# EVENTS & TRANSPORTATION

# FLEET & TRANSIT

# RECHARGE AUDIT

AUDIT REPORT #18-2206

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) conducted an audit of Fleet & Transit’s (F&T) recharge business practices.

Fleet & Transit is a department within Events & Transportation (E&T) and is comprised of two operating units: Fleet Services, a self-supporting service enterprise; and Transit Operations, a subsidized service enterprise.

Fleet Services provides comprehensive fleet management services for a vehicle and equipment inventory of 1,144, of which 1,072 are University-owned general purpose vehicles. In addition, Fleet Services provides specialty vehicles for specific departmental applications, ranging from ambulances to shuttle buses, as well as inventory management for 72 vessels. Core services include vehicle procurement, the monthly lease program, vehicle maintenance and repair services, vessel management, on and off-campus fuel provisions, driver safety compliance programs, and the BruinCar daily rental program (supplemented with vendor provided vehicles, if needed). The budgeted total revenue for Fleet Services for fiscal year 2017-18 is approximately $9.53 million, with about $9.16 million in recharge income and approximately $370,000 in external income.

The majority of the Transit Operations business is providing commuter support services around campus such as the BruinBus, UCLA Safe Ride, and the Center for Accessible Education shuttle programs. Parking Services was budgeted to provide a subsidy of approximately $4.76 million to support these services in fiscal year 2017-18. On a recharge basis to campus departments, any part of the off-peak shuttle bus fleet and Transit Operations personnel are available for on-campus events (such as student move-in) or off-campus activities (such as athletic events). As needed, Transit Operations also coordinates with vendors to provide transit and charter bus services. The budgeted total recharges for fiscal year 2017-18 were approximately $1.79 million.

The FleetFocus software is used to manage the Fleet Services operations by tracking vehicle inventory, daily rental vehicles, monthly assigned vehicles, and vehicle maintenance and parts. Additionally, Fleet Services compiles information from FleetFocus and other sources to generate monthly recharge and billing statements. The data from these statements are subsequently uploaded directly to the general ledger on a monthly basis. Transit Operations charter services are tracked using the SmartSheet software. The SmartSheet system was implemented in March 2018. Recharge billing for Transit Operations charter services is performed on a monthly basis.

Fleet & Transit is managed by a Director who reports to the Executive Director of Events & Transportation.

Purpose and Scope

The primary purpose of the review was to ensure that the related systems and procedures surrounding recharge activities are conducive to accomplishing F&T’s business objectives. The secondary purpose of the review was to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with University and departmental policies and procedures was also evaluated.

The scope of the audit focused on controls surrounding the following activities:

* Recharge Rates Approval
* Fleet Management Fee Recharges
* Car Rental Recharges
* Fuel Recharges
* Driver Safety Verification Recharges
* Transit Charter Services Recharges
* Transit External Vendor Coordination Recharges

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary in achieving the purpose. Interviews were conducted with management and staff, and various other financial and administrative documents were examined.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, business processes and control procedures regarding F&T’s recharge activities are generally conducive to accomplishing the department’s business objectives. However, F&T management could improve internal controls by implementing the following:

* Management should work with the SmartSheet system vendor to address system limitations that have been identified as control weaknesses.
* Management should include the Economy Hybrid vehicle rate in the Policy Committee on Sales and Service Activities and Service Enterprises (POSSSE) submission for review and approval, or recharge customers one of the approved BruinCar daily rental rates for this vehicle type.  Additionally, monthly BruinCar rentals should be billed and recharged the approved POSSSE rate for all days in the month, or an internal policy to bill 21 days for a monthly rate should be documented.
* To ensure propriety and accuracy of external coordination fee recharges for the BruinCar Program, F&T should recharge customers the POSSSE approved 19% mark-up on the total vendor invoice.
* The F&T Business and Compliance Manager should contact the departments of the 100 drivers in the Department of Motor Vehicle (DMV) Employee Pull Notice (EPN) program, who have separated from the University to determine if the driver should be removed from the program. Further, F&T should continue to remind departments of the importance of notifying F&T when a driver should be removed from the program. A&AS will continue to work with management to create a query that provides the employment status of drivers in the DMV EPN Program and notification when a driver’s status changes to non-active.

