

TOWN OF WESTPORT
OFFICE OF THE INTERNAL AUDITOR



INTERNAL AUDIT REPORT

TOWN OWNED VEHICLES

IA 12-04

MARCH 21, 2013

LETTER OF TRANSMITTAL

MARCH 21, 2013

CHAIRMAN KANER AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:

I respectfully submit the enclosed internal audit report of Town-owned vehicles. I greatly appreciate the time, patience and cooperation of all parties involved in this audit.

Overall, it appears that Westport's administration has very good controls over its fleet of town-owned vehicles. Town departments (including Westport Public Schools – "WPS") appear to working well together in sharing resources and expertise in the area of vehicle maintenance. Further collaboration is anticipated, as the Police and Highway Departments have begun to explore the concept of one software platform for maintaining vehicle records Town-wide.

Included in this report are findings and recommendations that are intended to assist Town of Westport administrators in identifying opportunities for strengthened controls and efficiencies.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

Lynn Scully
Internal Auditor, Town of Westport

CC: GORDON JOSELOFF, FIRST SELECTMAN
GARY CONRAD, DIRECTOR OF FINANCE
JEFF WIESER, CHAIRMAN, RTM FINANCE COMMITTEE

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A. INTRODUCTION

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES:

The objectives of this audit were to:

- ◆ Provide an overview of number and type of vehicles (cars, trucks, commercial vehicles) the Town of Westport currently owns and how they are used.
- ◆ Obtain an understanding of all key controls over fleet inventory.
- ◆ Evaluate control procedures related to drivers of Town of Westport vehicles.
- ◆ Estimate the costs associated with maintaining the Town's current fleet of vehicles, including insurance, fuel and repairs.
- ◆ Identify opportunities for strengthened controls and efficiencies within the context of Town-owned vehicles.

SCOPE:

The purpose of this audit was to review current policies and procedures in the management of town-owned vehicles. There was no physical inventory conducted for the purpose of this audit.

METHODOLOGY:

Reviewed existing documented policies and procedures.

Surveyed area towns for comparative purposes.

Conducted interviews with key representatives of the Town of Westport and Westport Public Schools to obtain an understanding of current vehicle management.

Documented understanding of various vehicle-related processes employed.

Identify opportunities for strengthened controls and efficiencies related to the management of town-owned vehicles.

B. OVERVIEW OF WESTPORT'S TOWN-OWNED VEHICLES

Town-owned vehicles, for the purposes of this review, are defined as those vehicles requiring license plates. Passenger vehicles, motorcycles, emergency vehicles and certain commercial vehicles would fall into this category.

Town-owned vehicles (valued at an acquisition cost of approximately \$9.2 million) are considered capital assets for reporting purposes – meaning that they are defined as assets with an initial, individual cost of more than \$5,000 with an estimated useful life in excess of one year. They are included under the category of Machinery and Equipment and represent 29% of that line item, as illustrated in *Exhibit 1* below.

Exhibit 1

Capital Assets, Gross (thousands)	June 30, 2012
Land	\$ 32,452
Buildings and system	303,529
Improvements other than buildings	20,103
Machinery and equipment*	31,655
Infrastructure	104,853
Construction in Progress	6,973
	\$ 499,565
*Machinery and equipment	31,655
Acquisition Cost of Town-Owned Vehicles, 2012	9,237
% of Machinery and equipment	29%
% of Capital Assets	2%

Financing

New vehicles are funded through operating capital accounts that are subject to the annual budget process at a departmental level. The exception to this process would be vehicles purchased by Westport Public Schools (WPS), as the Town does not have line-item control over WPS expenditures.

Procurement

New vehicles are acquired through the Town's regular sealed bidding process or are purchased off the state bid list (local municipalities are entitled to purchase at state-negotiated contractual prices).

