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**Service Center Operations
Audit**

August 21, 2020



**City of Fort Worth
Department of Internal Audit**

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The Service Center Operations Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2020 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to:

- evaluate controls over inventory; and,
- ensure proper recording of fixed assets.

Audit Scope

Our audit included a review for the period October 1, 2018 through September 30, 2019. Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Billed parts installed on City equipment timely, or returned to the parts vendor

Inventory of City-owned test equipment and specialized tools

Executive Summary

As part of the Fiscal Year 2020 Annual Audit Plan, the Department of Internal Audit conducted an audit of the City's Service Center Operations. The Fleet Services Division of the Property Management Department operates service centers to provide maintenance and repair services on vehicles and equipment operated by City departments. Based on our audit results, we did not identify any errors related to capitalized fixed assets. However, we identified a need for improved controls over inventory and test/diagnostic tools.

In reference to inventory, our audit results indicated that between FY2016 and FY2019 (with two items ordered in FY2012), the Fleet Services Division ordered and billed user departments for parts that were not installed in City equipment. The majority of the parts (\$45,365.58 of \$47,537.24) were for fire equipment, and were delivered to the Fire Department's equipment repair facility during this audit.

In reference to test/diagnostic tools, the City owns test equipment and specialized tools which are shared by repair mechanics. Based on our test results, there was no listing or inventory of this non-capital equipment or tools. We, therefore, concluded that test equipment and diagnostic tools (owned by the City, and with a cost below the City's fixed asset capitalization threshold) were not adequately controlled. Since the Fleet Services Division mechanics own their hand tools, verifying accountability for hand tools was not necessary.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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Background

The Fleet Services Division (Fleet Services) of the Property Management Department provides maintenance and repair services for approximately 4,200 City vehicles and other pieces of equipment from within four service centers and one body shop. Fleet Services employed approximately 90 mechanics and customer service personnel at City service centers as of September 2019.

Locations	Hours of Operation	Type of Equipment
James Avenue Service Center	Mon - Thu 7:00am - 11:30pm Fri 7:00am - 4:00pm	Cars/ Light Trucks/ Large/Other Trucks
Southside Service Center	Mon - Fri 7:00am - 4:00pm	Large Trucks (1)
Water Service Center	Mon - Thu 7:00am - 11:30pm Fri 7:00am - 4:00pm	Large Trucks
Brennan Body Shop	Mon - Fri 7:00am - 4:00pm	Cars/Light Trucks
North Service Center	Mon - Fri 7:00am - 4:00pm	Large Trucks/Cars
Fire Dept Bolt Street - limited services	Mon - Fri 7:00am - 5:30pm	Fire Equipment Only

(1) Also smaller trucks

Source: Fleet Services Division

- Preventive maintenance services, for sedans and Police Department vehicles, are primarily performed at the James Avenue Service Center.
- The Southside and Water Service Centers service large trucks and equipment that are based primarily near those service centers.
- Services performed at the Brennan Body Shop are limited to equipment body repairs.
- Fleet Services began performing preventive maintenance for Police Department vehicles at the North Service Center on a limited basis in late FY2019, and increased the number in March 2020.
- The Bolt Street equipment repair facility provides limited repair services on Fire vehicles.

In order to complete vehicle and equipment repair services, the procurement of vehicle and equipment parts is required. The City, therefore, contracts with NAPA Genuine Parts to provide vehicle and equipment parts to Fleet Services. Parts that have not been purchased by the City are owned by NAPA.

The Property Management Department uses Fleet FASTER software to manage and control charges for parts, as well as non-inventory items such as employee labor, contracted services and other charges. Fleet



Services provides user departments with routine reports that detail fleet-related charges. Some of Fleet Services' reports are customer specific (i.e., as requested by a user department).

FASTER system data is interfaced to the general ledger. The following table summarizes fleet charges interfaced to the general ledger in FY2019.

