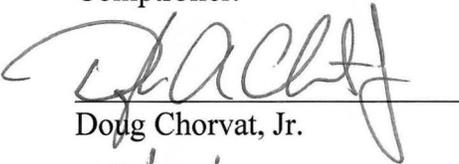
* Note: Based on management's response, it appears that appropriate measures have been taken to address this opportunity for improvement.

Acknowledgement

Other minor findings not included in the attached report were communicated to management and/or corrected during fieldwork.

Fieldwork was performed by: Vicky Sizemore, Internal Auditor
Elizabeth Hogan, CIA, CFE, Director of Audit Services

This report was reviewed and authorized by Doug Chorvat, Jr. Clerk of Circuit Court and Comptroller.



Doug Chorvat, Jr.

10/26/2020

Date

BACKGROUND INFORMATION

The Hernando County Board of County Commissioners (BOCC) possesses a large inventory of vehicles, motorized equipment and ancillary items. The BOCC is the sole owner of all County rolling stock (wheeled vehicles used by businesses) as well as powered and unpowered equipment/vehicles. The Fleet Management Department is responsible for overseeing the County's fleet and equipment with a purchase price in excess of \$10,000. Fleet Management procures, maintains, repairs, handles disposal/surplus, and replacement of all qualifying items. The Fleet Department is also responsible for fueling and maintaining County fuel depots at the Department of Public Works (DPW); Wiscon Road (Utilities facility); Spring Hill Public Safety and Main Landfill.

OBJECTIVE

The purpose of this follow-up audit of the Fleet Vehicle and Fuel Rate Charging Review was to assess the status of previous recommendations for improvement.

The purpose of the original review was to perform a review of rates charged by the Fleet Department to users of County vehicles. The four types of rates reviewed included: fuel, vehicle maintenance, GPS-telematics, and vehicle replacement & insurance.

SCOPE

To determine the current status of the previous recommendations, ASD interviewed management and staff members and performed limited testing to assess the actual actions taken by management to implement operational improvements.

Follow-up testing was performed during the timeframe of June through September 2020. The original audit period during which samples were selected was Fiscal Year 2015/2016.

This audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

Opportunity for Improvement	Description	Page Reference
1.1	Break-even analysis for fuel rates	10-11
1.2	Notification of fuel rate changes	11
1.3	Fuel disbursements out of the Landfill fuel truck	11
1.4	Administrative fee for public safety vehicles	11
2.1	Break-even analysis for vehicle maintenance rates	12
2.2	Notification of vehicle maintenance rate changes	12-13
3.1	Support for and approval of monthly fees	13
3.2	Notification of GPS fees and fee changes	13
3.3	Review monthly billing of fees for accuracy	13-14
4.1	Vehicle replacement and insurance	14

Discussion Points Status of Recommendations

This section reports the follow-up actions taken by management regarding Opportunities for Improvement reported in the Fleet Vehicle and Fuel Rate Charging Review dated July 6, 2016. The audit comments and recommendations contained herein are those of the original audit, followed by the current status of the Opportunity for Improvement.

Discussion Point 1: Fuel Rates

The Fleet Department operates the County's fuel depots, where user departments may fuel their County-owned vehicles. Public Safety vehicles – Fire and Emergency Medical Services (EMS) - also have the option of fueling their vehicles with WEX credit cards at privately-owned fuel stations. This allows Public Safety vehicles that are in-transit or stationed further away from County fuel depots to fuel at a closer-by fuel station. Audit Services' review was limited to fuel rates at County fuel depots only.

Gallons of fuel pumped by users at County fuel depots are recorded in Fleet Focus software. Rates and rate changes per gallon for unleaded gas and diesel fuel can be input into Fleet Focus only by the Fleet Manager or the Fleet Finance Coordinator. This properly provides security over access to fuel rates. Monthly reports of fuel used by user departments are posted to EICE, the County's web site. During audit fieldwork, the fuel fee for both unleaded gas and diesel fuel was \$1.00 per gallon. This rate is added to Fleet's actual fuel cost per gallon and the total is charged to user departments. The \$1.00 per gallon fee was established to help finance the proposed construction of the new Wiscon Road fuel islands.

