

## Fleet Operations Audit

### Audit Report 201415-22

September 25, 2015

### Executive Summary

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The Department maintains one of the largest state agency fleets with approximately 3,000 motor vehicles, mobile equipment and aircraft acquired by direct purchase, donation, or seizure. The Department's fleet is comprised of a variety of motor vehicles and equipment designed to meet different functions, including: law enforcement, mobile licensing, disaster response, maintenance, and training. Legislative appropriations for the operating cost of the Department's fleet totaled \$19,219,973 for the 2014-15 Fiscal Year.

Chapter 287, Part II, Florida Statutes (F.S.), is the primary fleet-related law that applies to all state agencies, officers, and employees of the executive and judicial branches of state government. Chapter 60B-1 and Chapter 60B-3, Florida Administrative Code, (F.A.C.), detail the policy for acquisition, classification, use, assignment, maintenance, reports and records, safety, fuel, and disposal of all state-owned motor vehicles and mobile equipment.

The purpose of this audit was to review and evaluate the efficiency and effectiveness of the Department's fleet operations and compliance with applicable laws and Department policy and procedure. Our review determined the following items require management attention:

- The Division of Motorist Services approved funds for motor vehicle acquisition which were not appropriated by the Florida Legislature as required by Section 287.14, F.S;
- The Florida Highway Patrol is excluding unmarked motor vehicles when determining the vehicle trade list;
- The Florida Highway Patrol lacks a documented and recurring process to ensure troops maintain an appropriate amount of spare motor vehicles;
- Unauthorized use of motor vehicles for commuting to and from work;
- The Department does not have directives governing motor vehicle assignment to non-sworn members;
- Mileage is not being reported on a monthly basis as required;
- Vehicle and Driver Card purchases are not regularly reviewed;
- The Department does not always maintain documentation to support motor vehicle disposal;
- Fleet data submitted to the Department of Management Services contains errors;
- The Florida Highway Patrol Central Installation Facility security is insufficient;

- The Florida Highway Patrol Central Installation Facility does not have adequate inventory controls; and
- The Florida Highway Patrol Central Installation Facility does not have adequate separation of duties.

Department management generally agreed with the recommendations and has begun to implement corrective action.

## Background and Introduction

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Motor vehicle transportation is vital in accomplishing the Department's mission of providing highway safety and security through excellence in service, education, and enforcement on Florida's roadways.

The Department maintains one of the largest state agency fleets with over 3,000 motor vehicles and equipment acquired by direct purchase, donation, or seizure. The Department's fleet is comprised of a variety of motor vehicles and equipment designed to meet different functions, including: law enforcement, mobile licensing, disaster response, maintenance, and training. Legislative appropriations for the operating cost of the Department's fleet totaled \$19,219,973 for the 2014-15 Fiscal Year.

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### Fleet Administration

Chapter 287.15, F.S., assigns the Department of Management Services (DMS) key oversight responsibilities for all state-owned motor vehicles. Vehicle use is authorized for official state purposes only and agency heads are responsible for assignment, proper use, and DMS policy enforcement. All state-owned vehicles are to be assigned and used in the most efficient, effective, and economic manner. Section 287.17(4) (a), F.S., requires a minimum of 10,000 annual miles for assignment of a vehicle to an individual, with priority for vehicle assignment given to use in excess of 15,000 miles. The Department is required to secure prior approval from DMS for purchase or continuous lease of any vehicle, mobile equipment, or aircraft.

Each division within the Department is responsible for the acquisition, assignment, use, disposal, and monthly reporting of mileage and condition for vehicles assigned to that division. Division representatives coordinate these activities with the Department Fleet

Manager, who functionally reports to the Bureau of Accounting. The Department Fleet Manager oversees the collection of vehicle use and maintenance data, and reports vehicle statistics monthly to DMS.

In fulfilling their oversight responsibility, DMS maintains the Florida Equipment Electronic Tracking System (FLEET); a web based management information system developed to track inventory, maintenance, and fuel expenses. FLEET reporting capabilities include Inventory Reports, Missing Mileage Log Reports, and Cost and Utilization Reports. State agencies are required to accurately and timely input data into the system and are charged a fee, currently \$1.75 per vehicle per month, for system access and support.

### Fleet Acquisition

Chapter 287.14(3), F.S., specifies the purchase or continuous lease of motor vehicles is prohibited unless the Florida Legislature has specifically appropriated funds for this purpose. Motor vehicles for which replacement funds have been appropriated may not be retained in service unless an emergency need exists.

The following chart shows the Department's motor vehicle acquisition appropriations for the 2013-14 and 2014-15 Fiscal Years:

<b>DHSMV Motor Vehicle Acquisition Appropriations</b>		
<b>Division</b>	<b>2013-14 Fiscal Year</b>	<b>2014-15 Fiscal Year</b>
Florida Highway Patrol	\$10,987,600	\$9,006,998
Motor Carrier Compliance	\$1,508,511	\$1,508,511
Division of Administrative Services	\$0	\$50,000
Motorist Services	\$0	\$150,000
<b>TOTAL</b>	<b>\$12,496,111</b>	<b>\$10,715,509</b>

To initiate a motor vehicle purchase, the Department is required by DMS Procedure 09-102 to submit a purchase requisition through My Florida Market Place, e-mail, or formal written request, and a completed DMS Form MP6301, providing justification to support a need for the requested vehicle.

