



INTERNAL AUDIT

Follow-up of the Performance Audit of Support Fleet

R-22-06

November 20, 2024

Table of Contents

Executive Summary	3
Attachment A: Status of Recommendations from 2022 Audit Phase	5
Attachment B: Additional Recommendations from 2024 Follow-up Phase	16
Attachment C: Residual Value by Mileage and Model Year	19

Rating Matrix

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

Distribution List

Title	For Action	For Information	Reviewed prior to release
Executive Director		*	*
Chief Financial Officer	*	*	
Chief Capital Services Officer		*	
Director of Capital Program and Support		*	
Manager Non-revenue Vehicle Performance and Maintenance	*		

Executive Summary

Introduction

The Audit Committee directed Internal Audit (“IA”) to conduct a performance audit to determine if controls over support fleet management are designed adequately and operating effectively to ensure compliance with internal policies and procedures as well as to support the achievement of management objectives. The Audit Committee approved by the Audit Plan on January 31, 2022. IA completed the initial audit phase on June 7, 2022, we completed the second phase on July 31, 2023 and we completed the current follow-up phase on November 18, 2024.

IA conducted the follow-up work in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

Background and Functional Overview

The purpose of the UTA non-revenue support fleet (“NRV”) is to support the day-to-day operations and maintenance of the organization. The non-revenue support fleet is a diverse group of vehicles, which includes police vehicles, maintenance vehicles such as bucket trucks, street sweepers, and tractors, maintenance trucks, and cars used at various facilities, and both assigned and pool vehicles used by employees. The total support fleet size as of November 11, 2024 is approximately 557 light duty vehicles, 51 specialty vehicles, 173 ancillary assets (such as trailers), 111 police vehicles, and 20 other assets (such as a wrecker, rail car mover, and a skid steer loader).¹

Objectives and Scope

2023 Audit Phase:

The period of this phase of the performance audit focused on activity between July 1, 2022, to May 31, 2023. Additional periods were reviewed as necessary.

This audit phase focused on determining the current status of recommendations and action plans from the 2022 audit report. Additionally, audit testing was conducted of key controls already existing, including accuracy of vehicle data, vehicle registration and emissions paperwork, and driver licensure.

2024 Follow-up Phase:

The follow-up phase of this performance audit focused on activity since August 2023. IA reviewed governance, including the status of policies and procedure documents. IA analyzed adopted policies and procedures against previously completed risk assessments to determine the sufficiency of management’s control design.

Additionally, IA documented the status of an NRV training program, the status of fleet right-sizing efforts, management’s funding strategy for vehicles, and the status of a key management system for shared vehicles.

Summary

2023 Audit Phase:

IA found significant progress has been made toward fulfilling action plans from the 2022 audit report. Notably, management is implementing a foundation for strong, centralized governance of the Support

¹ Figures come from data provided by management. They are for context purposes only and are un-audited.

Fleet. This strength is based on investing the group with authority to execute policies and vision, staffing the team appropriately, and enriching the data environment to drive decision-making on topics such as driving behavior, fleet deployment, and disposal. Policies and standard operating procedures (“SOP”) have been drafted but not yet adopted.

As part of a risk-based audit approach, management and IA identified key risks and fraud risks that, if left unaddressed, could prevent Support Fleet objectives from being achieved. A total of 24 key risks were evaluated, including maintenance issues, recordkeeping, and legal compliance. Controls existed or were in development to appropriately manage all risks examined, though Internal Audit offered some informal recommendations on improvements and items to consider. Most significant is that management should consider expediting centralizing maintenance for Support Fleet vehicles. This will ensure consistent standards of good repair, compliance with federal recordkeeping requirements, and adequate budget for maintenance and repairs.

This audit feedback comes with the caveat that changes to Support Fleet is a work in progress, with many decisions and implementations pending. In that light, this report is best understood as interim assurance. Ultimate success will depend on Support Fleet management maintaining momentum and commitment to a strong control environment. Success also depends on senior management continuing to support the vision, properly resourcing, and granting authority to the Support Fleet team.

2024 Follow-up Phase:

Management made significant progress in adopting standard operating procedures (“SOP”) since the 2023 audit phase. They have adopted SOP governing vehicle use, vehicle procurement, and vehicle disposal and reallocation. IA found that these SOPs adequately create a control environment to address underlying risks.

IA noted that the SOP for vehicle use grants executive-level employees authority to override the procedures at their discretion. This is poor governance – NRV use cannot be truly governed if such a broad exception exists and triggering of the exception is outside the control and approval of the NRV team. This override clause is concerning not just for this SOP but for the potential precedent it sets for any other SOP. The SOP was adopted only days before writing this report and no evidence of effect is available. IA will evaluate the effects of the override protocols in another follow-up phase before making any recommendations.

Management has not created a training program to date but have intentions to design training on topics like policy review and defensive driving. Internal Audit will follow up on this item in approximately one year.

Management tracks vehicle utilization and identifies vehicles that can be moved to a shared pool or not replaced upon disposal, but by their own assessment they have not made significant progress towards this objective. They feel this is because they lack the “teeth” to enforce their right-sizing decisions. They also do not have clear guidelines or thresholds to make utilization decisions.

This will be re-evaluated in approximately one year. By then, policies will be adopted that should improve governance. IA also included a recommendation in this report that management adopt a formal utilization threshold.

Management is funding vehicle purchases through the capital plan. Vehicle users, however, primarily pay for maintenance costs, which has led to an information gap as management does not have direct control of the documentation. IA drafted recommendations to address this shortcoming.