Inventory

At June 30, 2012, the Town of Westport had 175 vehicles listed in inventory, summarized by department in *Exhibit 2*:

Exhibit 2

Vehicle Inventory by Department at June 30, 2012				
	Passenger	Emergency	Commercial	Total
Assessor	2			2
Conservation	1			1
Planning and Zoning	1			1
Police		37	6	43
Dog Warden	1			1
EMS	3	3		6
Railroad Parking	1			1
Fire		20	5	25
Building	4			4
Engineering	4		1	5
Highway	21		23	44
Sewer	3		2	5
Building Maintenance	2			2
Westport Public Schools	16		1	17
Parks and Recreation	2		2	4
Guest Services	1			1
Parks Maintenance	11		1	12
Athletic Fields	1			1
	74	60	41	175

Inventory information is contained within the fixed asset module of the Town's financial system software, MUNIS (for more information about the current systems environment, see pg 11).

Registration, Titles and Insurance

All Town-owned vehicles are registered to the Town of Westport, CT. The majority of Town-owned vehicles have municipal license markers with a number followed by the letters "WP." A small number of vehicles owned by the Town have non-municipal plates, presumably for security purposes.

Vehicle titles are secured by the Town's Finance Department, with the exception of the Police Department and WPS.

The Town has insurance through Connecticut Interlocal Risk Management Agency (CIRMA) that is considered a Liability-Automobile-Property pool policy. All town-owned vehicles are covered by this policy. For the fiscal year ended June 30, 2012, the Town of Westport posted **\$123,824** to auto and liability insurance expense, averaging \$708 per vehicle annually.

Existing Policy

The Town's current Auto Policy categorizes vehicles regarding permitted use as follows:

Exhibit 3

Category	Current Policy
A	Assigned for Home-To-Work Use Personal use up to a radius of 20 miles of Town Hall. Personal use permitted beyond a 20-mile radius from Town Hall on a reimbursement basis of \$0.55/mile except when on call or Town business. Required to respond at all times. Must retain personal mileage records.
B	Assigned for Home-To-Work Use May be used for personal use within radio range while on call in the local area. Required to respond frequently.
C	Assigned for Home-To-Work Use ONLY NOT available for personal use. Available to respond as needed.
D	Departmental Use Only NOT available for Home-To-Work or personal use.

In addition, existing policy includes the following:

- Personnel with assigned vehicles may make their vehicles available in a town-wide motor pool for personnel in all departments.
- Town vehicles must be clearly marked with the appropriate seals, with the exception of Finance Director, First Selectman and Police Captain. Fire Chief, Police Chief and Police Detective vehicles shall be completely unmarked. (Note: neither the First Selectman nor the Finance Director have elected to use a town-owned vehicle for home-to-work purposes)
- All drivers shall record their names and operator license numbers to be on file in the Finance Department for insurance purposes.

The Internal Revenue Service (IRS) requires that the commuting value of an employer-provided vehicle be considered a taxable benefit to the employee using it. The Town's Finance Department requires annual reports from these employees for the purpose of calculating this benefit and includes this amount on the employee's W-2.

WPS also has documented procedures regarding the use of town-owned vehicles.

Take-home Vehicles

Essential town personnel are issued town-owned vehicles for home-to-work use, to ensure quick response time in the event of an emergency. Seventeen vehicles fall into this category. *Exhibit 4* illustrates how these vehicles are distributed:

Exhibit 4

Take Home Vehicle Listing 2012	
Job Title	Dept
Building Official	Building
EMS Coordinator	EMS
Deputy Fire Chief	Fire
Fire Chief	Fire
Assistant Fire Chief	Fire
Fire Marshal	Fire
Operations Supervisor	Parks & Rec
Parks & Recreation Director	Parks & Rec
Parks & Recreation Maint Superintendent	Parks & Rec
Police Captain	Police
Police Chief	Police
Deputy Police Chief	Police
Detective Commander	Police
K9 Handler	Police
Public Works Director	Public Works
Maintenance Supervisor	Public Works
Highway Superintendent	Public Works

Maintenance and Fuel Costs

The Town of Westport employs 5.5 FTE Mechanics, as illustrated in *Exhibit 5*:

Exhibit 5

Fleet Mechanics		
Dept	#	2012-2013 Annual Salaries*
Fire	1.0	76,550
Parks & Recreation - Maint	0.5	29,713
Parks & Recreation - Golf	0.5	29,713
Police	1.5	101,311
Public Works - Highway	2.0	122,228
Full Time Mechanics	5.5	359,515

* Budgeted salaries and overtime. Does not include benefits.