### Fleet Replacement and Disposal

DMS has established criteria for vehicle replacement using a Replacement Eligibility Factor (REF) calculation. Vehicles with a minimum REF score of 300 are deemed eligible for replacement. In addition, DMS has established maximum values, referred to as "Drop Dead" values, for a vehicle's age and miles: 12 years, 100,000 miles for standard vehicles, and 8 years, 80,000 miles for pursuit vehicles. Once a vehicle

reaches “Drop Dead” value, it is automatically deemed eligible for replacement, regardless of any other factors.

As a result of a fleet reduction exercise in 2008, the Department has tried to get the most use out of the current fleet vehicles prior to replacement. The Department internally extended the “Drop Dead” values for mileage to 100,000 for pursuit motor vehicles and 150,000 for standard motor vehicles in order to maximize vehicle use before disposal. While motor vehicle statistics reported monthly are used to determine replacement eligibility, vehicle make, model, safety factors and condition are also considered. Motor vehicles which were wrecked or require repairs costing more than 80% of the vehicle value are first on the replacement list.

Motor vehicles are replaced on a one-for-one system, meaning if one motor vehicle is added to the fleet, one motor vehicle must be removed from the fleet. As previously stated, Chapter 287.14(3), F.S. specifies motor vehicles may only be purchased if funds have been legislatively appropriated for motor vehicle acquisition.

The chart below details the approximate number of motor vehicles in the Department’s fleet which meet DMS replacement criteria as of March, 2015:

Vehicle Type	DMS Drop Dead Age:	Approx. Number listed in DMS FLEET System
Standard Vehicle	12 years	56 (1 pending disposal)
Pursuit Vehicle	8 years	371 (121 designated to be replaced)
Vehicle Type	DMS Drop Dead Miles:	Approx. Number listed in DMS FLEET System
Standard Vehicle	120,000	116 (2 pending disposal)
Pursuit Vehicle	80,000	1,052 (238 designated to be replaced)

The chart below details the approximate number of motor vehicles in the Department's fleet which meet the Department's extended replacement criteria as of March, 2015:

Vehicle Type	DHSMV Extended Drop Dead Age:	Approx. Number listed in DMS FLEET System
Standard Vehicle	15 years	28 (1 pending disposal)
Pursuit Vehicle	10 years	103 (42 designated to be replaced)
Vehicle Type	DHSMV Extended Drop Dead Miles:	Approx. Number listed in DMS FLEET System
Standard Vehicle	150,000	41 (1 pending disposal)
Pursuit Vehicle	100,000	815 (55 pending disposal)

Chapter 60B-3, F.A.C, specifies the requirements for disposal of vehicles which are surplus to Department need. DMS reviews agency requests for disposal, donation, and transfer of mobile equipment, and approves for public sale, auction, or other appropriate disposal. Equipment with no salvage value may be donated, destroyed or scrapped with DMS approval.

### FHP Pursuit Vehicles and the Central Installation Facility

Of the 3,000 motor vehicles and equipment listed in the Department's inventory, over 80% are assigned as law enforcement pursuit vehicles. The make and model of pursuit vehicles in the Department's inventory include Ford Crown Victoria, Chevrolet Impala, Chevrolet Tahoe, and Dodge Charger. These pursuit vehicles are special ordered from manufacturers with an upgraded police package with modifications to the engine, steering, suspension, tires, brakes, and additional horse power.

Florida Highway Patrol (FHP) Policy 6.03, Vehicle Equipment and Maintenance, requires each pursuit vehicle to be uniformly equipped with proper and adequate equipment necessary to fulfill the law enforcement duties and responsibilities of the Department. Additionally, authorized equipment is to be properly installed and maintained. Motor vehicle equipment may not be installed on pursuit vehicles unless it is authorized or issued by FHP.

Unique to the Department is the FHP Central Installation Facility located in Middleburg, Florida. The Central Installation Facility is a multi-purpose facility with the primary mission of installing existing or new law enforcement equipment into newly purchased pursuit vehicles and to remove all law enforcement related equipment from pursuit vehicles that are being disposed. Equipment installed includes radio components, emergency lights, sirens, shotgun racks, and prisoner partitions.

## Findings and Recommendations

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During our review of the Department's fleet operations and the Central Installation Facility, we identified the following issues which require management attention:

### *Funds Authorized for Motor Vehicle Acquisition*

Section 287.14(3), F.S., specifies it is unlawful for any state officer or employee to authorize the purchase or continuous lease of any motor vehicle to be paid for out of funds of the state or any department thereof unless funds therefor have been appropriated by the Legislature.

For the 2014-15 Fiscal Year, the Division of Motorist Services received an appropriation from the Legislature of \$150,000 for the Acquisition of Motor Vehicles budget category. The Division of Motorist Services received a supplemental appropriation to purchase two Florida Licensing on Wheels vehicles (FLOW mobile). Additionally, a budget amendment transferring funds from the Expenses budget category to the Acquisition of Motor Vehicles budget category was approved based on cost estimates for maintaining the newly purchased FLOW mobiles. In June 2015, another budget amendment was approved adding \$6,358 to the Acquisition of Motor Vehicles budget category; bringing the total eligible for acquisition of motor vehicles to \$556,358.