Management signed a contract for a key management system called Agile Fleet in April 2024. There have been delays to installation pending decisions on issues like hosting.

Attachment A: Status of Recommendations from 2022 Audit Phase

Audit Finding R-22-06-1 Support Fleet Governance and Resources

Risk Level: High

Details:

The Fleet Vehicle Administrator (“FVA”) is responsible for managing and providing oversight over UTA’s support fleet. As of February 7, 2022, JDE records indicated a total of 812 support fleet vehicles, including ancillary items such as trailers and ATVs, in “active” status spread across all UTA locations which would fall under the umbrella of the FVA’s responsibilities. Those responsibilities include overseeing vehicle purchasing needs, registration and preparation of vehicles, broad maintenance oversight, tracking vehicle custody, and performing the initial disposal process prior to auction.

The current resources allotted to the department are insufficient to adequately manage all of the aspects required by a fleet of this magnitude spread across multiple locations. The FVA’s time cannot reasonably be allocated across all responsibilities in a manner that is efficient and effective to meet the objectives of a well-run fleet management function.

In addition to the lack of resources, UTA lacks codified policies and procedures that would give the FVA adequate authority to actively manage the fleet and enforce consequences on users of fleet vehicles if issues were to arise. For instance, all fleet vehicles have required service intervals. In the event an organization did not perform required maintenance in a timely manner, the FVA should have the ability to suspend use of that vehicle until the issue is corrected. Likewise, in the event a vehicle is underutilized, the FVA should have authority to reassign the vehicle based on business needs. As noted in recommendation R-22-06-2 below, any new internal policies created by the FVA to guide operations will need to have higher-level UTA policy in place to delegate authority.

Criteria:

Best practice published by United State Government Accountability Office’s (“GAO”), Standards for Internal Control in the Federal Government (“Green Book”) section 3.07, states:

“When assigning responsibility and delegating authority management considers the overall responsibilities assigned to each [business] unit, determines what key roles are needed to fulfill the assigned responsibilities, and establishes the key roles. Those in key roles can further assign responsibility for internal control to roles below them in the organizational retain ownership for fulfilling the overall responsibilities assigned to the unit.”

Underlying Cause:

Current resources and department full time employees (“FTE”) are not sufficient to effectively manage all aspects of UTA’s support fleet. In fact, the role of Fleet Vehicle Administrator was not even created until 2018, meaning issues were allowed to compound for decades.

Effect:

- Support fleet metrics cannot be adequately measured to determine right sizing, purchasing needs vs. reassignment, and disposal of vehicles.

- The lack of UTA policies do not allow adequate enforcement of fleet policies, creating inconsistencies in how fleet vehicles are managed and treated by different departments and at different locations.
- The FVA does not have the ability to enforce consequences for misuse of fleet vehicles, leading to an increased likelihood of misuse simply from the perception of lack of consequence.
- Periodic maintenance could be delayed or not performed at all leading to more expensive repairs, loss of useful life, and residual value of support fleet vehicles.
- Maintenance records are not adequately retained and tracked for purposes of accountability to Federal grant requirements.

Recommendations:

1. Provide the Support Fleet Management with additional resources subject to budgetary constraints and additional needs analysis of the department.
2. Develop and implement new policies and procedures that grant authority to the FVA to oversee, provide training, and enforce matters related to UTA’s support fleet.

Management Response and Action Plan:

Management agrees with IA recommendations for this finding. The entirety of UTA support fleet is provided by the Fleet Vehicle Administrator. Management recognizes the need for additional resources to properly manage this program. Many of the current challenges were highlighted in the Federal Transit Administration’s (FTA) FMO audit at the end of last year. Internal Audit’s review has illustrated the need for additional resources and actions to address the challenges identified. The response to each recommendation is outlined below.

Recommendation #1: Management recognizes the current fleet management approach is unsustainable given the scope and number of issues/recommendations identified in this report. The current management approach lacks the resources, authority, and policy guidance for a successful program and instead presents a risk of escalation which could stall progress in addressing these items.

UTA looked at other local agencies with support fleets. After reviewing their structures and responsibilities and comparing that with UTA’s approach to address its challenges, management is developing a budget request that will address immediate needs, develop an action plan to address issues identified in this audit, and create a robust and sustainable fleet management strategy.

Recommendation #2: Management, including new resources identified above, and Support Fleet Management will work to produce these governance policies and training to better position the Support Fleet team to manage, educate UTA business units, and enforce policies relating to the use of Support Fleet vehicles.

Management is in the process of developing a budget request for Board approval to add resources to support and improve existing practices, develop and implement new policies and procedures, and create a Fleet Management Action Plan (FMAP) with recommendations for a more robust and sustainable Fleet Management strategy.

Target Completion Date: July 1, 2023

2023 Audit Phase Status:

Recommendation #1 has been addressed by creating a manager-level position to oversee the support fleet and four staff members. To date, four of the five positions have been filled. Additionally, support fleet vehicles have been installed with Geotab trackers that have given management the ability to make data-driven fleet decisions. Additional follow-up will be performed by Internal Audit to determine if this level of resources is fully implemented and is adequate to manage the fleet.

Management has drafted policies and standard operating procedures (SOP), pending adoption, to address recommendation #2. Internal Audit evaluated the effectiveness of the governance outlined in the drafts against Committee of Sponsoring Organizations of the Treadway Commission (COSO) Component 3 *Establishes Structure, Authority, and Responsibility*. Sufficient governance, as measured against that framework, exists if the policies are adopted as drafted with the support of Executive management and the Board of Trustees. The finding will be closed upon validation of policy adoption and the language of that adopted version.