This amounts to an average cost of \$2,054 per vehicle (not including benefits). In addition to these employees, the Town of Westport routinely uses outside vendors to service its fleet of vehicles.

Interdepartmental and Outside Work

The Police Department mechanics perform work for the Town of Easton, Westport Public Schools (WPS) and other departments of the town. The Police Department invoices these outside towns/departments for time and materials. Funds received are recorded as revenue for labor (for Easton and WPS) and recorded as a reimbursement for parts and materials.

In the current fiscal year (as of Feb 20, 2013), the Town of Easton paid the Town of Westport \$ 13,449 for these services.

As of Jan 15, 2013, the town has billed WPS \$ 9,160 for these services.

Town Highway Department personnel also occasionally work on vehicles assigned to other departments of the town, such as Parks & Recreation. These transactions are handled through the payroll system for labor and the accounts payable function for materials.

FUEL

The Town of Westport has 4 gasoline and 3 diesel fuel pumps in various locations (see *Exhibit 6* below).

Exhibit 6

Fuel Tank Location	Gasoline	Diesel
Fire Dept		1
Highway Dept	2	1
Parks & Recreation Dept	1	1
Police Dept	1	
	4	3

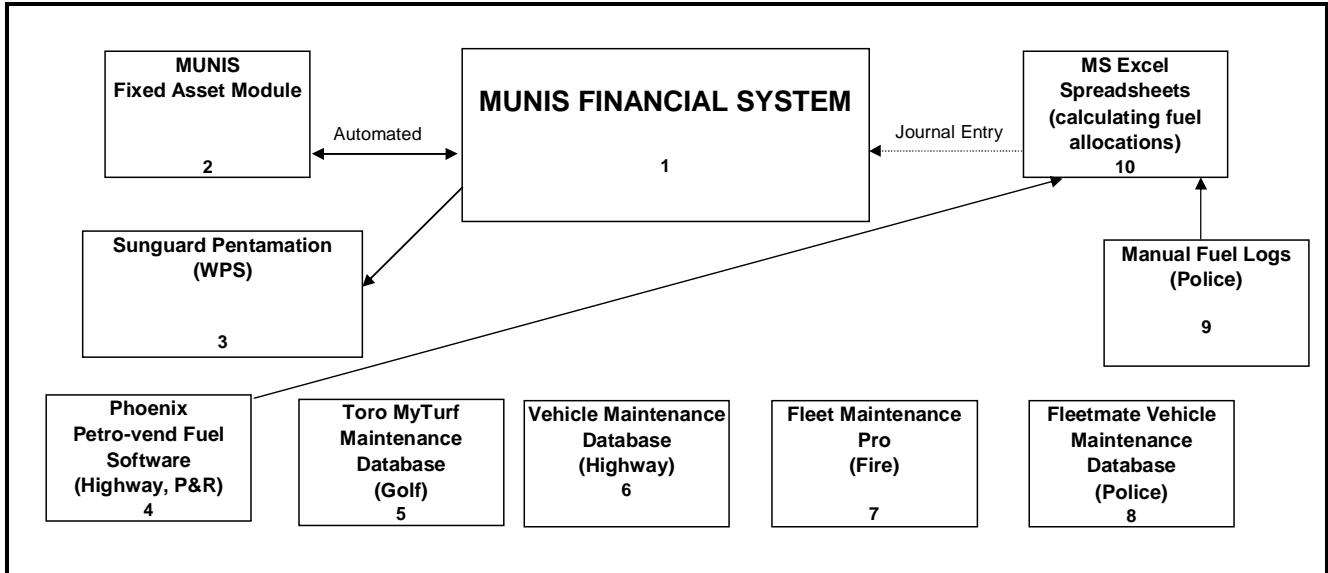
Because fuel and maintenance costs are in some cases combined in departmental budgetary accounts (see finding 4.a.), I have calculated the annual combined cost of fuel and maintenance (not including salary and benefits mentioned above) for fiscal year ended June 30, 2012 to be **\$711,973**, or approximately \$4,068 per vehicle.