In October 2014, the Department received an insurance settlement for \$9,276, for a not-at-fault wrecked vehicle, and the Bureau of Accounting used the funds to offset previous expenditures in the Acquisition of Motor vehicles budget category. Our review determined the Division of Motorist Services authorized the purchase of vehicles using \$9,276 of Department funds which were not appropriated for motor vehicle acquisition by the Legislature.

### **Finding 1**

The Division of Motorist Services authorized the use of funds for motor vehicle acquisition which were not appropriated by the Legislature as required by Section 287.14, F.S.

### **Recommendation**

We recommend the Division of Motorist Services follow Section 287.14(3), F.S. and implement controls to ensure motor vehicle purchases are only paid for out of funds which have been appropriated by the Legislature.

## Management Response

We will work closely with the Office of Financial Management's Budget Office to ensure that any funds received from insurance settlements are deposited into the Acquisition of Motor Vehicles category. This will be accomplished by ensuring we have the appropriate budget amendments completed, in order to increase the appropriation category necessary to purchase additional vehicles.

### *FHP Vehicle Replacement Criteria*

The vehicle trade list is developed in the FHP Fleet and Property Office to determine which motor vehicles will be replaced during the fiscal year using legislatively appropriated funds. Motor vehicle year, mileage, make, model, condition, and safety factors are taken into consideration when determining which motor vehicles will be replaced. Wrecked vehicles are the top replacement priority, and marked pursuit vehicles with the highest mileage and year are considered second. However, unmarked vehicles have been excluded from replacement eligibility since approximately 2009.

Currently, FHP has approximately 350 pursuit vehicles which meet both the 8 year and 80,000 miles minimum replacement criteria set by DMS, including 215 unmarked motor vehicles. Of the unmarked vehicles, 168 have more than 120,000 miles.

Excluding unmarked motor vehicles from the replacement list increases the cost for maintenance to older motor vehicles with considerably high mileage. During our review, we determined the 168 unmarked pursuit vehicles with more than 120,000 miles incurred a combined total of \$276,378.83 in service costs, including one with \$13,952.64 in service costs, during the 2014-15 Fiscal Year.

## Finding 2

FHP is excluding unmarked motor vehicles when determining the motor vehicle trade list.

## Recommendation

We recommend the FHP consider all motor vehicles when determining the trade list based on minimum replacement criteria, including: vehicle year, mileage, make, model, condition, and safety factors.

## Management Response

An assessment of the FHP fleet has been completed in preparation for the current Legislative Budget Request cycle and upon FHP Executive Staff approval, replacement of unmarked motor vehicles will commence consistent with DMS minimum replacement criteria and FHP prioritization criteria.

### *FHP Spare Motor Vehicles*

In order for the FHP to meet its mission, spare motor vehicles must be available at times when other motor vehicles are unusable because of mechanical problems or collision damage, and for Reserve and Auxiliary Troopers use. Each troop is assigned motor vehicles based on their number of budgeted full time employee positions.

For the 2014-15 Fiscal Year, FHP was budgeted for 1,974 sworn positions. According to data in the FLEET system as of July 2015, FHP was assigned approximately 2,581 motor vehicles, including 250 categorized as pending disposal, inoperable, or undergoing outfitting, leaving 357 vehicles as spares.

Because the Department lacks a recurring process to evaluate fleet resources to determine if motor vehicles could be better allocated, some troops could be maintaining excess motor vehicles. For example, Troop D has 246 sworn positions and is assigned 300 operable vehicles, leaving 54 vehicles as spares or for use by Reserve or Auxiliary Troopers.

## Finding 3

The FHP lacks a documented and recurring process to ensure troops maintain an appropriate amount of spare motor vehicles.

## Recommendations

We recommend the FHP conduct an assessment of existing motor vehicle assignments to identify opportunities for vehicle reallocation or reduction.

We also recommend the FHP establish criteria to include a formal annual assessment of troop motor vehicles based on historical data and number of positions.

## Management Response

During the current fiscal year, the FHP Office of Fleet and Property together with the Division of Administrative Services will conduct a formal assessment of troop and

bureau vehicle allocation and assignments. The parameters of this assessment will include troop staffing levels, actual vehicles assigned, equal allocations of vehicles to troop and bureaus and ration of spare vehicles (including those needed to support FHP Reserve and Auxiliary personnel).

Once implemented, this formal assessment will occur annually, coinciding with the end of the fiscal year and prior to the start of the Legislative Budget Request cycle.

### ***Unauthorized Vehicle Use***

During our review of motor vehicles assigned to non-sworn members, we determined five motor vehicles were being used by members of the Division of Motorist Services without authorization to commute to and from work. The motor vehicle classification in the FLEET system indicated these motor vehicles were not assigned to members to use to commute to and from work, and Motorist Services management stated they were unaware these motor vehicles were being used by members to commute to and from work.

Department Policy 10.02, states that if non-sworn personnel use an agency motor vehicle to commute to and from work, the taxable wages of the employee must be adjusted to reflect the non-cash fringe benefit provided by the use of the motor vehicle. No Reports of Taxable Non-Cash Fringe Benefits were submitted by Division of Motorist Services members to the Office of Payroll Services for the 2014-15 Fiscal Year.

### **Finding 4**

Unauthorized use of motor vehicles to commute to and from work.