2024 Follow-up Phase Status:

IA discussed the ongoing resources of the department with management. They see a need for additional resources, such as a maintenance specialist and an office administrator. In the auditor's judgement, the control environment is still too immature to evaluate what needs are the result of resource constraint versus what is a result of a still-developing process. IA will review this topic in future follow-up.

Management drafted a policy document that is in the final stages of the adoption process. Management has adopted three SOP to date with additional SOP (at least one) expected. IA evaluated the adequacy of the adopted SOPs against a risk assessment performed during the 2023 phase of this engagement (in the case of the vehicle use and procurement SOPs) and against a risk assessment performed during IA's preliminary assessment of the vehicle disposal process, completed in November 2023 (in the case of the disposal SOP). Management has adequately addressed all relevant risks through the SOPs or through other UTA procedures.

This audit issue will remain open pending completion of all items.

Audit Finding R-22-06-2 Support Fleet Policies and Procedures

Risk Level: Medium

Details:

Support Fleet management does not currently have codified internal policies and procedures to govern its multiple processes. That is not to say the current control environment is inherently ineffective. Since 2018, the FVA has put a set of ad-hoc controls in place to address risks present within the support fleet. However, not having a set of codified and uniform policies and procedures creates potential gaps in when and how procedures are applied.

We also noted a lack of consistent training procedures for users of support fleet vehicles. Periodic training exists to ensure policies and procedures are applied consistently across the organization. The FVA has been working towards developing policies but due to day-to-day job duties and the lack of departmental resources noted in the finding above they have not yet been completed.

Criteria:

According to the GAO Green Book Section 3.11,

“Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.”

Underlying Cause:

Current resources and department FTEs are not sufficient to allow day-to-day operating responsibilities in conjunction with administrative tasks such as developing policies and procedures.

Effect:

Support Fleet procedures are applied inconsistently across the organization, leading to an increased risk that the fleet will not be managed effectively. These inconsistent procedures expose the fleet to risks such as:

- Untimely maintenance, causing potential mechanical failure and potential harm to life and property.
- Vehicle access is not subject to a mandatory or robust checkout process, which increases the risk of undetected vehicle misuse or theft.
- Key security practices are not mandated, leading to an increased risk of undetected vehicle misuse or theft.

Recommendations:

1. We recommend Support Fleet Management develop new policies and procedures to define requirements and necessary steps for each of its key areas of responsibility.
2. We recommend Support Fleet Management develop training on the policies and procedures and provide this training to employees responsible for or users of fleet vehicles at least annually.

Management Response and Action Plan:

Management agrees with the operational recommendations listed above. The Support Fleet Management is currently working to draft a UTA Support Fleet Vehicle Policy and multiple Standard Operating Procedures (SOP) covering vehicle procurement and onboarding, vehicle maintenance, vehicle use, and vehicle disposal.

Until SOPs and Policy are adopted, UTA's Executive Director will be issuing an order implementing a moratorium on the approval of purchase orders for new non-revenue fleet vehicles. Exception requests will be considered on a case-by-case basis and subject to approval by the requesting Chief Officer and Executive Director.

As discussed in R-22-06-01, UTA management has identified this as an agency priority and is in the process of developing a budget request to add the resources necessary to complete the development of policies, procedures, and training and a supporting FMAP.

Target Completion Date: July 1, 2023

2023 Audit Phase Status:

Recommendation #1 - Internal Audit performed a risk and fraud risk assessment with management which yielded 24 key risks inherent to Support Fleet. Existing controls were documented and drafted policies and SOPs were reviewed to determine if those 24 key risks were sufficiently addressed by management. While Internal Audit offered some informal recommendations to improve the control environment, no reportable gaps exist. Management has yet to adopt policies and SOPs, and the corresponding controls must be implemented, so this recommendation will remain open.

Recommendation #2 – Management has documented consideration of training needs of Support Fleet vehicle drivers. The details, such as content, time, and applicability, are to be determined. While not a reportable condition, Internal Audit informally gave the advice that vehicle access require drivers to

undergo training on Support Fleet policy and processes, completing driver safety, and providing proof of a driver’s license. This recommendation will remain open pending development of a training program.

2024 Follow-up Phase Status:

Recommendation #1 – IA documented the status of this recommendation in the prior section of this report.

Recommendation #2 - Management has not created a training program to date but have intentions to design training on topics like policy review and defensive driving. Internal Audit will follow up in approximately one year.

This audit issue will remain open pending completion of all items.

Audit Finding R-22-06-3 Opportunities Exist to Right-Size the Support Fleet Risk Level: High

Details:

UTAs support fleet was comprised of 812 active status vehicles according to JDE as of February 7, 2022. Of those, 582 are drivable vehicles (“white fleet”) with the remainder consisting of different types of ancillary assets such as ATVs, trailers, police vehicles, and other equipment. We limited our scope of analysis to only the 582 white fleet vehicles. Further analysis should be conducted to determine UTAs operational needs for the ancillary assets.

We performed three levels of analysis to determine a) the general reasonableness of the size of the white fleet, b) the estimated utilization of the white fleet, and c) the potential residual value for vehicles deemed “underutilized.”