Fleet Charges to Departments FY2019						
Department Name	Veh/Equip Repair & Maint Parts	Veh/Equip Repair & Maint Labor	Admin Charge	Outside Repair & Maint	Fuel, Oil & Lubricants ¹	Total
Fire	\$1,555,140	\$2,132,139	\$173,456	\$1,493,051	\$774,381	\$6,128,167
Water	1,100,278	2,107,516	348,015	967,121	1,333,015	5,855,945
Police	927,573	1,933,014	922,089	1,306,300	3,458,034	8,547,010
Transportation & Public Works	667,143	1,256,847	254,684	601,923	863,157	3,643,754
Park & Recreation	345,342	496,891	184,142	270,950	365,440	1,662,765
Code Compliance	216,241	484,083	136,472	264,466	425,735	1,526,997
Property Management	64,907	126,058	50,000	49,773	115,752	406,490
Public Events	40,688	78,884	35,513	21,536	29,222	205,843
Aviation Department	34,895	43,621	17,845	36,558	28,663	161,582
Planning & Development	16,962	37,932	23,145	15,189	56,965	150,193
Municipal Court	11,235	20,365	15,548	13,014	37,879	98,041
Library	7,284	19,169	2,120	5,962	19,088	53,623
Neighborhood Services	6,277	22,149	18,905	8,344	18,533	74,208
IT Solutions	4,396	15,123	13,781	3,814	13,201	50,315
Communication & Public Engagement	102	1,057	2,209	126	215	3,709
Economic Development	70	471	1,060	-	428	2,029
City Manager's Office	-	-	-	-	387	387
TOTALS	\$4,998,533	\$8,775,319	\$2,198,984	\$5,058,127	\$7,540,095	\$28,571,058

¹ Includes car/truck washes.

Source: General ledger FASTER interface transactions

City-owned parts inventory, obtained by Fleet Services, is limited to salvaged parts and approximately 220 other parts noted during this audit. City-owned parts that the Fire Department purchased from NAPA are kept at the Fire Department's Bolt Street equipment repair facility.

In addition to parts, the City provides vehicle mechanics with specialized tools and diagnostic equipment. Vehicle mechanics provide their own hand tools, a practice that is consistent with private sector vehicle repair shops.



Objectives

The objectives of this audit were to evaluate controls over inventory, and ensure proper recording of fixed assets.

Scope

Our audit scope included a review for the period October 1, 2018 through September 30, 2019. Activity beyond this period was reviewed as deemed necessary.

The review of recorded fixed assets was limited to Fleet Division assets at the James Avenue Service Center. Also, we did not evaluate whether specific repairs or parts ordered were necessary for repairs.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed Fleet Services, Fire Department and NAPA personnel;
- verified that NAPA billed Fleet Services in accordance with the contract;
- verified that Fleet Services billed City departments the cost of parts billed by NAPA, plus applicable Fleet Services' markups;
- verified Fleet Services' assets listed in the City's fixed asset records;
- observed City-owned parts inventory used for equipment repairs;
- compared Fleet FASTER billing transaction data to departmental charges in the general ledger; and,
- evaluated internal controls related to fleet inventory and assets.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Chapter XXVIII of the Fort Worth City Charter established the City of Fort Worth's Department of Internal Audit. Our department was established independent of management, reporting directly to the Fort Worth City Council. We utilized the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework when evaluating internal controls. The following internal control components and corresponding principles were considered significant to the audit objectives.

Internal Control Component	Principles
Control Environment	Managerial oversight, integrity, ethics and responsibility; staff recruitment, development, retention, performance and accountability
Risk Assessment	Clearly-defined objectives to identify risks, define risk tolerances, and implement necessary controls (e.g., written policies and procedures)
Information and Communication	Communicate the necessary quality information
Monitoring	Monitor and evaluate the effectiveness of internal controls

Audit Results

Fleet Services provides maintenance and repair services on a wide variety of equipment, with a focus on ensuring safety and reliability. Based on our audit testing, NAPA complied with contract pricing terms for repair parts. We concluded that Fleet Services' contract compliance staff monitored the NAPA contract for compliance. Internal Audit also traced Fleet Services' FASTER software billings to departmental charges posted in the general ledger without exception.