The results of the audit and corresponding recommendations follow.

# Audit Results and Recommendations

###### Recharge Rates Approval

Audit interviews with pertinent F&T staff were held to determine whether adequate controls are in place to ensure that recharge rates are properly entered and updated in the FleetFocus and SmartSheet systems. Based on test work performed, controls surrounding FleetFocus appear adequate. Recharge rates are recorded in the FleetFocus system for each service area when needed. Access to make changes to recharge rates are limited to appropriate personnel, and changes are tested in a test environment before being implemented. However, SmartSheet system control weaknesses were identified.

1. Transit Operations Charter Services SmartSheet System Controls

Control weaknesses were generally due to limits in the SmartSheet system, and are as follows:

* The ability to change and/or update charter services recharge rates in SmartSheet is not limited to supervisory personnel. The system allows any user with "admin" level access to alter cells, data, and formulas within the spreadsheet-like system. Currently, 12 staff members have admin level access. Transit Operations staff manually enter the recharge rates for each recharge transaction.  As a result, in order to perform their job duties, multiple Transit Operations staff require admin level access. As a compensating control, the Transit General Manager reviews and approves each recharge transaction to ensure that the appropriate rate is billed.
* As noted above, Transit Operations charter services recharge data recorded in SmartSheet can be easily modified by any admin level user.  While cells and formulas are locked for viewers and editors, admin level users can change formulas and data in any cell.  This is concerning because the department uses SmartSheet as the point of record for Transit Operations charter services recharge activities.  While detective controls in the form of a user activity log and cell history log exists, preventative controls do not exist because of system limitations.
* A test environment does not exist in the SmartSheet system.  If management needs to make changes to any formulas, tables, etc., a mechanism does not exist in the system to test the changes before implementation.  Instead, to verify and check the propriety of the update, the Transit General Manager plans to implement a “double entry” process.  A double entry process involves a manual recalculation to verify that the formulas in SmartSheet have been accurately updated/changed.  Staff will take the output on the SmartSheet (i.e. transaction total) and manually recalculate by working backwards to ensure that the values are correct before billing.
* More than one user can be in the SmartSheet system and be simultaneously working on the same data set.  Additionally, there is some data latency, as the data set is getting larger.  This means that the data is not always updating instantaneously after a user saves.  Transit Operations staff has experienced latency for as long as four hours after data has been entered/changed.  Both of these system attributes could lead to data cells being corrupted.  Management noted that corrupting of data has happened in the past, but occurs less often now.

Recommendation: Management should work with the SmartSheet system vendor to resolve the identified control weaknesses.

Response: We concur. The Transit General Manager will work with the SmartSheet system vendor as appropriate and consult with the E&T Business Process group to identify potential solutions to the noted control weaknesses, including creating a test environment accessible to appropriate F&T staff.

1. System User Access

To ensure that access to update/change recharge rates in the FleetFocus and SmartSheet systems is limited to authorized and appropriate personnel. A&AS obtained listings of users with access to modify recharge rates in the two systems. Currently, there are 12 users in each system that have this type of access. The F&T Director reviewed the listing and verified that the access is appropriately distributed for all 24 users identified for the two systems.

There were no significant control weaknesses noted in this area.

1. Recharge Rates Review and Approval

Fleet Services and Transit Operations fiscal year 2016-17 and 2017-18 Budget and Rate Proposals, as well as the relevant POSSSE meeting minutes and Vice Chancellor approval letters, were reviewed to verify that recharge rates were appropriately submitted and approved. According to UC Business and Finance Bulletin A-59 (BUS A-59), Costing and Working Capital for Auxiliary and Services Enterprises, “all auxiliary and service enterprises shall publish a schedule of rates and prices which shall be reviewed and approved by each campus as part of its annual budget process.”