Support Fleet Size Reasonableness

We performed a preliminary “gut-check” test on the size of the white fleet by comparing the total number of vehicles in service to the total number of employees who may reasonably expected to use a vehicle. We noted this was an ad-hoc analysis and used our best judgment to determine which employee job descriptions would not be likely to ever use a white fleet vehicle. Therefore, we removed all UTA police department employees and bus/rail operators and hosts from our analysis. This left a conservative total of 1,791 employees that could have access to white fleet out of the 2,577 total employees listed in the phone directory at the time of our review. This indicates that UTA owns one (1) vehicle for every 2.8 employees that could potentially need to use one.

Table 1. Vehicle to Employee Ratio

White Fleet Vehicles	Employees	Vehicle to Employee Ratio
582	1,791	1:3.3

A low ratio indicates a potentially oversized fleet.

This low ratio indicates a potentially oversized fleet. There are additional variables that should be taken into account such as unique use vehicles (e.g., snowplows, bucket trucks, etc.) which would reduce the number of vehicles in the analysis. However, this is still a very conservative ratio as many of the employees would likely never have the need to use or would use the vehicles so infrequently that a deeper-dive analysis would exclude them.

Utilization

After determining there was a high potential that UTA’s support fleet was oversaturated we gauged each white fleet vehicles utilization based upon the estimated number of miles drive by each vehicle over a one-year period between April 23, 2021 and April 22, 2022. We ran into several challenges due to the quality of data that was available for analysis and thus developed assumptions and estimations to arrive at

our conclusions. The FVA concurred with us that the quality of data available to UTA was likely not entirely accurate due to several manual touchpoints being inherent within interconnected processes.

The key datasets and underlying constraints and assumptions we drew from to perform the analysis are indicated in table 2.

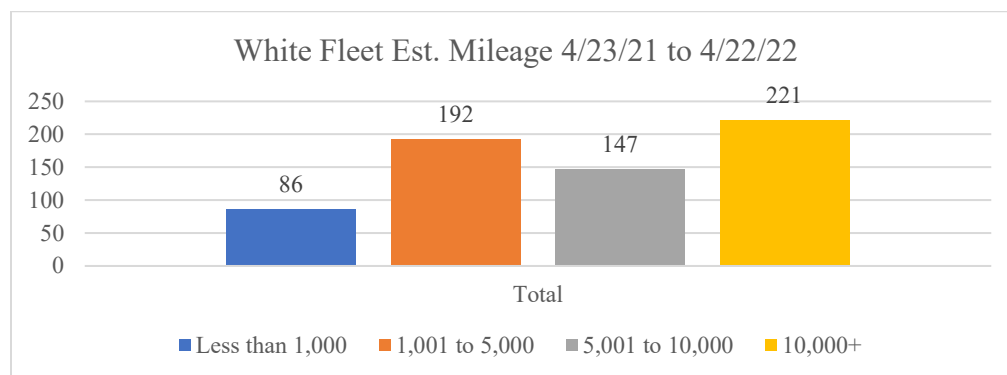
Table 2. Utilization Datasets, Constraints, and Assumptions

Dataset	Constraints	Analysis Assumptions
FuelMaster Fueling Data	Manual odometer entries lead to potential erroneous inputs. White fleet vehicles could be fueled at non FuelMaster stations.	Fueling quantity data is likely the most accurate measurement of vehicle use. All vehicles filled were fueled at a FuelMaster station.
Internet Research on Avg. MPG EPA Data	Different models with different options may have slightly different avg. mpg.	The average mpg based on vehicle make and model is a conservative enough estimate to determine estimated miles driven.

Incomplete and inaccurate datasets required IA to develop reasonable analysis assumptions.

According to Kelley Blue Book, the average number of miles driven by vehicle per year in the US in 2019 was 14,263. To be more conservative, we set our parameter for underutilization at approximately 1/3 of that distance at 5,000 miles. Any vehicle with estimated miles driven of less than 5,000 miles over the period of 4/23/21 to 4/22/22 were classified as underutilized. We found of the 646 total vehicles analyzed, 278 (43%) were driven less than 5,000 miles over that period. Figure 1 below shows the overall breakdown of estimated miles drive.

Figure 1. White Fleet Estimated Miles Driven 4/23/21 to 4/22/22



We estimated underutilized vehicles made up 43% of the white fleet.

The quality of data limited the overall accuracy of our analysis but did serve as a baseline to indicate where further analysis is warranted. Clearly some vehicles will be used less based on their purpose. But ultimately it begs the question if UTA is deploying its fleet in the most efficient manner. There is a high level of opportunity to rearrange where vehicles are located, which can be better shared, which can be reassigned, and those that should be disposed.

Support Fleet Management is currently in the process of installing geotrackers on all support fleet vehicles. These devices should provide more useful datasets that can be measured with a higher level of

accuracy to better answer the question of optimal fleet deployment. For example, the geotrackers should have the ability to track mileage in real time, use GPS and geofencing to ensure vehicles stay within a defined area, and connect to vehicle sensors to proactively detect maintenance issues.

Potential Residual Value

After identifying underutilized vehicles, we attempted to determine the potential residual value of those vehicles in the event UTA chose to liquidate them at this point in time. The analysis was meant to serve as a guide for future decision-making. It is not meant to definitively say this is how much UTA will derive from an aggregate set of transactions.

