

**DEPARTMENT OF
LOGISTICS AND ASSET MANAGEMENT
FLEET MAINTENANCE DIVISION
PARTS STORE
AUDIT 19-01
JANUARY 30, 2019**



CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

January 30, 2019

Honorable Bob Buckhorn
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Fleet Parts Store, Audit 19-01

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on the Fleet - Parts Store.

Fleet Maintenance Division (Fleet) has already taken positive actions in response to our recommendations. We thank the management and staff of Fleet for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Sonya Little, Chief Financial Officer
Ernest Mueller, Chief Assistant City Attorney
Ocea Wynn, Director of Logistics and Asset Management
Connie White-Arnold, Fleet Manager

**DEPARTMENT OF
LOGISTICS AND ASSET MANAGEMENT
FLEET MAINTENANCE DIVISION
PARTS STORE
AUDIT 19-01
JANUARY 30, 2019**

Vivian Walker

Auditor

Christine Glover

Audit Director

**DEPARTMENT OF LOGISTICS AND ASSET MANAGEMENT
FLEET MAINTENANCE DIVISION
PARTS STORE
AUDIT 19-01**

BACKGROUND

The Fleet Maintenance Division (Fleet) “provides vehicle and equipment repair services, fueling, and fleet acquisition and disposal services” for the City of Tampa’s (City) vehicles and equipment. In December 2014, the City entered into a five-year agreement with Mancon of Virginia, Inc. (Mancon), for the provision of a Contractor Operated Parts Store (Store). There are two Stores that house parts inventories and are operated by on-site Mancon staff.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2019 Audit Agenda. The objectives of this audit were to ensure that:

1. The system of internal controls related to separation of duties for parts issuance, recording, and billing was adequate.
2. Parts purchased from the City by Mancon, at the beginning of the agreement, were accurately billed back to the City.
3. New parts purchased by Mancon were billed to the City at the same price listed on the invoice paid by Mancon.
4. The target inventory was maintained 80% of the time.
5. Various agreement requirements were being met by Mancon.

STATEMENT OF SCOPE

The audit period covered Store activity that occurred from January 2015 to June 2018. Tests were performed to determine whether Mancon fulfilled its stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

To accomplish the audit’s objectives, the following procedures were performed:

- Reviewed internal controls related to the process for the issuance, recording, and billing of parts distributed by Mancon to Fleet.
- Compared the price of the inventory sold to Mancon with the price billed by Mancon for those parts when issued back to the City.
- Observed the parts issuance process at both Store locations which are operated by Mancon for efficiency.

- Used audit command language (ACL) and selected a random sample from the inventory report to trace to on-hand parts.
- Used ACL and selected a random sample to compare the invoice price to the price billed to the City by Mancon.
- Used ACL and selected a random sample of parts and reviewed the Mancon service order request to determine when the part was provided to Fleet.
- Discussed with Mancon and Fleet staff various agreement requirements to determine how they were being met.

STATEMENT OF AUDITING STANDARDS

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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls related to separation of duties for parts issuance, recording, and billing is not adequate. Additionally, there are no written policies and procedures for administering the Stores agreement by Fleet.
2. Parts purchased from the City by Mancon, at the beginning of the agreement, are accurately billed back to the City.
3. New parts purchased by Mancon are billed to the City at the same price listed on the invoice paid by Mancon.
4. The target inventory is maintained 80% of the time.
5. Various agreement requirements are not always being met by Mancon.

REJECTED ITEMS

STATEMENT OF CONDITION: There is no separation of duties between the individual that records issued parts in Mancon's system and the individual that makes adjustments for errors related to issued parts in Fleet's system.

Fleet uses FASTER to generate work orders to document repairs for City of Tampa vehicles and equipment. Mancon uses software called Microsoft Dynamics Navision (NAV) to maintain the inventory of parts used by Fleet. When parts are required to complete a repair, the applicable work order with the required parts listed is submitted to Mancon to be distributed from inventory. Daily, the Mancon Clerk enters the parts distributed to Fleet into NAV based on the information documented on copies of the completed work orders.

In order to update the work order in FASTER for the parts received from Mancon, there is a nightly interface between NAV and FASTER. After each interface, a report is generated that lists all of the parts posted in NAV. Any transaction that could not properly post to a work order is described on the report as a rejected item. This report is distributed by Fleet's Acquisition Supervisor to Fleet and Mancon employees.