### **Recommendations**

We recommend the Division of Motorist Services review non-sworn members using Department motor vehicles to commute to and from work and take appropriate action to ensure vehicles are operated in conformance with the regulations and classes of assignment established in Chapter 60B-1, F.A.C., and Department Policy 10.02.

We also recommend the Division of Motorist Services assess current motor vehicle assignments, and coordinate with the Bureau of Accounting to update the FLEET System with accurate Assigned Use Codes for each motor vehicle as established in Chapter 60B-1, F.A.C.

We additionally recommend the Division of Motorist Services ensure non-sworn members assigned a Department motor vehicle to commute to and from work complete

a Report of Taxable Non-Cash Fringe Benefits and provide the report to the Office of Payroll Services quarterly, as required in Department Policy 10.02.

### **Management Response**

A thorough review of all Motorist Services vehicles was completed. After the completion of the review, we addressed the issue with Motorist Services members who listed a home address as the location where a state vehicle was being parked. All members, with the exception of those whose PeopleFirst work location is listed as their home, are now required to park the state vehicle at a secure governmental facility. Additionally, we are working on a division-wide policy that will require all members to park the state vehicle at a secure governmental facility.

We have met with an Accounting and Fleet representative from the Division of Administrative Services to ensure that all of the vehicles will have accurate use codes in accordance with Department policy and procedures. The vehicles use codes will be updated to reflect how the vehicles are currently being used. We will also conduct quarterly reviews to ensure the information is accurate and up to date.

We contacted all Motorist Services members who would have been required to complete the non-cash fringe benefit form and those individuals have moved their vehicles to secure governmental facilities. At this time, no members will be required to fill out this form based on vehicle usage.

### ***Vehicle Assignment to Non-Sworn Members***

Chapter 60B-1.004, F.A.C., states the administrative head of an agency operating vehicles is responsible for their assignment and proper use. The Department's Vehicle Fleet Management Procedures states the Executive Director is responsible for the assignment and proper use of all vehicles and aircraft owned, leased, or rented by the Department.

During our review of motor vehicles assigned to non-sworn members, we determined there is not a formal process for assigning motor vehicles to non-sworn members or a periodic review of motor vehicle assignment to ensure Department resources are properly allocated.

### **Finding 5**

The Department does not have a formal process for the assignment of motor vehicles to non-sworn members.

## Recommendation

We recommend the Division of Administrative Services develop a formal process for the assignment of motor vehicles to non-sworn members; to include management approval and periodic reviews of motor vehicle assignments to non-sworn members.

## Management Response

By October 1, 2015, the Bureau of Accounting will revise the Vehicle Fleet Management Procedures to clarify the process for assigning motor vehicles to non-sworn members. This will include requiring the divisions to document the assignment, retain the original approval and ensure that the Bureau of Accounting receives a copy.

## *Mileage Logs*

Chapter 60B, F.A.C., requires the Department to report motor vehicle mileage to DMS by the 15th day of the month. Additionally, Department Policy 10.02, Department Vehicles and Aircraft Use, further requires all divisions to be responsible for submitting all Vehicle Mileage Logs to the Automotive Maintenance Section by the 10th of the month following the month of activity either through the Report of Daily Activity system or the SharePoint Vehicle Reporting Log.

The Department uses reported mileage to determine which motor vehicles to replace with legislatively appropriated funds. In order to ensure motor vehicles with the most mileage are designated to be replaced, Department management should ensure mileage is reported monthly.

Our review of mileage logs for the period of February 2014-January 2015 determined 60% of the Department's total inventory was missing mileage logs for one or more months from February 2014-January 2015, including 49 missing for 12 consecutive months.

## Finding 6

Mileage is not reported on a monthly basis as required in Chapter 60B, F.A.C. and Department Policy 10.02.

## Recommendation

We recommend the Division of Administrative Services coordinate with all Department divisions to ensure motor vehicle mileage is reported on a monthly basis as required in Chapter 60B, F.A.C., and Department Policy 10.02.

## Management Response

On August 11, 2015, the Executive Leadership Team was made aware of this finding and the need for all members of the agency to take responsibility for ensuring our mileage logs are up to date. Beginning October 1, 2015, the Bureau of Accounting will generate a monthly missing log report to identify motor vehicles for which mileage has not been reported. The missing log report will be regularly reviewed and will be disseminated to the applicable Department divisions to ensure that monthly vehicle mileage is reported in accordance with Chapter 60B, F.A.C., and Department Policy 10.02.

## Vehicle and Driver Card Charges

Fuel and maintenance costs for the Department's fleet are paid for using state issued Vehicle and Driver credit cards. The Vehicle Card is assigned to a specific vehicle for fuel, car washes, oil changes, towing, and emergency repairs on minor items of \$150 or less. Vehicle cards should only be used for the motor vehicle number embossed on the card.

Driver Cards are assigned to members in supervisory capacities who are responsible for approving repairs on subordinates' motor vehicles. These cards are to be used only by the individual named on the card for purchases of fuel and vehicle maintenance of less than \$2,500. If repairs exceed \$2,499, a Purchase Order is required through My Florida Market Place.