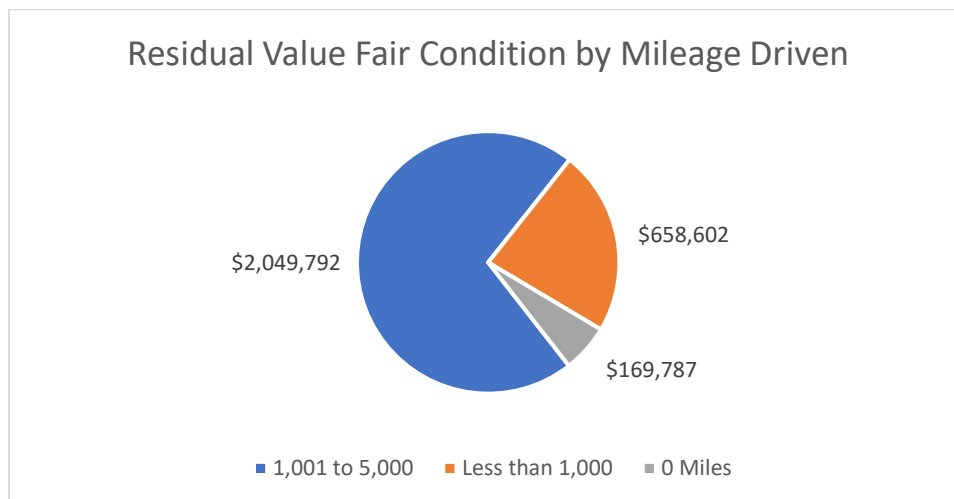
We compared underutilized vehicle descriptions (year, make, model) to Kelley Blue Book values, whenever available, using the following assumptions for the vehicles:

- Base Model
- Standard Features
- White Paint
- Fair Condition (Used, needs some mechanical repairs)

We used these assumptions to obtain a conservative base value for vehicles even though most newer vehicles are likely in “good” condition and included features will vary vehicle to vehicle. In the event Kelley Blue Book values were not available we used other sites to find the most accurate value available (e.g., Commercial Truck Trader for larger vehicles like the Ford F550). We omitted any vehicles with less than one-year of use to avoid skewing the estimated residual value. This left us with a total of 256 vehicles to evaluate.

Our calculations yielded a potential resale value of approximately \$2.88 million. Figure 2 illustrates the potential residual value by mileage stratification. The table in Attachment B shows the breakdown by model year and mileage stratification.

Figure 2. Residual Value Fair Condition by Mileage Driven



Zero-mile vehicles should be closely scrutinized for disposal.

These findings, even with incomplete or inaccurate data, illustrate the point that UTA’s support fleet is likely very oversaturated and serious considerations need to be made as to which vehicles the organization actually needs to fulfill its mission and which ones can be disposed of in order to recapture value that could be put to more effective uses.

Criteria:

According to Fleet Services, a fleet consulting and management company founded in 1957, a key best practice for any Fleet Management function is to have the right vehicles, in the right hands, at the right times. Every vehicle should have a justified business purpose.

Underlying Cause:

The procedures for evaluating vehicle utilization are limited by the type and accuracy of data available to be analyzed along with resource constraints within Support Fleet Management.

Effect:

UTA has an excess of support fleet vehicles which creates the following negative outcomes:

1. New vehicles are purchased when underutilized, older vehicles could be reassigned to serve the same purpose.
2. Departments have the perception that they can have a vehicle purchased or assigned to them without thorough justification for their use.
3. Underutilized vehicles, particularly newer ones, are constantly losing residual value simply by aging.
4. UTA incurs holding costs to maintain underutilized vehicles or underutilized vehicles are not maintained creating a further decrease in residual value.
5. Negative public perception of taxpayer dollar waste.

Recommendations:

1. We recommend Support Fleet Management use the new geotrackers to pinpoint precisely which vehicles are being underutilized and work to either reassign vehicles where they will be more useful or dispose of them to recapture some residual value.
2. We recommend the vehicle purchasing strategy be overhauled to ensure that proper steps are taken to determine if another vehicle within support fleet would be sufficient to meet the needs of the requesting department prior to purchasing a new vehicle.
3. We recommend Support Fleet Management require all employees responsible for a support fleet vehicle, especially underutilized ones, to provide written justification for the business need of their vehicles. Based on the justifications, support fleet should make decisions as to which vehicles may be reassigned or slated for disposal.
4. We recommend Support Fleet Management review the use of floating fleet vehicles available to be checked out by employees to determine if any could be repurposed or disposed.
5. We recommend UTA management review its disposal and auction process to determine if there are ways to streamline sales once vehicles to be disposed of have been identified.
6. We recommend UTA's accounting and finance teams determine if there is a more effective way to manage the budget strategy for support fleet vehicles, for instance, using an internal service fund to charge departments for the use of vehicles.

Management Response and Action Plan:

Management agrees with the recommendations in this finding.

Recommendation 1- Support Fleet Management has been working to install the Geotab units on UTA's support fleet. The amount of data the Geotab telematics units provide is impressive. The use of the data will allow for documented evidence to make actionable and timely decisions in the management of the support fleet. The goal is to right-size the fleet and ensure the vehicle are being appropriately utilized.

The data collected with Geotab will be used to inform a vehicle utilization policy and inform fleet right-sizing based on vehicle usage and department needs. The information collected with Geotab will also inform management response to items 1 thru 3 and form a foundational element of the FMAP.

Recommendations 2 thru 5 will be addressed in the FMAP as defined in Management Response to finding R-22-06-01(2), and the completion of SOPs the Support Fleet group is developing.

Recommendation #6 is currently being investigated by UTA's Finance team regarding establishing an internal service fund for financing the Support Fleet Vehicle strategy. Management recognizes that more funding is needed for the management, operations, and maintenance of the support fleet vehicles.