For fiscal year 2016-17 and 2017-18, recharge rates were submitted for review and were approved by the Vice Chancellor and Chief Financial Officer on June 6, 2016, and June 9, 2017, respectively. Recharge rates were submitted timely and approved by POSSSE for both years reviewed.

There were no significant control weaknesses noted in this area.

Fleet Management Fee Recharges

A monthly fleet management fee covers support function activities for all University vehicles, non-vehicle equipment, and vessels. The approved monthly recharge rates for fiscal year 2017-18 ranged from $15 for each vessel to $63 for each leased vehicle. The budgeted total recharge revenue from fleet management fees for fiscal year 2017-18 was approximately $3.3 million.

Audit testing included review of the October and November 2017 recharge billing reports, FleetFocus transaction data, and related campus general ledgers. To verify Fleet Services is accurately billing for fleet management fees, A&AS agreed total Monthly Vehicle – Owned and Monthly Vehicle – Leased fees, inclusive of applicable fleet management fees, as recorded in the FleetFocus system, to the total recharges posted to the detailed general ledger. For the two months reviewed, Monthly Vehicle – Owned and Monthly Vehicle – Leased fees were accurately billed and recorded to the general ledger.

To ensure that vehicle management fees are completely recharged and billed the approved rates, five vehicles were judgmentally selected from the campus Asset Management System (AMS) for further review. For the five vehicles selected, A&AS verified that the vehicle was properly recharged for October and November 2017 and billed in accordance with POSSSE approved rates.

There were no significant control weaknesses noted in this area.

Car Rental Recharges

Fleet Services operates the BruinCar program, which offers daily rental cars for official University business use with convenient on-campus pick-up and return. A full range of vehicles including sedans, vans, trucks, and hybrids are available with daily rates ranging from $55 to $90. To meet customer needs during times of heavy demand, Fleet Services coordinates with external car rental companies and recharges customers the external rental cost plus a coordination fee. The budgeted recharge revenue for the BruinCar program for fiscal year 2017-18 was approximately $614,000 from the internal daily rentals and about $15,000 from external rentals.

Audit test work of the BruinCar program included review of the October and November 2017 recharge billing reports, FleetFocus transaction data, and related campus general ledgers. To verify Fleet Services is accurately billing for BruinCar program (internal daily rental and external rental coordination) fees, A&AS agreed total BruinCar fees, as recorded in the FleetFocus system, to the total recharges posted to the detailed general ledger. For the two months reviewed, all BruinCar fees were accurately billed and recorded to the general ledger.

Additional audit testing was performed to verify that Fleet Services is recharging POSSSE approved rates.

1. Internal Daily Rental

A judgmental sample of ten internal BruinCar rentals was selected for review. For each rental, A&AS reviewed detailed FleetFocus system reports, and recalculated the daily rental rate based on the reported rental time and total amount billed. Recalculated rates and vehicle types were agreed to the POSSSE approved rate schedule. Out of ten sampled BruinCar reservations, exceptions were noted in the following:

* For one BruinCar reservation, the customer was charged a rate not reviewed and approved by POSSSE.  The vehicle type (Economy Hybrid) and the rate ($49) charged does not appear on the approved Fleet Services rate schedule for fiscal year 2017-18.  Management explained that the vehicle was added after the POSSSE submission for fiscal year 2017-18.
* For one sampled BruinCar rental, F&T recharged the customer $1,659 for a one-month minivan rental in October 2017. Based on the recharge total and the number of days in October, the customer was recharged a rate which equates to $53.52 per day.  The POSSSE approved rate for a minivan rental is $79 per day. Based on discussion with management, it appears that the month long reservation was charged a monthly rate of $1,659, and the monthly rate is based on 21 days in the FleetFocus system. It is departmental practice to use 21 days for the monthly rate to represent the average number of weekdays in a month.