During our review of vehicle and driver card transactions occurring from January 1, 2014, through April 30, 2015, we noted the following:

- 11 transactions with charges over the allowable \$150 limit for vehicle cards;
- Four instances where it appears duplicate charges occurred;
- Four instances where charges for fuel occurred within less than five minutes of each other, and the total gallons purchased was over the tank capacity for the motor vehicle assigned to the vehicle card;
- \$72,004.22 charged has a product description of "miscellaneous";
- Nine instances where employees used another motor vehicle's card to fuel their car; and
- Taxes charged on transactions totaling \$1,366.86.

After staffing changes occurred in the Bureau of Accounting in December 2013, the task of reviewing vehicle and driver card transactions and exception reports was overlooked. As of April 2015, the Department receives exception reports for fuel and purchases charged to vehicle and driver cards, however there is not a standard process for

reviewing these reports to determine if unallowable purchases were charged. Without a review process in place, unallowable charges could go undetected.

### **Finding 7**

Vehicle and driver credit card purchases are not regularly reviewed.

### **Recommendation**

We recommend the Bureau of Accounting review vehicle card and driver card charges and collaborate with other Department divisions to ensure purchases are valid and comply with Department Policy 10.02.

### **Management Response**

By October 1, 2015, the Bureau of Accounting will develop the necessary exception reports to identify unallowable Vehicle and Driver Card charges. The exception reports will be regularly reviewed and will be disseminated to the applicable Department divisions to ensure purchases are valid and comply with Department Policy 10.02.

### ***Documentation to Support Vehicle Disposal***

The DMS Division of Fleet Management oversees the disposal of the state's used and surplus motor vehicles. To dispose of a state motor vehicle, the Department must submit form MP 6401, Request for Disposal of Mobile Equipment, along with the motor vehicle's original title to DMS.

During our review of disposition documentation for 35 of the 544 motor vehicles disposed during the 2013-14 Fiscal Year, we determined the following:

- Documentation for two motor vehicles could not be located to support that the motor vehicles were properly approved for disposal; and
- The required DMS Disposal Form MP6401 was missing for four motor vehicles.

Without maintaining completed DMS forms, the Bureau of Accounting cannot ensure that motor vehicle dispositions are properly tracked or that proper approval was given for motor vehicle disposal.

### **Finding 8**

The Bureau of Accounting does not always maintain documentation to support vehicle disposal.

## Recommendation

We recommend the Bureau of Accounting maintain documentation to support the disposal or proper transfer of vehicles to DMS.

## Management Response

Effective July 1, 2015, the Bureau of Accounting scanned and saved all disposal and transfer documentation, including the required DMS Disposal Form MP6401, to the Department's network drive for quick access. A review of the documents upon scanning will be completed to ensure all items have been accounted for.

### *Fleet Data Inaccuracies*

Chapter 60B-1.010 (2), F.A.C., specifies state agencies are responsible for the accuracy and timeliness of data submitted in the FLEET System.

The FLEET System provides cost information required to effectively and efficiently manage the state's fleet. The FLEET System also provides accountability of equipment use and expenditures. If information is entered and maintained inaccurately, the Department cannot ensure the integrity of the data to use in making management decisions.

During our review of Fleet Inventory records as of March 11, 2015, we noted the following:

- Approximately 10% of the total inventory was not assigned to a Department member, including 294 assigned to classifications: to be announced, to be determined, unknown, or blank;
- 21 motor vehicles assigned to 5 former Department members; and
- Errors in data entry, including incorrect motor vehicle status and inconsistent spelling in vehicle assignments, vehicle type, and vehicle model categories.

## Finding 9

Fleet data submitted to the Department of Management Services contains errors.

## Recommendation

We recommend the Bureau of Accounting coordinate with each division to assess current motor vehicle assignments, and update the FLEET System to reflect accurate Assigned Use Codes for each vehicle as established in Chapter 60B-1, F.A.C.

We also recommend that the Bureau of Accounting implement a periodic formal review of the FLEET inventory records with the divisions to ensure that data in the DMS Fleet System is accurate and current.

### **Management Response**

By October 1, 2015, the Bureau of Accounting will begin a semiannual review of all FLEET inventory records which will be sent to the Department divisions in order to ensure that data in the DMS FLEET System is accurate and current. The review will include the current assigned use codes for each vehicle as well as all fleet records available.

### ***Central Installation Facility Security***

One of the responsibilities of Central Installation Facility management is to ensure the secure storage of motor vehicles and equipment at all times. Video surveillance cameras should be used wherever enhanced security is desired.

During our review of the Central Installation Facility, and after inquiring with FHP management, FHP staff were uncertain whether all video surveillance cameras were operational, where the video feed was stored, how long the video feed is stored, and who had access to video footage. Also, surveillance cameras appeared to be inadequately placed at the facility. Without proper physical security of the Central Installation Facility, the FHP cannot ensure vehicles and inventory storage remain secure.

### **Finding 10**

Physical security at the Central Installation Facility is insufficient.

### **Recommendation**

We recommend the FHP formally evaluate the current security controls at the Central Installation Facility and make necessary improvements.

### **Management Response**

Although significant security improvements have been put into place at the Central Installation Facility in recent years, these improvements have been facility-initiated with a local security system provider. The FHP will formally evaluate the security controls at the Central Installation Facility with the Division of Administrative Services and a vendor capable of providing enhanced security improvements. An implementation plan for the

increased security improvements will be developed and implemented during the current fiscal year.