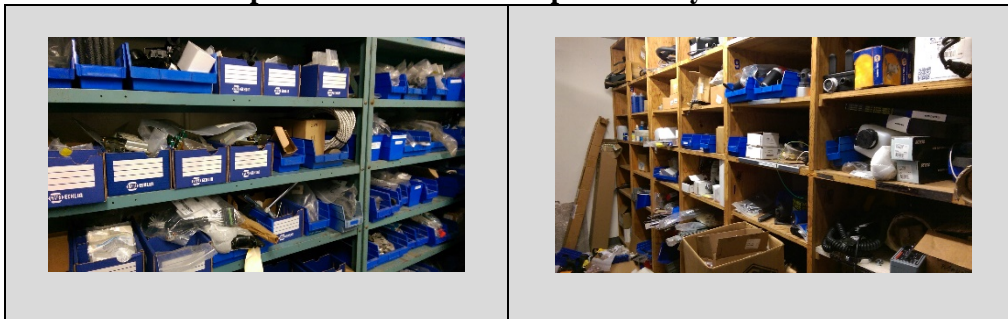
Based on our testing, capitalized fixed assets at the James Avenue Service Center were adequately controlled. However, controls over diagnostic equipment and the relatively small inventory (approximately 220 items) of City-owned parts and salvage parts were not adequate.

We identified \$47,537.24 in parts that were ordered by Fleet Services (from FY2016 to FY2019, with two items ordered in FY2012), charged to user departments, but not installed or returned to NAPA for an invoice credit. Instead, we observed these unused parts (approximately 95% were designated for the Fire Department) stored on the Will-Call shelf at the James Avenue Service Center. Upon audit inquiry, a majority of the unused parts was transferred to the Fire Department. It should be noted that in some instances, labor was charged on work orders. However, for the majority of these work orders, we could not determine whether labor was charged for the installation of parts.

According to Fire Department personnel, the Will-Call shelf parts (delivered to the Fire Department's Bolt Street repair facility) included parts that were not designated for Fire vehicles. Internal Audit was unable to determine how many of the parts (transferred to the Fire Department) belonged to a department other than the Fire Department.

Salvaged and/or purchased parts, stored at the Bolt Street repair facility, are not inventoried. Since there was no inventory list, the total cost of the parts inventory is unknown. Fire Department managers stated that the value of the parts was not sufficient to warrant the time required to maintain an inventory listing.

Fire Department Bolt Street Repair Facility Bench Stock



Source: Auditor-Generated on 12/18/2019

Also, there were no inventories for over 600 pieces of City-owned specialized tools/test equipment (e.g., diagnostic equipment, video scopes, battery chargers, etc.) stored at Fleet Services, and valued below the City's \$25,000.00 equipment capitalization threshold. Internal Audit identified purchases of specialized tools and test equipment totaling \$7,887.74 in FY2019. It was considered impractical to determine the purchase price of all specialized tools and test equipment (which were non-capital) due to the age of some of the items. It should be noted that Fleet Services began developing lists of this equipment, for each service center, during the audit.



The Brennan Body Shop's salvaged parts inventory could not be verified, due to delays in receiving an inventory list from body shop personnel. Internal Audit subsequently received an inventory list. However, due to corona virus restrictions, the inventory was not verified.

We identified one part that Fleet Services purchased on May 24, 2019 for \$5,000.00. The part was not charged to the Fire Department until April 3, 2020, after notification by Internal Audit. This oversight was considered an isolated incident, and was not included as a report finding.

Internal Audit was informed that Fleet Services upgraded to the FASTER Web software in November 2019. This upgrade will, reportedly, prevent manual data entry errors similar to one that was brought to our attention. During this audit, we were informed of a parts data entry error that resulted in the Fire Department being overcharged \$65,387.20. In July 2018, a black face gauge (that cost \$660.47) was entered as \$66,047.67. The error was corrected in March 2019, after it was identified and reported by Fire Department personnel. Since this error appeared to have been an isolated incident that should be addressed with Fleet Services' FASTER upgrade, we did not include it as a report finding. Prior to and during our audit period, NAPA was responsible for manually entering work order invoices (for parts only) into FASTER.