Finance will review options for better fiscal management and control of the Support Fleet including potentially developing a self-supporting funding approach to the support fleet, either by use of an internal service fund potentially partially funded by vehicle auction sales or the creation of dedicated budgets and fiscal controls for the management of the fleet.

Regardless of the funding strategy, the identification of a centralized owner and budget overseen by Support Fleet Management instead of the current decentralized approach will provide consistency and greater management oversight and control of all Fleet Management functions.

Target Completion Date: April 1, 2023

2023 Audit Phase Status:

Recommendation #1 - Management has installed Geotrackers in support fleet vehicles. These devices collect data on the vehicle and driver habits, including odometer mileage, which audit testing verified as accurate, and patterns of aggressive driving. Additionally, a consulting firm developed a formula management can use to evaluate vehicle retain/dispose decisions with mileage a key input. The formula has bookends of minimum annual mileage and maximum total mileage to alert management of vehicles that may need to be disposed.

Recommendation #2 and #3 – Management has drafted, but not yet adopted, an SOP to guide on vehicle assignments and allocation. Vehicle users will be required to annually complete a form justifying continued vehicle use, and when a position incumbent leaves UTA. Vehicle assignment will be based on the following criteria: 1) Need for the vehicle 2) type of vehicle needed 3) number of operators 4) number of operator shifts 5) vehicle availability. Management believes that the enriched data environment may ultimately make a justification form unnecessary, since the data will bear vehicle use patterns out. The recommendation will remain open pending adoption of SOPs, finalization of controls, and support from executive management on adoption.

Recommendation #4 - In response to the audit, the Executive Director placed a purchase moratorium on new non-revenue vehicles. No purchases varying from the terms of the moratorium were made.

Management made the decision not to dispose of vehicles unless for age-based reasons and is developing strategy to optimize use of the current fleet. This optimization will be based on performance metrics such as mileage by trip, vehicle model, and time in use with an emphasis on the needs of departments. While fleet right-sizing will be an on-going goal, management has documented a researched and methodical approach to implementation. The recommendation will remain open, with final resolution dependent on the successful roll-out of a right-sizing strategy, as evidenced by an improvement in fleet use metrics.

Recommendation #5 was not considered in this audit but will be in a separate preliminary assessment of disposal practices.

Recommendation #6 – Management hired consultants who evaluated the merits of a revolving service fund strategy with initial funding from the auction of surplus vehicles. The consultants concluded *“In summary, auction seed money would not substantially support a revolving service fund. To further explore the possibility of the revolving fund, additional funding sources will need to be identified. It is also recommended for UTA to establish a vehicle replacement timeline to support a consistent cash flow projection.* The comptroller confirmed that funding for support fleet is currently being conceptualized as capital funding. This recommendation will remain open pending final decisions on how the support fleet will be funded in the future.

2024 Follow-up Phase Status:

Recommendation #1 – IA documented that this action plan was complete in the 2023 phase of the engagement.

Recommendation #2, #3, and #4 – Management tracks utilization and identifies vehicles that can be moved to a shared pool or not replaced upon disposal, but by their own assessment they have not made significant progress towards this objective. They feel this is because they lack the “teeth” to enforce their utilization decisions. They also do not have clear guidelines or thresholds to make utilization decisions, which weakens their ability to enforce their decisions.

IA will re-evaluate progress on these recommendations in approximately one year. Management expects additional policy and SOP to be adopted by that time. IA recommends that management adopt formal threshold standards to hold vehicle users accountable for expected rates of use. See Audit Finding R-22-06-5 of this report for the documentation of that recommendation.

Recommendation #5 – IA removed this recommendation audit in the 2023 phase of the engagement in because the topic was covered by an engagement specific to the topic of vehicle disposal.

Recommendation #6 – Management is funding vehicle purchases through the capital plan. Vehicle users, however, primarily pay for maintenance costs using UTA issued purchase cards. This has led to an information gap as management does not have direct control of the documentation. For example, in May 2024 NRV showed approximately \$85,000 of maintenance and repair related expenses, while auditor pulled records showed expenses of \$119,000 in that month. NRV management could reduce this information gap if they had read-only access to the system where purchase cards receipts are retained. See Audit Finding R-22-06-6 of this report for additional recommendations to assist management.

This audit issue will remain open pending completion of all items.

Audit Finding R-22-06-4 Floating Vehicle Check-out and Physical Security Measures are Ineffective Against Preventing Fraud and Abuse

Risk Level: High

Details:

Support Fleet currently utilizes a checkout application on an internal intranet site called UTANet for its floating white fleet, defined as fleet vehicles any employee can potentially use. We examined the support fleet vehicle check-out process for floating support fleet vehicles. This included a review of the support fleet check-out application found on UTANet and the physical security of vehicle keys. We found the online application for checking out and checking in vehicles was not developed or deployed in a manner

to adequately approve and track vehicle use. The system was lacking key controls to allow Support Fleet to properly monitor the check-out process. This included lack of proper approval workflows, allowing anyone with a login to request a vehicle without having a supervisor approve the check-out. We noted lack of logic controls, such as being able to check out a vehicle without it being checked back in first.