### ***Central Installation Facility Inventory Controls***

Inventory internal controls are the processes of protecting inventory and ensuring that it is maintained at sufficient levels for normal business operations. This typically includes having a system for physically securing, organizing, and tracking inventory. A lack of inventory controls suggests an increased risk of missing or stolen inventory because there is no assurance that inventory is accurately accounted for.

During our review of the FHP Central Installation Facility, we observed that physical inventory of parts and equipment is not tracked in a controlled and documented manner, and inventory is not regularly reviewed or counted. While Central Installation Facility management is working on redesigning the system of internal controls for physical inventory; currently, management is not able to reconcile physical inventory to financial records. Management is also not able to track when new items are installed compared to when re-used items are installed on vehicles, without referring back to the individual vehicle build sheets.

While the Central Installation Facility currently has a manual work order system, an electronic work order system, which would include a connection to the facility's inventory, would be more efficient and effective in organizing the work load and ensuring inventory is available when needed.

### **Finding 11**

The FHP Central Installation Facility does not have adequate inventory controls.

### **Recommendations**

We recommend that FHP management ensure physical inventory is tracked in a controlled and documented manner, and regularly reviewed.

We recommend that FHP management consider implementing an electronic work order and inventory tracking system at the Central Installation Facility.

### **Management Response**

Concurrent with the Central Installation Facility review and subsequently, the Central Installation Facility has implemented a secure, centrally located parts and inventory

department and has assigned a Central Installation Facility member to physically monitor and document the facility's inventory and product usage.

Separately, the Office of Fleet and Property is researching a suitable electronic work order and inventory tracking system which will be implemented during the current fiscal year.

### ***Central Installation Facility Separation of Duties***

The American Institute of Certified Public Accountants and the International Association of Internal Auditors maintain that a system of effective internal control requires appropriate separation of responsibilities. If internal control is to be effective, there needs to be an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle assets. Separation of duties serves as the primary defense against internal fraud and is a key concept in internal controls.

According to management and accounting industry best practices, whenever possible the following duties should be separated among different members:

- Having custody of assets;
- Authorizing the use of assets; and
- Recordkeeping of assets.

During our review of the FHP Central Installation Facility, we determined the members who are key in the separation of duties between the ordering, receipt, and accounting of inventory are related. The parts manager has custody of inventory, and is included in the ordering and inventory audit process. Additionally, the senior clerk responsible for recordkeeping, ordering and purchasing, and the parts manager responsible for receiving, and custody of inventory are related.

While the duties are separated among office members, the risk for fraud or error is greater because of the relationship between the members performing the duties. The ability to recruit another individual's cooperation, via collusion, to conceal fraud is greater.

### **Finding 12**

The Central Installation Facility does not have adequate separation of duties.

## Recommendation

We recommend FHP management review the roles and responsibilities at the Central Installation Facility and take appropriate measures to ensure that there is adequate separation of duties among staff involved in ordering, receiving and accounting for inventory.

## Management Response

FHP management will immediately review the roles and responsibilities for CIF members involved in activities related to ordering, receiving and accounting for inventory. Responsibilities at the facility will be realigned as necessary to ensure adequate separation of duties.

## Purpose, Scope, and Methodology

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The purpose of this audit was to review and evaluate the efficiency and effectiveness of the Department's fleet operations and compliance with applicable laws and Department policy and procedure.

The scope of this audit included Department fleet records during the 2013-14 and 2014-15 Fiscal Years.

The methodology included:

- Reviewing applicable statutes, rules, manuals, and procedures;
- Interviewing appropriate Department members;
- Reviewing Department fleet inventory records;
- Reviewing mileage reports;
- Reviewing motor vehicle acquisition procedures;
- Reviewing the Department's Central Installation Facility process and procedures;
- Reviewing vehicle and driver card charges;
- Reviewing the Department's motor vehicle replacement cycle;
- Reviewing disposal orders and supporting documentation;
- Reviewing mileage reimbursements for personal motor vehicle use; and
- Reviewing motor vehicles assigned to non-sworn personnel.

## Distribution, Statement of Accordance, and Project Team

### Distribution

Terry L. Rhodes, Executive Director  
Diana Vaughn, Deputy Executive Director  
Leslie Palmer, Chief of Staff  
Colonel Gene S. Spaulding, Director of the Florida Highway Patrol  
Boyd Dickerson-Walden, Director of Motorist Services  
Steven Fielder, Director of Administrative Services  
Lt. Colonel Michael Thomas, Deputy Director of the Florida Highway Patrol  
Steve Burch, Chief of the Bureau of Accounting  
Rick Creamer, Florida Highway Patrol Chief Administrative Officer  
John Kreiensieck, Florida Highway Patrol Fleet and Property Manager  
Bill Reakes, Department Fleet Manager

Melinda M. Miguel, Chief Inspector General  
Sherrill F. Norman, Auditor General

### Statement of Accordance

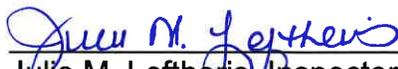
Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

### Project Team

Engagement conducted by:  
Erin Mook, Auditor  
John Brancale, Auditor

Under the supervision of:  
David Ulewicz, Audit Director

Approved by:

  
Julie M. Leftheris, Inspector General

## ATTACHMENT - Management Response



**Terry L. Rhodes**  
Executive Director

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### MEMORANDUM

DATE: August 28, 2015

TO: David Ulewicz, Audit Director

FROM: Steven Fielder, Division Director

SUBJECT: Division of Administrative Services Management Response to the Fleet Operations Audit (201415-22)

The following is our response to the findings and recommendations presented in the report:

#### **Finding 5- Vehicle Assignment to Non-Sworn Members**

The Department does not have a formal process for the assignment of motor vehicles to non-sworn members.

