



AUDIT REPORT



DATE September 28, 2020

NO. 2020-004

FOLLOW-UP VEHICLE REPLACEMENT PROGRAM
(ORIGINAL REPORT NO. 2018-005 ISSUED NOVEMBER 7, 2018)

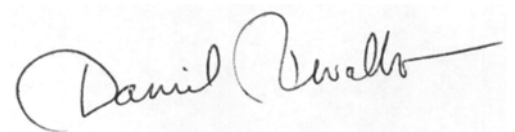
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed a follow-up audit of the Vehicle Replacement Program (Original Report No. 2018-005 issued November 7, 2018). The purpose of this follow-up was to ensure comments and recommendations of the original audit were adequately addressed.

The report details the original audit comments, recommendations, and follows up on the original responses provided. Follow-up was accomplished thru inquiries and observations of evidence.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

The Internal Audit Division performed a follow-up audit of the Vehicle Replacement Program. The follow-up audit is limited to the comments and recommendations made in the Vehicle Replacement Program Audit Report dated November 7, 2018. This follow-up considers the responses documented and any subsequent, corrective actions taken or delegated.

The follow-up audit report will conclude the original audit, as it pertains to the Vehicle Replacement Program.

The status of any corrective actions will be assigned as follows:

OPEN – Corrective action has not been taken to adequately address the original audit comment.

OPEN/PARTIALLY COMPLETED – Corrective action has started but has not adequately addressed the original audit comment.

CLOSED – Corrective action has been taken to adequately address the original audit comment.

Original Audit Comments and Status of Corrective Actions

CLOSED

- Lack of written policy and formal written procedures for some of the processes
- Variables used in the Vehicle Lease Spreadsheet are not documented/supported
- County vehicles not included in the Vehicle Replacement Program
- County vehicles are underutilized
- Opportunity for Improvement (Final inspection of potential replacement candidates is not performed)

BACKGROUND

Fleet Management (Fleet) is a division of Charlotte County’s Budget and Administrative Services. Fleet provides centralized fleet management of equipment and vehicles. This includes repair, maintenance, and the purchasing and disposal of all replaced or obsolete equipment. Fleet also manages the County’s fueling program and provides unleaded and diesel fuel at four locations in the County.

Fleet financial activity appears in an internal service fund (the Vehicle Maintenance Fund). The County departments and various government agencies that use Fleet’s services pay part of the costs of operation of the fund. The fund charges users for labor, parts, and fuel.

Vehicle Maintenance Fund

Year	2017	2018	2019
Assets	\$2,832,465	\$3,651,381	\$3,392,531
Liabilities	\$803,881	\$394,190	\$789,839
Revenues	\$3,618,721	\$4,423,595	\$4,430,866
Expenditures	\$3,593,634	\$4,485,318	\$4,570,518

Source: Comprehensive Annual Financial Reports for the relevant fiscal years ending September 30, 20xx.

The original audit assignment was only concerned with the acquisition and disposal of cars and light duty trucks, which is through a separate Vehicle Replacement Fund. County vehicles are purchased from the fund when they reach the end of their economically useful life. In this manner, replacements can occur in an orderly, planned fashion and necessary replacements are less likely to be deferred due to budgetary constraints. Fund vehicles include automobiles, sport utility vehicles, and light duty trucks.

Vehicle Replacement Fund

Year	2017	2018	2019
Assets	\$2,223,830	\$1,538,603	\$2,775,844
Liabilities	\$2,500,000	\$0	\$109,071
Revenues	\$2,098,096	\$2,132,042	\$2,445,017
Expenditures	\$863,121	\$317,270	\$1,316,847

Source: Eden Financial System for the relevant fiscal years ending September 30, 20xx.

Vehicle Replacement Fund

Breakdown of Expenditures for fiscal year 2019

Vehicle(s) purchased for:	Total Expenditures
Utilities	\$465,822
Community Services	\$339,225
Building Construction Services	\$192,929
Public Works	\$139,435
Public Safety	\$123,606
Court Administration	\$37,220
Human Services	\$18,610
Total	\$1,316,847

Source: Eden Financial System for the relevant fiscal years ending September 30, 20xx.

Breakdown of Revenues for fiscal year 2019

Revenue Category	Total Revenues
Interest Earnings	\$62,237
Net Change in Fair Market Value of Investments	\$36,802
Interfund Transfers – General Fund	\$844,851
Interfund Transfers – County Transportation	\$325,782
Interfund Transfers – Fine & Forfeiture	\$5,368
Interfund Transfers – Radio Communication	\$4,439
Interfund Transfers – Tourist Development	\$4,819
Interfund Transfers – Building Construction Services	\$138,342
Interfund Transfers – Charlotte Lighting	\$23,119
Interfund Transfers – Fire Rescue	\$109,702
Interfund Transfers – Landfill	\$47,876
Interfund Transfers – CCU Operating	\$609,551
Interfund Transfers – Self Insurance	\$3,049
Interfund Transfers – Vehicle Maintenance	\$25,871
Surplus Furniture, Fixtures & Equipment	\$203,209
Total	\$2,445,017

Source: Eden Financial System for the relevant fiscal years ending September 30, 20xx.