The resolution of the rejected items in FASTER is currently the responsibility of the Mancon Clerk, who has update access rights in FASTER. The Mancon Clerk makes the adjustments based on the description on the interface report and the original work order documentation. Adjustments can include updating the repair code, opening a closed work order, or correcting the type/quantity of a part.

Fleet Supervisors are responsible for monitoring the work orders under their purview for accuracy prior to closing them.

CRITERIA: Strong internal controls require separation of duties between the recording of issued parts and the subsequent adjustments to the subsidiary record.

CAUSE: Prior to contracting out the Parts Store, the City of Tampa's Purchasing Department issued inventory and updated FASTER when parts were issued. Therefore, when the new contract was awarded the former practice was continued.

EFFECT OF CONDITION: Lack of separation of duties between recording and adjusting discrepancies could result in loss of revenue to the City due to overpayment of invoicing. Improper adjustments could also result in over/under billing costs of repairs for a particular piece of equipment.

RECOMMENDATION 1: Management should remove the ability for Mancon to have update functionality in FASTER. Additionally, any resolution of rejected items should be researched by Fleet. If FASTER requires updating, Fleet staff should make the corrections. Any changes that effect billing through NAV should be submitted to Mancon. Fleet should monitor and document resolution of all reject errors.

MANAGEMENT RESPONSE: Agreed; Mancon's primary reason to correct "rejects" on the FASTER side and reopen work orders was to post "credits" through the system and remove charge on the workorder. Mancon's permissions in FASTER have been removed. Fleet's Acquisition Supervisor will be responsible for all FASTER edits, rejects, updates etc.

TARGET IMPLEMENTATION DATE: Implemented December 21, 2018

POLICIES AND PROCEDURES

STATEMENT OF CONDITION: Fleet does not currently have any written policy or procedure to govern the monitoring of the contract with Mancon for operation of the Store. Fleet's Management indicated that the Fleet Analyst Supervisor has the responsibility for monitoring of the contract and the requirements are detailed in the job description for the position. However, the position does not specify responsibilities directly related to monitoring for compliance with the Store contract.

CRITERIA: City Code Section 2-46 requires departments to "create and maintain all records with adequate and proper documentation of the organization, together with the functions, policies, decisions, procedures, and essential transactions, of the department."

CAUSE: New contracted service for parts issuance/inventory and new responsibility to monitor contract.

EFFECT OF CONDITION: Potential for noncompliance with contract requirements and penalty not being assessed.

RECOMMENDATION 2: Fleet should develop a detailed policy that identifies how the Parts Store is to be monitored and develop procedures to accomplish those requirements.

MANAGEMENT RESPONSE: Agreed; Fleet has developed policy and procedure to govern Parts Store in accordance to contract.

TARGET IMPLEMENTATION DATE: Implemented December 21, 2018

SEPARATE STOCKROOM DOCUMENTATION

STATEMENT OF CONDITION: The Store agreement requires that Mancon provide a separate stockroom. A discussion with the Supervisor also determined that Mancon has partially complied with the requirements for providing a separate stockroom and the quality assurance program. Currently, the process for providing a separate stockroom is being met by permitting City mechanics (City) direct access to Mancon's supply room without any type of restricted access. A log sheet is submitted to the Mancon representative who records any items removed by the City in the inventory system used by Mancon. However, the log sheets were not being retained as required by Florida retention guidelines.

CRITERIA: Florida records retention guidelines require the documentation for inventory to be kept three years.

CAUSE: The separate stockroom was identified as an actual location availability problem.

EFFECT OF CONDITION: Permitting access to the inventory without any restrictions creates the potential for unrecorded removal of items.

RECOMMENDATION 3: Management should revise the method for recording items removed from Mancon's storeroom after-hours by City mechanics to mirror the process followed during normal work hours, which requires submittal of the FASTER work order with the required parts. The documentation used to record the parts removal should be retained in accordance with records retention guidelines.

MANAGEMENT RESPONSE: Concur: A new storeroom location has been identified and is in the process of renovation and reorganization. Mancon has provided new additional shelving and will be on-site January 3rd 2019 to move the parts room into the new area. This new storeroom will provide all the necessary amenities to align Fleets need for recording items removed from Mancon's storeroom to mirror the process followed during normal work hours. The new storeroom will also provide adequate security of parts to reduce the potential for unrecorded removal of items. After-hours City technicians will provide the equipment workorder number to ensure all used parts are properly documented as necessary. This required documentation will then be retained as required by Florida retention guidelines.

TARGET IMPLEMENTATION DATE: Implemented January 7, 2019