Recommendation: Management should include the Economy Hybrid vehicle rate in the next POSSSE submission for review and approval, or recharge customers one of the approved BruinCar daily rental rates for this vehicle type.  Additionally, monthly BruinCar rentals should be billed and recharged the POSSSE approved rate for all days in the month, or an internal policy to bill 21 days for a monthly rate should be documented.

Response: We concur. The Economy Hybrid vehicle is no longer part of the BruinCar vehicle fleet. The F&T Assistant Director will create and implement an internal procedure by March 2019 that establishes a monthly BruinCar rental rate equivalent to 21 rental days.

1. External Rental Coordination Fee

A judgmental sample of five external BruinCar rentals were selected and reviewed to ensure that the approved external rental coordination fee mark-up of 19% was correctly applied and billed. A&AS obtained and reviewed the vendor invoices, agreed the details to FleetFocus records, and recalculated the recharge total based on the invoice and the approved mark-up rate. One of the five selected external reservations was correctly recharged zero dollars, because the customer had issues with the vehicle and F&T negotiated with the vendor not to charge for the reservation.

However, in four external BruinCar rentals through Enterprise, F&T did not properly recharge customers the approved mark-up.  Current departmental practice is to only apply 19% mark-up on the "Time and Distance" base cost, the F&T fixed rate per vehicle class for the “Vehicle License Recovery Fee,” and sales tax. Refueling charges are being recharged a POSSSE approved, on-campus fuel mark-up rate of $0.37/gallon rather than the POSSSE approved off-campus fuel mark-up rate of 19% and other fees (e.g., meter fee, additional insurance fee) were recharged without mark-up.

* In four reservations reviewed, F&T did not recharge the "Vehicle License Recovery Fee" as billed on the vendor invoice.  Fleet &Transit bills customers a fixed rate of $0.78 to $2.94 per day depending on vehicle class for the “Vehicle License Recovery Fee.” Customers are recharged the POSSSE approved 19% mark-up on the fixed rate. For the four reviewed invoices, the vendor billed “Vehicle License Recovery Fee” ranged between $2.46 and $9.50 per day. Fleet &Transit personnel explained that the departmental practice is to recharge a fixed rate per vehicle class because the vendor rate can fluctuate. This practice results in F&T under-charging the customer.
* Two of four reservations included vendor refueling charges, which were not properly recharged to the customer.  Fleet &Transit recharged the customer the vendor refueling charge for 10 gallons of gas plus the on-campus fuel mark-up rate of $0.37 per gallon. In both cases, actual mark-up billed was $3.70. Had F&T recharged using the 19% mark-up on the vendor cost instead, mark-up would have been $8.61 and $10.44.
* Also for the two reservations with vendor billed refueling charges, F&T recharged fuel sales tax at a rate of 3.75% instead of the vendor-billed rate of 4.5%. Additional mark-up is not applied to fuel sales tax. F&T staff calculate fuel charges, mark-ups, and fees on a separate spreadsheet before adding to the FleetFocus system manually. Consequently, F&T is absorbing the difference.
* In one instance, F&T recharged the customer a "meter fee" of $57.97. However, the vendor did not bill for a "meter fee." Fleet &Transit staff explained that historically, the vendor charged a meter fee for this type of vehicle and F&T has continued to charge the meter fee. No additional mark-up appears to be recharged on this fee. This resulted in F&T over-charging the customer.
* For one reservation reviewed, additional insurance (required for driving to Mexico) billed by the vendor is recharged by F&T without mark-up.

Fleet Services POSSSE submission for fiscal year 2017-18 designates that recharge rate fee calculations and budgets were based on a 19% mark-up on the external vendor invoice.