#### **Recommendation**

We recommend the Division of Administrative Services develop a formal process for the assignment of motor vehicles to non-sworn members; to include management approval and periodic reviews of motor vehicle assignments to non-sworn members.

#### **Management Response**

By October 1, 2015, the Bureau of Accounting will revise the Vehicle Fleet Management Procedures to clarify the process for assigning motor vehicles to non-sworn members. This will include requiring the divisions to document the assignment, retain the original approval and ensure that the Bureau of Accounting receives a copy.

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**Finding 6- Mileage Logs**

Mileage is not reported on a monthly basis as required in Chapter 60B, F.A.C. and Department Policy 10.02.

**Recommendation**

We recommend the Division of Administrative Services coordinate with all Department divisions to ensure motor vehicle mileage is reported on a monthly basis as required in Chapter 60B, F.A.C., and Department Policy 10.02.

**Management Response**

On August 11, 2015, the Executive Leadership Team was made aware of this finding and the need for all members of the agency to take responsibility for ensuring our mileage logs are up to date. Beginning October 1, 2015, the Bureau of Accounting will generate a monthly missing log report to identify motor vehicles for which mileage has not been reported. The missing log report will be regularly reviewed and will be disseminated to the applicable DHSMV divisions to ensure that monthly vehicles mileage is reported in accordance with Chapter 60B, F.A.C. and Department Policy 10.02.

**Finding 7- Vehicle and Driver Card Charges**

Vehicle and driver credit card purchases are not regularly reviewed.

**Recommendation**

We recommend the Bureau of Accounting review vehicle card and driver card charges and collaborate with other Department divisions to ensure purchases are valid and comply with Department Policy 10.02.

**Management Response**

By October 1, 2015 the Bureau of Accounting will develop the necessary exception reports to identify unallowable Vehicle and Driver Card Charges. The exception reports will be regularly reviewed and will be disseminated to the applicable DHSMV divisions to ensure purchases are valid and comply with Department Policy 10.02.

**Finding 8- Documentation to Support Vehicle Disposal**

The Bureau of Accounting does not always maintain documentation to support vehicle disposal.

**Recommendation**

We recommend the Bureau of Accounting maintain documentation to support the disposal or proper transfer of vehicles to DMS.

**Management Response**

Effective July 1, 2015, the Bureau of Accounting scanned and saved all disposal and transfer documentation, including the required DMS Disposal Form MP6401, to a Department's network drive for quick access. A review of the documents upon scanning will be completed to ensure all items have been accounted for.

**Finding 9- Fleet Data Inaccuracies**

Fleet Data submitted to the Department of Management Services contains errors.

**Recommendation**

We recommend the Bureau of Accounting coordinate with each division to assess current motor vehicle assignments, and update the FLEET System to reflect accurate Assigned Use Codes for each vehicle as established in Chapter 60B-1, F.A.C.

We also recommend that the Bureau of Accounting implement a periodic formal review of the FLEET inventory records with the divisions to ensure that data in the DMS Fleet System is accurate and current.

**Management Response**

By October 1, 2015 the Bureau of Accounting will begin a semiannual review of all FLEET Inventory records which will be sent to the DHSMV Divisions in order to ensure that data in the DMS Fleet System is accurate and current. The review will include the current assigned use codes for each vehicle as well as all fleet records available.



Terry L. Rhodes  
Executive Director

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**MEMORANDUM**

DATE: September 22, 2015  
TO: David Ulewicz, Audit Director  
FROM: Rick Creamer, FHP Chief Administrative Officer *RC*  
SUBJECT: Florida Highway Patrol Management Response to the Fleet Operations Audit (201415-22)

The following is our response to the findings and recommendations presented in the report.

**Finding 2- FHP Replacement Criteria**

FHP is excluding unmarked motor vehicles when determining the motor vehicle trade list.

**Recommendation**

We recommend the FHP consider all motor vehicles when determining the trade list based on minimum replacement criteria, including: vehicle year, mileage, make, model, condition, and safety factors.

**Management Response**

The FHP concurs with the recommendation in Finding 2.

An assessment of the FHP fleet has been completed in preparation for the current LBR cycle and upon FHP Executive Staff approval, replacement of unmarked motor vehicles will commence consistent with Department of Management Services minimum replacement criteria and FHP prioritization criteria.

**Finding 3- FHP Spare Motor Vehicles**

The FHP lacks a documented and recurring process to ensure troops maintain an appropriate amount of spare motor vehicles.

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**Recommendation**

We recommend the FHP conduct an assessment of existing motor vehicle assignments to identify opportunities for vehicle reallocation or reduction.

We also recommend the FHP establish criteria to include a formal annual assessment of troop motor vehicles based on historical data and number of positions.

**Management Response**

The FHP concurs with the recommendations in Finding 3.