Fleet's total revenue from fuel provided to user departments was \$1,424,987 in FY 14 and \$1,102,100 in FY 15.

Audit Services performed a break-even analysis of fueling costs, using the FY 16 budget, to determine the per gallon fuel fee that Fleet should charge to cover its expenditures, net of any expenditures and revenues that were not applicable to fueling operations. Audit Services also reviewed the process for notifying user departments of changes in fuel rates, recording fuel disbursed into and out of the Landfill's fuel truck, and billing Public Safety an administrative fee for processing WEX fuel cards.

The audit team identified improvement opportunities in key areas: break-even analysis; communicating user fuel rate changes; recording fuel disbursements out of the Landfill's fuel truck and resolving the Public Safety administrative fee billing issue.

1.1 Opportunity for Improvement: Break-even Analysis for Fuel Rates

Our break-even analysis, based on the FY 16 budget, revealed that an average billing rate of \$0.33 per gallon, for both diesel and unleaded gas, would allow Fleet's fueling operations to break even. Internal service funds, such as Fleet Fuel, should charge users in amounts to break even, as much as possible, rather than to generate a profit.

Recommendation: We recommend that Fleet perform an annual break-even analysis to properly determine the billable fuel fee per gallon, which is added on to Fleet's fuel cost per gallon.

Status: Fully Implemented

1.2 Opportunity for Improvement: Notification of Fuel Rate Changes

Fleet changed fuel rates during FY 15. Fleet management did not send notices of the rate change prior to the effective date of rate changes.

Recommendation: We recommend that Fleet management send notices of fuel rate changes to all user departments before effective dates, to allow user departments to plan for rate changes. Fleet may want to consider implementing rate changes at the start of a fiscal year, to sync up with the annual budget.

Status: Fully Implemented

1.3 Opportunity for Improvement: Fuel Disbursements out of the Landfill Fuel Truck

Fuel disbursed into Landfill's fuel truck is recorded in Fleet Focus, but fuel disbursed from that fuel truck into other County vehicles is recorded on paper tickets without being recorded in Fleet Focus.

Recommendation: We recommend that all fuel disbursements from the Landfill fuel truck into other County vehicles be recorded in Fleet Focus, to track fuel usage by the end user vehicle.

Status: Not Implemented

Response: On Oct 1, 2020 Fleet updated the fuel controller in the Landfill fuel truck and added a nozzle tag to the truck to automatically pick up information from the fuel ring on every vehicle/equipment that the fuel truck fuels. This information including asset number, meter readings, date, time, and gallons are logged directly into the Fleet Focus system.

Note: Based on management's response, it appears that appropriate measures have been taken to address this opportunity for improvement.

1.4 Opportunity for Improvement: Administrative Fee for Public Safety Vehicles

Fleet has charged Public Safety a \$0.10 fee per gallon for fuel purchased at private gas stations with WEX credit cards, to cover Fleet's administrative time spent on maintaining WEX credit cards. Fleet did not bill the administrative fee during FY 15.

Recommendation: We recommend that this administrative fee be revisited by Fleet and Public Safety, to determine if Fleet still provides administrative support for WEX cards.

Status: Fully Implemented

Discussion Point 2: Vehicle Maintenance

Audit Services performed a break-even analysis of vehicle maintenance costs, using the FY 16 budget, to determine the average hourly rate that Fleet should charge to cover its vehicle maintenance expenditures, net of any expenditures and revenues that were not applicable to vehicle maintenance operations.

Fleet charges user departments an hourly rate for County vehicle repair and maintenance. At the time of our audit fieldwork, Fleet charged \$85 per hour for light equipment and \$100 per hour for heavy equipment. Work orders are prepared for services performed on each County vehicle and recorded in Fleet Focus software. Audit Services tested actual rates in Fleet Focus and noted agreement with the established hourly rates. Rates and rate changes for vehicle maintenance can be input into Fleet Focus only by the Fleet Manager or the Fleet Finance Coordinator. This properly provides security over access to vehicle maintenance rates.

Fleet's total revenue from vehicle maintenance provided to user departments was \$1,343,297 in FY 14 and \$2,409,011 in FY 15. Fleet management strengthened procedures and controls over the recording and charging of vehicle maintenance services in FY 14, which improved recording and billing productivity in FY 15.