We also found the physical security over vehicle keys was non-existent at the UTA headquarters building, FLHQ. Keys are kept in a lockbox by the FLHQ Southwest entrance which is not locked. Anyone with access to the building can remove a support fleet vehicle from the premise without detection. To illustrate this point, the Internal Audit team, with the permission of the Board Chair and the knowledge of the UTA Police Department, stole a car from the FLHQ parking lot and dropped it at another UTA facility for a one-week period. During that time the vehicle was never reported missing. UTA saves its security footage for a one-week period, meaning that vehicles not reported missing within that timeframe have a significant risk of being stolen and not detected until the next physical inventory of vehicles.

Criteria:

According to Fleet Services, an independent vehicle management company established in 1957, one of the best practices that should be implemented over fleet vehicles is the drafting and approving driver and vehicle policies that reduce the company's exposure to unexpected liabilities resulting from drivers who perhaps should not be driving. This extends to the argument that the systems that enforce those policies be designed and implemented in a way that allows the policies to be adequately followed.

Underlying Cause:

The lack of resources within Support Fleet Administration, coupled with the inadequate design of the check-out and monitoring system, has resulted in a lack of governance and oversight over floating support fleet vehicles.

Effect:

Support fleet vehicles could be stolen or otherwise misused without detection.

Recommendations:

1. We recommend developing or purchasing new check-out software and adding additional controls to the check-out process. The new controls should be robust enough to 1) ensure Support Fleet knows who has custody of a vehicle at any given time, 2) ensures proper approvals for vehicle use are documented prior to an employee taking custody of a vehicle, 3) ensure vehicle keys are kept in a secure (locked) area that can only be accessed with either a unique identifier code or unlocked by a custodian that verifies the employee has gone through the check-out process and has all approvals documented.

Management Response and Action Plan:

Management agrees with this finding and will put in place a system of controls to improve security of the check-out process. Recommendations for the acquisition of a new automated check-out system with the appropriate controls will be reviewed and included in the FMAP for early implementation.

Management also recognizes the likely challenges it will have to analyze for implementation while not creating overburdensome requirements for support fleet vehicle use, particularly as it relates to UTA's ability to respond to emergencies.

There are a variety of solutions UTA could review in the FMAP to secure its pool keys and vehicles. Solutions could potentially include, but are not be limited to:

- 1) Leveraging additional functionality capabilities of the Geotab system and implement various levels of RFID technology to better document operating characteristics.
 - a. Could be implemented to require users to scan key fob before operating via SOP.
 - b. Could be implemented with additional vehicle hardware preventing the starting of a vehicle without scanning employee key fob.
- 2) Purchase an electronic key management system that tracks key usage and verifies only authorized employees are checking out vehicles.
- 3) Ensure software solution notifies Support Fleet Management when fleet vehicles are not returned per vehicle checkout information.
- 4) Eliminate or modify the concept of a fleet pool and have department/assigned vehicles

The FMAP will consider the options and associated complexities that will inform its recommendations.

Target Completion Date: April 1, 2023

2023 Audit Phase Status:

Management is researching options for a new key management and checkout system but have yet to arrive at a decision. Research has included consultant investigation into options and in-person inspections of systems used by other organizations.

Management has researched costs of a key management system and \$330,000 is earmarked in the UTA five-year capital plan for procurement of a key management system.

2024 Follow-up Phase Status:

Management signed a contract for a key management system called Agile Fleet in April 2024. There have been delays installing as the Information Technology (“IT”) department has decided various issues such as hosting. Currently, IT has no timeline for implementation on their end. The audit issue will remain open pending implementation.

Attachment B: Additional Recommendations from 2024 Follow-up Phase

Audit Finding R-22-06-5 Management should create clear use thresholds to govern vehicle use

Risk Level: Medium

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) publishes an integrated framework to guide organizations on best practices for internal controls. Component Three: Control Activities, Principle 12 of this framework, states:

The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

An advocacy group called NAFA Fleet Management Association publishes a guide called “The Ultimate Guide to Understanding Fleet Utilization.” Section 3.1 of the guide, Establishing a Baseline, states:

Objective, timely, and accurate fleet utilization metrics are the key to all fleet utilization studies. If any of these characteristics of the basic fleet information you use to make fleet changes is

questioned, so will the outcomes you generate from your fleet utilization study. So, be absolutely certain that data you collect is believable and valuable.

The guide provides further “ingredients for success” defining the characteristic of objective in context of a utilization metric:

- *Avoid subjective criteria such as “used frequently”, “necessary,” [sic] “important”*
- *Document the definition of metrics clearly if there is any ambiguity in the meaning of the metric*
- *Use technology to capture metrics when possible (e.g. GPS, electronic logs, or motor pool or fleet management systems)*
- *Ensure that metrics are captured and reported in a consistent way across the fleet*

Condition:

NRV management monitors vehicle use and identifies vehicles with low to no use that may be candidates for disposal or moving to a shared pool. Management has informal thresholds to evaluate utilization but have not documented the thresholds and associated expectations.

Cause:

Formal control over support vehicles is recent.

Underlying Effect:

NRV management cannot exercise governance authority on disposal decisions without clear guidance on what performance metrics vehicles operators should meet.

Recommendation:

1. Management should establish thresholds to evaluate vehicle utilization.
 - a. The thresholds should be objective.
 - b. The thresholds should be measurable.
 - c. Expected outcomes should be clearly defined and associated to thresholds.
2. Management should develop an accompanying policy to address vehicle user’s appeals and unusual circumstances that may make deviations from expected outcomes appropriate.