During the current fiscal year, the FHP Office of Fleet and Property together with the Division of Administrative Services, will conduct a formal assessment of troop and bureau vehicle allocations and assignments. The parameters of this assessment will include troop staffing levels, actual vehicles assigned, equal allocations of vehicles to troop and bureaus and ratio of spare vehicles (including those needed to support FHP Reserve and Auxiliary personnel).

Once implemented, this formal assessment will occur annually, coinciding with the end of the fiscal year and prior to the start of the Legislative Budget Request cycle.

**Finding 10- *Central Installation Facility Security***

Physical security at the Central Installation Facility is insufficient.

**Recommendation**

We recommend the FHP formally evaluate the current security controls at the Central Installation Facility and make necessary improvements.

**Management Response**

The FHP concurs with the recommendation in Finding 10.

Although significant security improvements have been put into place at the Central Installation Facility (CIF) in recent years, these improvements have been facility-initiated with a local security system provider. The FHP will formally evaluate the security controls at CIF with the Division of Administrative Services and a vendor capable of providing enhanced security improvements. An implementation plan for the increased security improvements will be developed and implemented during the current fiscal year.

**Finding 11- *Central Installation Facility Inventory Controls***

The FHP Central Installation Facility does not have adequate inventory controls.

**Recommendation**

We recommend that FHP management ensure physical inventory is tracked in a controlled and documented manner, and regularly reviewed.

We recommend that FHP management consider implementing an electronic work order and inventory tracking system at the Central Installation Facility.

**Management Response**

The FHP concurs with the recommendations in Finding 11.

Concurrent with the CIF review and subsequently, the CIF has implemented a secure, centrally located parts and inventory department and has assigned a CIF member to physically monitor and document the facility's inventory and product usage.

Separately, the Office of Fleet and Property is researching a suitable electronic work order and inventory tracking system which will be implemented during the current fiscal year.

**Finding 12- Central Installation Facility Separation of Duties**

The Central Installation Facility does not have adequate separation of duties.

**Recommendation**

We recommend FHP management review the roles and responsibilities at the Central Installation Facility and take appropriate measures to ensure that there is adequate separation of duties among staff involved in ordering, receiving and accounting for inventory.

**Management Response**

The FHP concurs with the recommendation in Finding 12.

FHP management will immediately review the roles and responsibilities for CIF members involved in activities related to ordering, receiving and accounting for inventory. Responsibilities at the facility will be realigned as necessary to ensure adequate separation of duties.

Cc: Colonel Gene S. Spaulding  
Lieutenant Colonel Michael Thomas  
John Kreienseck, Office of Fleet and Property



**Terry L. Rhodes**  
Executive Director

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**MEMORANDUM**

DATE: August 28, 2015  
TO: David Ulewicz, Audit Director  
FROM: Boyd Dickerson-Walden  
SUBJECT: Division of Motorist Services Management Response to the Fleet Operations Audit (201415-22)

The following is our response to the findings and recommendations presented in the report.

**Finding 1- Funds Authorized for Motor Vehicle Acquisition**

The Division of Motorist Services authorized the use of funds for motor vehicle acquisition which were not appropriated by the Legislature as required by Section 287.14, F.S.

**Recommendation**

We recommend the Division of Motorist Services follow Section 287.14(3), F.S. and implement controls to ensure motor vehicle purchases are only paid for out of funds which have been appropriated by the Legislature.

**Management Response**

We will work closely with the Office of Financial Management's Budget Office, to ensure that any funds received from insurance settlements are deposited into the Acquisition of Motor Vehicles category. This will be accomplished by ensuring we have the appropriate budget amendments completed, in order to increase the appropriation category necessary to purchase additional vehicles.

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**Finding 4- *Unauthorized Vehicle Use***

Unauthorized use of motor vehicles to commute to and from work.

**Recommendation**

We recommend the Bureau of Motorist Services review non-sworn members using Department motor vehicles to commute to and from work and take appropriate action to ensure vehicles are operated in conformance with the regulations and classes of assignment established in Chapter 60B-1, F.A.C., and Department Policy 10.02.

We also recommend the Bureau of Motorist Services assess current motor vehicle assignments, and coordinate with the Bureau of Accounting to update the FLEET System with accurate Assigned Use Codes for each motor vehicle as established in Chapter 60B-1, F.A.C.

We additionally recommend the Bureau of Motorist Services ensure non-sworn members assigned a Department motor vehicle to commute to and from work complete a Report of Taxable Non-Cash Fringe Benefits and provide the report to the Office of Payroll Services quarterly, as required in Department Policy 10.02.

**Management Response**

A thorough review of all Motorist Services vehicles was completed. After the completion of the review, we addressed the issue with Motorist Services members who listed a home address as the location where a State vehicle was being parked. All members with the exception of those, whose PeopleFirst work location is listed as their home, are now required to park the State vehicle at a secure governmental facility. Additionally, we are working on a Division wide policy that will require all members to park the State vehicle at a secure governmental facility.

We have met with an Accounting and Fleet representative from the Division of Administrative Services to ensure that all of the vehicles will have accurate use codes in accordance with HSMV policy and procedures. The vehicles use codes will be updated to reflect how the vehicles are currently being used. We will also conduct quarterly reviews to ensure the information is accurate and up to date.

We contacted all Motorist Services members who would have been required to complete the non-cash fringe benefit form and those individuals have moved their vehicles to secure governmental facilities. At this time, no members will be required to fill out this form based on vehicle usage.