Other Key Controls

- Vehicle purchases are subject to the annual budget process.
- All vehicle purchases are subject to the Town of Westport and/or WPS policies regarding bidding and exceptions.
- All Town of Westport drivers of commercial vehicles are required to hold a CDL (commercial driver's license) through the State of CT. These licenses come with certain requirements (annual physicals, mandatory "random" drug and alcohol testing).
- Employees that take vehicles home are subject to Town policy requiring annual reporting of personal use (home-to-work use considered a taxable benefit under IRS regulations).
- The Town's Finance Department has a procedure in place to identify fixed assets at the time of procurement, so that this information is captured for update to the fixed asset ledger module.
- Security cameras are utilized at most of the fueling stations.
- Access to electronic fuel pumps is limited to those with assigned key fobs.
- Monthly fuel reports are provided to the Town's Purchasing Officer, who allocates costs to departments within MUNIS.
- Detailed fleet information is provided to CIRMA for insurance purposes annually.
- Most vehicles are disposed of through a "sale of surplus property" process, overseen by the Finance Dept.

THE SYSTEMS ENVIRONMENT(S):

Exhibit 7



The following briefly describes each software application presented in Exhibit 7.

<u>APPLICATIONS</u>	
1	MUNIS – Operating and capital expenditures related to town-owned vehicles are accounted for within the MUNIS system. The exception to this would be any expenditures by WPS to outside vendors for vehicle-related transactions. Expenditures that should be capitalized are flagged as such and are captured for update to the MUNIS Fixed Asset Module. This is a web-based application.
2	MUNIS FIXED ASSET MODULE – Vehicles, along with other fixed assets, are accounted for within this application. The inventory maintained within this module is updated annually. This is a web-based application.
3	SUNGARD PENTAMATION – Costs associated with vehicles assigned to WPS are accounted for within this financial application. Fuel and maintenance costs captured within MUNIS are communicated back to WPS for expenditure recording (in due to/from accounts). This is a web-based application.
4	PHOENIX PETRO-VEND – This software application controls the use of gasoline pumps at the Highway Department and Parks and Recreation. This application resides on Town of Westport servers.
5	TORO MYTURF – This application is used exclusively by the Parks & Recreation Golf Division to track maintenance information for its equipment. The maintenance records for two vehicles, a pickup truck and a dump truck, are tracked within this web-based application.

6	VEHICLE MAINTENANCE DATABASE – An in-house developed application tracked maintenance records for Highway Dept vehicles and equipment. Due to a reduction in staffing, the information contained within this application has not been updated within the past 2 years. It resides on the Town of Westport servers.
7	FLEETMATE MAINTENANCE PRO – This application is used by the Fire Department to track maintenance for its fleet of vehicles. Fire Dept personnel can enter maintenance requests through this system. This software application resides on the Town of Westport servers.
8	FLEETMATE VEHICLE MAINTENANCE APPLICATION – This application is used by the Police Department to track maintenance for its fleet of vehicles. It is currently used for all of the Police Dept vehicles, some vehicles belonging to the Town of Easton and certain other Town of Westport departments. The Town of Westport is currently investigating expanding the use of this application. This software application resides on the Town of Westport servers.
9	MANUAL RECORDS – Manual records are maintained for certain gas pumps within the Town of Westport. Manual records related to in-house and/or outsourced repairs on town-owned vehicles are still maintained within the town’s Highway and Parks & Recreation Departments.
10	MICROSOFT EXCEL – The Town of Westport’s Purchasing Officer calculates fuel cost allocations based on monthly usage reports using MS Excel spreadsheets. He then posts those allocated amounts to the appropriate departmental budgetary accounts in MUNIS.