Overall Risk Evaluation

High	Medium	Low
<u>Parts charged to user departments, but not installed or returned to vendor for invoice credit</u>		
<u>Non-capital, test equipment not inventoried</u>		



Detailed Audit Findings

1. Parts were ordered from NAPA, charged to departments, but not used and not returned to NAPA.

Based on our audit results, Fleet Services paid \$47,537.24 for vehicle repair parts (from FY2016 to FY2019, with one item ordered in FY2012) that were subsequently charged to user departments, but were not installed in City vehicles or returned to NAPA for an invoice credit.

Parts that are ordered for a specific repair are placed on the Will-Call shelf until installed. Fleet Services' mechanics are then expected to pick up parts from Will-Call. In January 2020, we observed the aforementioned parts on the Will-Call shelf at the James Avenue Service Center.

A majority of the parts (approximately 95% or \$45,365.58 of the \$47,537.24) was for fire apparatus, ladder or aerial-type trucks. Upon audit inquiry, this majority of parts (observed on the Will-Call shelf at the James Avenue Service Center) was subsequently delivered to the Fire Department's repair facility on Bolt Street. The remaining parts, totaling \$2,171.66, were purchased for departments other than the Fire Department. The majority were charged to the Transportation & Public Works Department.

While charging user departments was necessary to recoup parts costs incurred by Fleet Services, we concluded that Fleet Services' charges for uninstalled parts resulted in no corresponding benefit to user departments.

Parts ordered should be installed promptly or returned for credit when possible. The stock of uninstalled parts reportedly resulted from a variety of circumstances. In some cases, when it did not pose a safety risk, needed equipment was placed back into service before the part was received and installed. The equipment was reportedly not subsequently returned for the part to be installed.

Recommendation 1A: *The Property Management Director should require that unused/uninstalled parts (in the custody of the Property Management Department) are used to complete the repair, if possible; returned to NAPA; used for other repairs; or auctioned.*

Auditee's Response: Concur. Proposed Implementation Plan: Parts, normally, are ordered throughout a vehicle or equipment repair definition and may not arrive timely in the repair process. Parts received in this manner are placed in a storage area and noted as "on hold" until the owning department arranges return of the equipment or a separate pickup of the part for use at a later time. From time to time, parts which are not completely used in a repair definition, are set aside for department use as requested by the owning department. These parts could encompass extra gaskets, bolts, clips or other items not identified as needed during the current repair definition. Parts are tracked, but a pickup time frame may not be identified or required. Property Management Department Fleet division typically will hold for the owning department to arrange for the part(s) retrieval at a date or time the department deemed fit.

PMD Fleet will provide timely reminders to city departments on parts received after repair completion or remaining parts from a repair. The timely reminders will request pickup of parts. PMD Fleet will work with NAPA, the current 3rd party parts vendor, on a daily 30 day tracking report for all parts set aside and not procured. PMD Fleet will continue and actively pursue a 31st day return policy for any un-retrieved part(s) and issue credits on all affected part(s) returned. Part(s) received, where a return policy is not available, will follow a process of: auction for recouping of cost; inventoried and used in



other repairs and stored in PMD Fleet legacy inventory and monitored by NAPA; or disposed of due to low value or obsolescence via salvage/scrap, as required.

Target Implementation Date: September 30, 2020

Responsibility: Assistant Director of PMD Fleet

Applicable Department Head: Steve Cooke, Property Management Director

Applicable Assistant City Manager: Dana Burghdoff

Recommendation 1B: *The Property Management Director should require that procured parts are not charged to departments, if those parts are not used for repairs.*

Auditee's Response: Partially Concur. Proposed Implementation Plan: Property Management Fleet currently provides a part procurement service for all city departments. City departments have the ability to order parts separate from a designated repair definition. City departments are provided a flexible time frame for part pickup or equipment return. City departments have a duty to retrieve the part(s) timely from PMD Fleet and to handle the cost factor associated with the purchase requests.