Management Response and Action Plan:

The current threshold to determine whether an assigned vehicle is appropriate or if use of the motor pool would better meet operational needs is based on an annual Vehicle Miles Traveled (VMT) threshold of 3600. Vehicles that fall under 3600 VMT are further evaluated by their average daily trips using 260 days per year as the divisor. The threshold number for average daily trips counted for a vehicle to be considered for reallocation if it is not meeting the 3,600 VMT per year would be 1. Both the VMT and trip count data is taken from the Advanced Default Trips Summary Report in Geotab.

A Laserfiche form will be implemented to address appeals or circumstances that would allow the continued use of an assigned vehicle outside of the established thresholds.

Given the relatively recent establishment of formal control over the Non-Revenue Vehicle Program, the current thresholds may need adjustment as more data becomes available. The thresholds will be regularly reviewed and updated as necessary to ensure they remain aligned with operational requirements.

Target Completion Date: Not applicable – use thresholds will be an ongoing benchmark evaluated by management.

Audit Finding R-22-06-6 Management should be granted read-only access to the US Bank Purchase Card System

Risk Level: Medium

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) publishes an integrated framework to guide organizations on best practices for internal controls. Component Four: Information and Communication, Principle 13 of this framework, states:

The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Guidance for the principle further clarifies:

Obtaining relevant information requires management to identify and define information requirements at the relevant level and requisite specificity. Identifying information requirements is an iterative and ongoing process that occurs throughout the performance of an effective internal control system.

Condition:

Vehicle users primarily pay for vehicle maintenance costs, such as maintenance, supplies, fuel, and repairs using UTA issued purchase cards. NRV management attempts to track these costs, but they do not have access to the US Bank system used by the Procurement department to store purchase card receipts. Management relies on cardholders to provide their applicable documentation, but this does not always happen. For example, in May 2024, NRV management received documentation for approximately \$85,000, while accounting records show that approximately \$119,000 of purchases were booked to NRV accounts.

Cause:

Not applicable.

Underlying Effect:

Management relies on complete and accurate information to forecast budgets, manage the timing of maintenance, and track the overall cost of the NRV fleet.

Recommendation:

1. Procurement Management should grant read-only access to US Bank the NRV team to run detailed reports and download receipts.

Management Response and Action Plan:

Management is working with the Non-Revenue Vehicle team to identify what team members need US Bank access. It will be set up to grant needed access while protecting sensitive data.

Target Completion Date: December 31, 2024

Attachment C: Residual Value by Mileage and Model Year²

Figure 2. Residual Value by Mileage and Model Year

Vehicle Year	Vehicle Count	0 Miles	Less than 1,000	1,001 to 5,000	Grand Total
1988	1	\$ -	\$ 4,666.00	\$ -	\$ 4,666.00
1995	2	\$ -	\$ 1,846.00	\$ 5,335.00	\$ 7,181.00
1997	4	\$ 1,464.00	\$ -	\$ 5,866.00	\$ 7,330.00
1998	15	\$ 2,430.00	\$ 36,288.00	\$ 11,470.00	\$ 50,188.00
1999	13	\$ 2,280.00	\$ 12,526.00	\$ 26,190.00	\$ 40,996.00
2000	8	\$ -	\$ 31,582.00	\$ 39,072.00	\$ 70,654.00
2002	15	\$ 2,944.00	\$ 39,441.00	\$ 28,978.00	\$ 71,363.00
2004	13	\$ 2,271.00	\$ 42,076.00	\$ 31,007.00	\$ 75,354.00
2005	5	\$ 4,934.00	\$ 39,000.00	\$ 8,536.00	\$ 52,470.00
2006	23	\$ 2,096.00	\$ 24,972.00	\$ 129,332.00	\$ 156,400.00
2007	24	\$ 16,982.00	\$ 102,115.00	\$ 154,793.00	\$ 273,890.00
2008	30	\$ 3,192.00	\$ 53,466.00	\$ 228,433.00	\$ 285,091.00
2009	21	\$ -	\$ 50,284.00	\$ 168,301.00	\$ 218,585.00
2010	6	\$ -	\$ 8,477.00	\$ 16,843.00	\$ 25,320.00
2011	30	\$ 5,491.00	\$ 51,916.00	\$ 416,300.00	\$ 473,707.00
2012	16	\$ -	\$ 53,857.00	\$ 220,258.00	\$ 274,115.00
2013	15	\$ 39,875.00	\$ 32,920.00	\$ 217,241.00	\$ 290,036.00
2014	1	\$ -	\$ -	\$ 5,806.00	\$ 5,806.00
2016	1	\$ -	\$ -	\$ 58,651.00	\$ 58,651.00
2017	4	\$ -	\$ -	\$ 117,733.60	\$ 117,733.60
2018	4	\$ -	\$ 46,817.00	\$ 96,898.00	\$ 143,715.00
2019	1	\$ 58,268.00	\$ -	\$ -	\$ 58,268.00
2020	1	\$ -	\$ -	\$ 25,719.00	\$ 25,719.00
2021	3	\$ 27,560.00	\$ 26,353.00	\$ 37,029.00	\$ 90,942.00
Grand Total	256	\$ 169,787.00	\$ 658,602.00	\$ 2,049,791.60	\$ 2,878,180.60

- This table details the aggregate potential residual value for underutilized vehicles by vehicle model year and the range of miles driven between the period of April 23, 2021 and April 22, 2022. The purpose is to illustrate the stratification in value between older and newer vehicles for the purpose of determining where “quick-wins” can be realized through the disposal process.

² This table is from the 2022 phase of the audit. It is retained in this report to maintain the reference in the 2022 findings.