C. FINDINGS AND RECOMMENDATIONS

It should be noted that some internal control issues were identified as a result of this review. The following findings and recommendations are operational in nature and are intended to assist Town and WPS administrators in identifying opportunities for strengthened controls and efficiencies.

1. Policies and Procedures

a. **Finding: Need for Updated Policies and Procedures – Needs improvement**

It appears that the latest revision of the Town's Auto Policy was in March 2009. These procedures specifically address the use of vehicles. However, how the Town of Westport acquires, maintains, accounts for and disposes of its vehicles is not adequately addressed within the existing documented procedures.

Similarly, the procedures maintained by WPS specifically address the usage of vehicles.

Recommendation:

While town policies should continue to address the usage of town-owned vehicles, a more comprehensive set of guidelines addressing the processes for acquiring new or used vehicles, maintaining vehicle repair/maintenance records, along with the process for replacement or disposal of vehicles would greatly strengthen controls over these assets.

2. Systems

a. **Finding: Systems for Maintenance Records and Fuel – Needs improvement**

The Town of Westport utilizes a server-based software application (Phoenix Petro Vend) to control fuel at some but not all town gas pumps (manual logs are maintained at Police and Fire). The system prompts the driver to enter odometer readings. Accurate fuel consumption data is difficult for any drivers that utilize both types of fuel pumps.

The Town of Westport's Highway Department has a database vehicle maintenance tracking program that is no longer being updated, due to recent staffing reductions. Service information is recorded on manual forms by the Town's mechanic, but that information has not been filed in several months, nor has the data contained therein captured in the maintenance database.

Maintenance records for other Town of Westport departments are maintained in other software applications (see pp 11-12) or in paper form. Off-site maintenance information is also included in accounts payable supporting documentation when work is performed by outside vendors.

Recommendation:

The Town of Westport should consider updating its fuel monitoring system so that all access points are captured. This system should include a maintenance module so that information regarding work performed on all town-owned vehicles (time and materials) can be directly entered into the system by town mechanics, thereby avoiding the need for paper forms. Information regarding work performed by outside vendors on these vehicles should also be entered into this system.

With complete fuel consumption and maintenance records available in one application, the Town of Westport will be able to track each vehicle's life cycle costs from the date of its acquisition to the point of its disposition. This information will be especially helpful in determining the optimal time to replace a vehicle. Further, having maintenance and fuel information in one database for the entire fleet would provide sufficient standardization to facilitate timely, meaningful analysis.

3. Other

a. **Finding: Accounting for Fleet-Related Expenditures within MUNIS – Needs Improvement**

Individual departments appear to be recording fleet-related expenditures within different accounts in the MUNIS system. Some departments record fuel and repairs together in one account, while others separate these costs into multiple accounts. The following (*Exhibit 8*) illustrates the various MUNIS accounts that fleet-related expenditures are currently recorded in:

Exhibit 8

Object Code	MUNIS Description	Dept
542032	Operation - Gas	Parks & Rec
543000	Vehicle Maint. & Operation	Assessor, Conservation, P&Z, Police, Dog Warden, Public Works
543500	Vehicle Maintenance	Fire, Building
544000	Vehicle Operation	EMS, Fire, Building, Engineering, RR Parking
544001	Fuel	Highway
544002	Supplies/Lubricants	Highway

Similarly, fuel and maintenance transactions were accounted for within one budgetary account in WPS's Pentamation.

When fleet-related transactions are posted to different accounts in this manner, it is difficult to perform quick and meaningful analysis for operational purposes.

Recommendation:

The account structure within MUNIS should be reviewed and possibly reorganized by the Finance Department as it relates to vehicles, with the goal of uniformity wherever possible. This will greatly facilitate analysis. Further, fuel transactions should be classified separately from maintenance costs.

WPS should also consider separating these costs within Pentamation.

b. ***Finding: Town Seal – Needs Improvement***

During the course of this audit, it was observed that not all of the fleet was marked with the Town Seal, as is required by existing policy.

Recommendation:

Town administrators should determine whether these exceptions to existing policy are warranted.