The County’s Fiscal Division maintains future estimated vehicle replacement costs electronically through the Vehicle Lease Spreadsheet. The spreadsheet is designed to calculate annual charges to user departments and future replacement costs. Future replacement costs are computed by vehicle asset number using appropriate vehicle costs, a standard 30% salvage value rate, and a 3% adjustment for the cost of money applied to the difference between the cost of the vehicle and its salvage value. During workshops of the Board of County Commissioners in 2011 and 2016, the Budget and Administrative Services and Fleet Divisions proposed to the Board replacement strategies for the acquisition, retention, and disposal of County vehicles categorized as cars and light duty trucks.

AUDIT OBJECTIVES

The purpose of the follow-up audit was to determine if the proposed corrective actions documented in response to the five (5) comments and/or recommendations within the Vehicle Replacement Program Audit Report No. 2018-005 were adequately and timely implemented and/or resolved.

SCOPE AND METHODOLOGY

The follow-up audit included review of the following items:

- Fleet Management Operating Procedures Manual revised May 1, 2020,
- Charlotte County Fleet Replacement Vehicle/Equipment Policy and Procedure Manual approved by the Board of County Commissioners on November 13, 2018,
- 2020 Fiscal Year End Checklist of Tasks performed by Fiscal Services including responsible person, due date, status, notes/comments describing the tasks, and
- Correspondence including supporting documentation and responses to inquiries.

The scope of the follow-up audit included a review of comments, recommendations and responses documented within the Vehicle Replacement Program Audit Report No. 2018-005.

The methodology of this review included discussing findings, recommendations and responses reported.

COMMENTS, RECOMMENDATIONS AND FOLLOW-UP AUDIT RESULTS

1. Lack of written policy and formal written procedures for some of the processes

We recommend Fleet write a policy for the Vehicle Replacement Program and seek authorization and approval from the Board of County Commissioners (BCC). We also recommend Fleet evaluate current processes for the Vehicle Replacement Program for the purpose of writing or updating standard procedures covering key processes.

Original Response:

“While Fleet has presented our replacement schedule and amendments to the BCC, it has not been formalized as a policy. We have drafted a policy that will go (before) the Board for approval on Nov 13.”

Status of Corrective Action: CLOSED

2. Variables used in the Vehicle Lease Spreadsheet are not documented/supported

We recommend Fleet document and support the variables used in the Vehicle Lease Spreadsheet, review the spreadsheet annually to perform adjustments for changes in policy and conditions to ensure Departments are properly charged.

Original Response:

“Fleet will document the lease rate formula and variables in the Fleet Operating Procedures manual.”

Status of Corrective Action: CLOSED

3. County vehicles not included in the Vehicle Replacement Program

We recommend Fleet perform annual reconciliations between the active vehicles posted on EDEN, those on the Equipment Master List in FASTER and on the Vehicle Lease Spreadsheet to guarantee that all County vehicles are included and ensure that necessary funds are available when they are due for replacement.

Original Response:

“Fleet will document an annual reconciliation process in the Fleet Operating Procedures manual.”

Status of Corrective Action: CLOSED

4. County vehicles are underutilized

We recommend management increase controls to ensure a more efficient utilization of County vehicles by developing an action plan to reassign or eliminate underutilized vehicles and exploring other alternatives to serve those departments for which assignment of a vehicle is not justified due to very low use.

Original Response:

“While Fleet conducts an annual utilization review with Departments and vehicles that are not specific to a job are rotated to other purposes, that process is not formalized in a written policy. We have incorporated it in to the policy going to the Board on Nov 13.”

Status of Corrective Action: CLOSED

5. Opportunity for improvement

We recommend a final inspection of potential replacement candidates be performed by Fleet’s mechanics before the decision to replace is made.

Original Response:

“While Fleet will conduct a final inspection as part of the vehicle preparation for auction, we plan to follow the replacement schedule outlined in the aforementioned policy. While some vehicles can certainly be kept in use longer, we feel the marginal benefit and risk is more than offset by the following factors.

- We purchase vehicles at an advantageous price.
- We dispose of vehicles at a premium.
- We are able to avoid the risk of additional maintenance and down-time.”

Status of Corrective Action: CLOSED

ACKNOWLEDGEMENT

We would like to thank the Charlotte County Budget and Administrative Services Division and the Charlotte County Fleet Management Division for their assistance in completing this follow-up audit.

Audit performed by:

Dan Revallo

Internal Audit Director

Charlotte County Clerk of Courts and Comptroller