Audit Services also reviewed the process for notifying user departments of changes in vehicle maintenance rates.

The team identified improvement opportunities in key areas: break-even analysis and communicating vehicle maintenance hourly rate changes.

2.1 Opportunity for Improvement: Break-even Analysis for Vehicle Maintenance Rates

Our break-even analysis, based on the FY 16 budget, revealed that an average billing rate of \$83.82 per hour, for both light and heavy equipment, would allow Fleet's vehicle maintenance operations to break-even. Internal service funds, such as Fleet vehicle maintenance, should charge users in amounts to break even, as much as possible, rather than to generate a profit.

Recommendation: We recommend that Fleet perform an annual break-even analysis to properly determine the billable hourly vehicle maintenance rate.

Status: Fully Implemented

2.2 Opportunity for Improvement: Notification of Vehicle Maintenance Rate Changes

Fleet changed vehicle maintenance rates during FY 15. Fleet management did not send notices of the rate change prior to the effective date of billing rate changes.

Recommendation: We recommend that Fleet management send notices of vehicle maintenance billing rate changes to all user departments before the effective date, to allow user departments to plan for these changes. Fleet

may want to consider implementing rate changes at the start of a fiscal year, to sync up with the annual budget.

Status: Fully Implemented

Discussion Point 3: GPS – Telematics Fee

Fleet purchased GPS wireless data and web tracking units for County vehicles at a cost of \$19 per unit per month. Through February 29, 2016, Fleet had installed GPS units in 198 vehicles and charged user departments a \$25 monthly fee per vehicle, consisting of the \$19 cost plus a \$6 Fleet fee.

Audit Services reviewed the monthly fee for telematics to determine if the fee was:

- Reasonable
- Approved by the Assistant County Administrator and/or Management
- Communicated prior to the effective date and
- Accurately charged for vehicles equipped with the device

The team identified improvement opportunities in key areas: support for and approval of monthly fees; notification of GPS fees and fee changes and monthly accuracy review before billing.

3.1 Opportunity for Improvement: Support for and Approval of Monthly Fees

Audit Services determined that the initial \$19 monthly purchase - cost of the telematics service - was properly approved but was unable to verify that the additional \$6 per vehicle fee per month was approved by the Assistant County Administrator.

Recommendation: We recommend that all fees be properly approved and supported by quantitative data (e.g., actual charge and/or actual hours expended).

Status: Fully Implemented

3.2 Opportunity for Improvement: Notification of GPS Fees and Fee Changes

Audit Services was unable to verify that the monthly \$25 fee was communicated to user departments prior to the effective date.

Recommendation: We recommend that new charges and changes to monthly charges should be communicated to user departments prior to the effective date.

Status: Fully Implemented

3.3 Opportunity for Improvement: Review Monthly Billing of Fees for Accuracy

A comparison of billings to user departments versus the report of all 198 vehicles with GPS units revealed that 6 vehicles were charged the monthly fee, but those vehicles were not listed on the vehicles with GPS report. Additionally, 21 vehicles listed on the report of all 198 vehicles with GPS units were not charged the monthly service fee.

Recommendation: We recommend that billings for GPS units be thoroughly reviewed for accuracy, including the billing of all GPS vehicles and non-billing for non-GPS vehicles, prior to submission to the Finance Division.

Status: Fully Implemented

Discussion Point 4: Vehicle Replacement and Insurance

During the course of the review, management formed a committee to review and/or revise the methodology used for the Fleet Replacement program. Therefore, Audit Services will review the revised methodology after it has been in place. This review will be included in the FY 16/17 audit calendar.

Subsequent to fieldwork, the Assistant County Administrator for Fleet informed Audit Services that revised vehicle replacement rates for the FY 17 budget year (starting October 1, 2016) have been established by Fleet in coordination with the Office of Management and Budget.

4.1 Opportunity for Improvement: Fleet Replacement Program Methodology

Audit Services was able to review the Fleet Replacement Policy, which identifies a timeline, benchmarks, and procedures for maintenance, repair, surplus, and disposal of the County's fleet and equipment with a purchase price in excess of \$10,000. The Fleet Department also utilizes a Replacement plan, which outlines the objectives to replacing and financing vehicle equipment.

Status: Fully Implemented