Recommendation: To ensure propriety and accuracy of external coordination fee recharges for the BruinCar Program, F&T should recharge customers the POSSSE approved 19% mark-up on the total vendor invoice. Applying the mark-up on the invoice total would eliminate the need for staff to manually recalculate other fees and charges, decreasing the possibility of errors.

Response: We concur. During the course of the audit, F&T implemented a 19% mark-up on the total vendor invoice.

Fuel Recharges

To support the fuel needs of campus vehicles, Fleet Services offers a variety of fueling options. The on-campus fueling stations provide unleaded fuel, diesel, and Compressed Natural Gas (CNG). Campus vehicles may also be fueled off-campus by using the Voyager credit card, which can be obtained through UCLA Fleet. The recharge fee for on-campus fuel is based on the vendor cost plus a $0.37 mark-up per gallon and off-campus fuel is the cost charged by the gas station plus a 19% mark-up. The budgeted total recharge revenue for fiscal year 2017-18 was approximately $1.4 million for on-campus fuel and $100,000 for off-campus fuel.

Audit of fuel recharges included review of October and November 2017 recharge billing reports, FleetFocus transaction data, and related campus general ledgers for both on-campus and off-campus fuel. To verify Fleet Services is accurately billing for fuel recharges, A&AS agreed total fuel recharge fees, as recorded in the FleetFocus system, to the total recharges posted to the detailed general ledger. For the two months reviewed, all on-campus and off-campus fuel recharge fees were accurately billed and recorded to the general ledger.

Additionally, a judgmental sample of five fuel transactions (fuel dispensed from the on-campus gas station, fuel dispensed from off-campus gas stations, and the CNG fuel station) during November 2017 was selected and reviewed to ensure that fuel charges have been billed in accordance with approved rates. A&AS obtained and reviewed fuel delivery invoices, Voyager card invoices, and CNG invoices for the selected transactions. All fuel recharges reviewed were recharged POSSSE approved make-up rates.

There were no significant control weaknesses noted in this area.

Driver Safety Verification Recharges

The DMV EPN Program provides notification of motor vehicle safety violations and any action the DMV takes against driver’s licenses or special certificates for enrolled drivers to the University. Department of Motor Vehicle driving records are checked for all new drivers and then on an annual basis. Drivers' records are also monitored on an on-going basis through notifications from the DMV of convicted driving offenses, and license suspensions or revocations. The F&T Business and Compliance Manager is responsible for monitoring the DMV EPN system and providing notification to campus and Associated Students of UCLA (ASUCLA) departments. Departments are recharged $25 upon enrollment and then $25 on an annual basis. In addition, departments are recharged $30 for each activity reported by the DMV. The budgeted recharge revenue for the DMV EPN Program for fiscal year 2017-18 was approximately $77,000.

A&AS held audit interviews with pertinent Fleet Services personnel and reviewed various system reports to ensure that adequate controls were in place over the DMV EPN Program. Specifically, total DMV pull notice fees recharged for October and November 2017 were agreed to the detailed general ledger to verify that fees were accurately being billed for and recharged. For the two months reviewed, all DMV EPN recharge fees were accurately billed and posted to the general ledger. Additionally, the following testing was performed using data analytics:

1. Department of Motor Vehicle (DMV) Employee Pull Notice (EPN) Program Drivers

Departments that enroll drivers into the DMV EPN program are responsible for notifying F&T when employees separate. On an annual basis, the F&T Business and Compliance Manager sends departments their DMV Pull Notice Driver Rosters, reminding them of the importance of reviewing the roster for accuracy and completeness, providing any new additions, terminations, transfers, and changes in driving responsibilities. Departments are also reminded that they need comply with UCLA Procedure 615.1: Employee Driving Records, which states that it is the department’s responsibility to notify F&T regarding employees who have terminated or transferred from their positions as drivers. Test work included an effort to verify that all drivers in the DMV EPN program are active University employees or have an affiliation with UCLA, which allows them to drive a University vehicle. The driver database consists of UCLA staff and student employees, student volunteers, and employees who volunteer to participate in the Vanpool program. Also, there is a small group of drivers who work for non-UCLA departments such as the Associated Students UCLA (ASUCLA), the University Credit Union, and the Veterans Affairs (VA) Medical Center. Using data analytics, a listing of all drivers in the program and their University Identification, as of June 6, 2018, was compared to the University’s Personnel/Payroll Systems current Employee Database (EDB) tables. The current EDB tables only include current UCLA employees and those who separated within the last 2 years, ASUCLA employees are not included in EDB. Additional work was performed to determine if the drivers had a record in the historical employee database, or the UCLA Identification System (UIDS).

