

# UCLA AUDIT & ADVISORY SERVICES

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July 29, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA  
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Events & Transportation – Fleet and Transit – Recharges Audit Report #15-2210

Enclosed is the audit report covering our review of Fleet and Transit's (F&T) recharge business practices.

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.

The scope of the audit focused on the following recharge areas:

- 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

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures regarding F&T's recharge activities are generally conducive to accomplishing the department's business objectives. However, some business practices could be further strengthened to ensure that controls consistently function as intended. F&T management could improve internal controls by implementing the following:

- Reviewing all long-term vehicle rentals monthly to ensure that they are billed accurately and car rental reservations without a charge have a valid business reason for not being charged.
- Reminding campus departments of their responsibility for notifying the F&T Business and Compliance Manager of employees who have separated from the University or transferred out of roles requiring them to drive, so they can be de-enrolled from the Department of Motor Vehicle (DMV) Employer Pull Notice (EPN) Program.

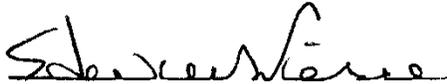
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The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.

A handwritten signature in black ink, appearing to read "Edwin D. Pierce". The signature is fluid and cursive, with a prominent initial "E" and "P".

Edwin D. Pierce, CPA, CFE  
Director

Enclosure

cc: S. Olsen

EVENTS & TRANSPORTATION  
FLEET AND TRANSIT – RECHARGES AUDIT  
AUDIT REPORT #15-2210

EVENTS & TRANSPORTATION  
FLEET AND TRANSIT – RECHARGES AUDIT  
AUDIT REPORT #15-2210

Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) has conducted a review of Fleet and Transit's (F&T) recharge business practices.

F&T is a department of Events & Transportation (E&T) and is comprised of two operating units: Fleet Services (FS), a service enterprise; and Transit Operations & Rental Services (Transit Operations), an auxiliary enterprise.

FS provides comprehensive fleet management services for a vehicle and equipment inventory of 1,200, of which 1,132 are University-owned general purpose vehicles, including 200 Low Speed Vehicles and 122 carts. In addition, Fleet Services provides specialty vehicles for specific departmental applications, ranging from ambulances to shuttle buses, as well as inventory management for 66 vessels. Core services include vehicle procurement, monthly lease program, vehicle maintenance and repair services, vessel management, on- and off-campus fuel provisions, driver safety compliance programs, and BruinCar daily rental program. The budgeted total revenue for FS for fiscal year 2014-15 was approximately \$8.9 million, with \$8.5 million in recharge income and approximately \$400,000 in external income

The majority of the Transit Operations business is providing commuter support services around campus such as the BruinBus, Evening Van Service, and the Office for Students with Disabilities shuttle programs. Parking Services provides a subsidy of approximately \$4.2 million to support these services. On a recharge basis to campus departments, any part of the off-peak shuttle bus fleet and Transit Operations personnel (supplemented with vendor provided vehicles, if needed) are available for on-campus events (such as student move-in) or off-campus activities (such as athletic events). The

budgeted recharges for fiscal year 2014-15 are approximately \$1 million.

The FleetFocus/FleetAnywhere (FF/FA) software is used to manage the FS operations by tracking vehicle inventory, daily rental vehicles, monthly assigned vehicles, and vehicle maintenance and parts. Additionally, FS uses a Management Information and Billing System (MIBS) that compiles information from FF/FA and other sources to generate monthly recharge and billing statements. These statements are subsequently uploaded from MIBS directly to the general ledger on a monthly basis. Currently, Transit Operations provides services that are tracked via on-line calendars and paper request forms, and recharged through the use of Microsoft Excel spreadsheets that require manual copying and pasting of data to record these transactions to the general ledger.

The Driver Compliance monthly recharges are generated by the Access program and billing information is then manually copied and pasted into a Microsoft Excel spreadsheet which is sent to Events & Transportation Accounts Receivable for posting to the General Ledger.

F&T is managed by a Director who reports to the Events & Transportation Executive Director.

### 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.

The scope of the engagement focused on the following recharge areas:

- 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 *Internal Standards for the Professional Practice of Internal Auditing* and included tests of records, interviews with key personnel, and other auditing procedures considered necessary to achieve the audit purpose.

### Summary Opinion

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures regarding F&T's recharge activities are generally conducive to accomplishing the department's business objectives. However, some business practices could be further strengthened to ensure that controls consistently function as intended. F&T management could improve internal controls by implementing the following:

- Reviewing all long-term vehicle rentals monthly to ensure that they are billed accurately and car rental reservations without a charge have a valid business reason for not being charged.
- Reminding campus departments of their responsibility for notifying the F&T Business and Compliance Manager of employees who have separated from the University or transferred out of roles requiring them to drive, so they can be de-enrolled from the Department of Motor Vehicle (DMV) Employer Pull Notice (EPN) Program.

The audit results and recommendations are detailed in the following section of the audit report.

## Audit Results and Recommendations

### Recharge Rates Approval

FS and Transit Operations fiscal year 2014-15 Budget and Rate Proposals, as well as the relevant Policy Committee on Sales and Service Activities and Service Enterprises (POSSSE) meeting minutes, 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.”

FS and Transit Operations recharge rates were submitted for review on May 9, 2014, and were approved by the POSSSE committee and the Vice Chancellor and Chief Financial Officer on June 11, 2014. Recharge rates were submitted timely and approved by POSSSE for fiscal year 2014-15.

There were no significant control weaknesses noted in this area.