PMD Fleet will provide timely reminders to city departments when part(s) have arrived fulfilling a purchase request. PMD Fleet will work with NAPA, the current 3rd party parts vendor, on a daily 30 day tracking report for all part(s) ordered and not retrieved. PMD Fleet will continue and actively pursue a 31st day policy of returning any non-retrieved part(s) requested by city departments and issue credits on affected part orders not retrieved within the time frame noted.

Target Implementation Date: September 30, 2020

Responsibility: Assistant Director of PMD Fleet

Applicable Department Head: Steve Cooke, Property Management Director

Applicable Interim Assistant City Manager: Dana Burghdoff

2. Specialized tools and test (non-capital) equipment were not inventoried.

Fleet Services provides its mechanics with specialized tools and equipment such as diagnostic tools, electrical test equipment, air conditioning service units, etc., as shown in the following illustration.

Shelved Test Equipment, Video Scope, Air Conditioning Service Unit



Source: Auditor photographs

We identified specialized tools and test equipment, purchased in FY2019 and totaling \$7,887.74.

Based on our test results, Fleet Services utilized sign-out sheets, logs and/or other methods to establish accountability (i.e., who should be in possession of the tools/equipment). However, there was no equipment inventory listing or periodic verification that the equipment was on hand. As noted in the following illustration, there were instances where tools and/or equipment return dates were not always noted on sign-out logs.

Tool and Test Equipment Sign-out Log Example

TOOL SIGNOUT			
TOOL	TECH	DATE OUT	DATE IN
Battery Tester		8-18-18	8-18
Thread Kit		12-5-18	12-5-18
CAMERA / SCOPE		12-6-18	12-6-18
BATT TEST		11-11-18	11-11-18
CIRCULAR SAW		1-17-19	1-17-19
CIRCULAR SAW		1-22-19	1-22-19
BATT TESTER		1-22	1-22-19
BATT TESTER		2-4	2-4
BATT TESTER		2-6	2-6
MODUS		2-25	2-25
MODUS		2-26	
Battery Tester		2-27	
Boost Box		2-5-19	
Ford 4V4 seal tool		3-11-19	3-11-19
Ball Joint Press		3-11-19	3-11-19
Ford 4V4 seal tool		3-12-19	3-12-19
Ball Joint Press		3-12-19	3-12-19
MODUS		2-17-19	2-13-19
MODUS		2-14-19	2-11-19

Source: Fleet Services Division records



U.S. Government Accountability Office standards state that adequate controls should be established over assets. Without adequate controls, equipment could be lost and/or missing without detection. In addition, missing tools could result in incomplete diagnostics and delayed repairs. It should be noted that during the audit, Fleet Services prepared inventories of test equipment for each service center.

Recommendation 2: *The Property Management Director should ensure that test equipment lists, prepared during the audit, are maintained/routinely updated; and that the equipment on hand is periodically inventoried.*

Auditee's Response: Concur. Proposed Implementation Plan: PMD Fleet was in process and have completed a monthly tool tracking inventory Excel sheet based on location. Monthly inventory reconciliation is assigned to Fleet Supervisors in relation to the appropriate facility. PMD Fleet is currently in the process of assigning and recording an updated tracking number for all loose tools and equipment in each facility. Tracking information will be noted on the monthly tool tracking inventory sheet. PMD Fleet has proactively worked with NAPA part teams to facilitate a check in and out system of diagnostic equipment and other specialized tools. PMD Fleet is currently completing this SOP for all facilities.

Target Implementation Date: September 30, 2020

Responsibility: Superintendent of Fleet

Applicable Department Head: Steve Cooke, Property Management Director

Applicable Assistant City Manager: Dana Burghdoff



Acknowledgements

The Department of Internal Audit would like to thank the Property Management Department and user departments for their cooperation and assistance during this audit.

Exhibit I – Map of Service Center Locations