Results of the analysis as of June 28, 2018, are as follows:

|  |  |
| --- | --- |
| **Record** | **Number of Drivers** |
| Active UCLA Employee | 2,411 |
| UCLA Employee, Leave Without Pay |  1 |
| UCLA Employee, Leave With Pay |  11 |
| Separated UCLA Employee (separation dates are from 2015-2018) |  100 |
| UCLA Student |  50 |
| Active in UIDS, Non-UCLA Employee (includes ASUCLA employees) |  35 |
| No Match in EDB or UIDS (Credit Union Employee) |  1 |
| **Grand Total** | **2,609** |

Recommendation: The F&T Business and Compliance Manager should contact the departments of the 100 drivers in the DMV EPN program who have separated from the University to determine if the driver should be removed from the program. Further, F&T should continue to remind departments of the importance of notifying F&T when a driver should be removed from the program. A&AS will continue to work with management to create a query that provides the employment status of drivers in the DMV EPN program and notification when a driver’s status changes to non-active. The query and notification can provide F&T a detective control for when departments do not notify them in a timely manner of a driver’s change in status.

Response: We concur. The F&T Business & Compliance Manager has contacted the departments in question to validate the status of drivers identified as having separated from the University. Management is open to collaborating with A&AS to create the recommended query.

1. Department of Motor Vehicle (DMV) Employee Pull Notice (EPN) Rates

All DMV pull notice transactions recharged for October and November 2017 were reviewed to ensure that approved rates were billed. Using data analytics, A&AS verified that each activity notification was billed the approved rate of $30, and a new driver or annual check was billed the approved rate of $25. A total of 677 DMV pull notices were evaluated. All DMV pull notices for the two months reviewed were recharged the proper approved rate.

There were no significant control weaknesses noted in this area.

Transit Charter Services Recharges

University-owned buses, coaches, shuttles, vans, and drivers are available to meet the transit needs of the University. Hourly rates range from $50 per hour for driver service to $104 per hour for coach service. The budgeted total recharge revenue from University-owned and operated charter services for fiscal year 2017-18 was approximately $607,000.

Audit test work included a review of the March 2018 transit services recharge billing data from the SmartSheet system and related campus general ledgers. To verify Transit Operations is accurately billing for transit services recharges, A&AS agreed the total transit services fees, as recorded in the SmartSheet system, to the total recharges posted to the detailed general ledger. The Transit Operations recharges for March 2018 were properly billed and recorded on the detailed general ledger.

In addition, a judgmental sample of five transit services provided internally by Transit Operations was selected for detailed review. To verify that the services were billed in accordance with approved rates, A&AS reviewed SmartSheet records and driver completed “trip sheets.” All five transit service transactions reviewed were properly recharged.

There were no significant control weaknesses noted in this area.

Transit External Vendor Coordination Recharges

External vendor coordination fees are charged by Transit Operations if transit services are not available internally and external vendors are needed. An 18% coordination fee is charged on top of the vendors’ costs. The budgeted total recharge revenue for fiscal year 2017-18 was approximately $601,000.

A judgmental sample of five transit charter services externally provided by vendors in March 2018 was selected and reviewed to ensure the services were billed for in accordance with the approved mark-up. All items tested were appropriate and no issues were noted.

There were no significant control weaknesses noted in this area.

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