### Fleet Management Fee Recharges

The Fleet Management fee covers full support functions for acquisition and disposal activities for all vehicle, non-vehicle equipment, and vessels. The approved monthly recharge rates for fiscal year 2014-15 ranged from \$15 for each vessel to \$63 for each leased vehicle. The budgeted total recharge revenue for fiscal year 2014-15 was approximately \$2.5 million.

Five vehicles were judgmentally selected and reviewed to ensure that the monthly Fleet Management fees for December 2014 have been billed in accordance with approved rates and posted to the general ledger. All monthly Fleet Management fees reviewed were billed and recorded appropriately.

There were no significant control weaknesses noted in this area.

### Car Rental Recharges

FS offers 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 \$52 to \$84. The budgeted recharge revenue for the car rental program for fiscal year 2014-15 was approximately \$475,000.

A judgmental sample of five car rentals from July through December 2014 was selected and reviewed to ensure that the rentals have been billed in accordance with approved rates and posted to the general ledger. Additionally, a judgmental sample of five car rental reservations with zero charges were reviewed to determine if the vehicle rental should have been billed. Valid reasons for not charging include changes to the vehicle type needed by the customer and vehicles loaned out in the event a primary vehicle needs repairs or preventative maintenance.

- One of the five car rental reservations with zero charges should have been billed. The reservation was for a long-term vehicle rental that was not billed for over six months (April 24, 2014 – October 31, 2014) for which the total rental fee should have been \$8,576. The rental fees have since been billed for fiscal year 2014-15; however, the months in the previous fiscal year (2013-14) have not been billed. A box was checked in error to not charge for this rental in the vehicle reservation system. Vehicle rental billing was processed by student workers and reviewed by the BruinCar Supervisor; however, going forward the Transit Operations Manager will also review the vehicle rental reports to verify all rentals are appropriately billed.

Recommendation: Long term car rentals should be reviewed monthly to ensure that they have all been accurately billed and that car rental reservations with no charges have a valid business reason for not being charged. For the one long-

term rental that was not billed, F&T management should work with Corporate Financial Services to bill for rental periods in fiscal year 2013-14.

Response: We concur. A monthly review process has been implemented to ensure that long term BruinCar rentals are appropriately billed and that vehicle reservations with no corresponding charge are supported by a valid, documented business reason. The outstanding rental fees for fiscal year 2013-14 were processed on May 11, 2015.

### Fuel Recharges

To support the fuel needs of campus vehicles a variety of fueling options are available. The on-campus fueling stations provide unleaded fuel, diesel, and Compressed Natural Gas (CNG). Campus vehicles may also be fueled off-campus through the use of 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 markup per gallon and off-campus fuel is the costs charged by the gas station plus a 19% markup. The budgeted total recharge revenue for fiscal year 2014-15 was approximately \$1.8 million for on-campus fuel and \$176,000 for off-campus fuel.

A judgmental sample of five fuel transactions (fuel dispensed from on-campus gas station, fuel dispensed from off-campus gas stations, and CNG) during December 2014 was selected and reviewed to ensure that fuel charges have been billed in accordance with approved rates and posted to the general ledger.

There were no significant control weaknesses noted in this area.

### Driver Safety Verification Recharges

Driver safety verification services provided by F&T include a DAT Program and DMV EPN Program.

A. DAT Program

F&T has contracted with a third party vendor, who is responsible for selection, testing, and reporting of drug and alcohol tests for all covered employees. F&T is responsible for coordinating DAT for UCLA departments and assesses a mark-up to the costs charged by the vendor. There is not a significant amount of recharge revenue related to the DAT program. For example, during February 2015, there were only three tests performed with total recharges of \$252. The three DAT were selected and reviewed to ensure the services were billed in accordance with published rates and posted to the general ledger.

There were no significant control weaknesses noted in this area.

B. DMV EPN Program

The DMV EPN Program provides notification of motor vehicle violations for enrolled drivers to the University. DMV 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 departments. Departments are recharged \$30 for each activity reported by the DMV. In addition, an annual check of each enrolled drivers' DMV records is performed, for which a \$25 fee is charged. The budgeted recharge revenue for the DMV EPN Program for fiscal year 2014-15 was approximately \$76,000.

Ten DMV pull notice activities were judgmentally selected and reviewed, noting if activities were billed in accordance with approved rates and posted to the general ledger. The following was noted:

- The process for removing employees from the DMV EPN program who have terminated or transferred from positions as drivers could be enhanced.

Based on a limited review of a subset of drivers enrolled in the DMV EPN program, three former employees who separated from the University in 2012 and 2013 were still enrolled in the program. Department heads are responsible for notifying the Business and Compliance Manager of terminations or transfers. Periodic reviews of departments with a large number of drivers is performed by the Business and Compliance Manager to validate that enrolled drivers are correct; however, due to the large number of drivers and departments enrolled in the DMV EPN program, these reviews are not performed for all drivers and departments.

Recommendation: F&T management should send out reminders to campus departments of their responsibility to notify the Business and Compliance Manager of drivers who have separated from the University or transferred out of roles that require driving.

Response: We concur. The Business and Compliance Manager will develop a process to remind campus departments of their DMV EPN program responsibilities, including validation of employee enrollment rosters annually, by October 2015. The campus reminder will coincide with annual fiscal year activities.

#### 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 \$44 per hour for driver service to \$102 per hour for coach service. The budgeted total recharge revenue for fiscal year 2014-15 was approximately \$595,000.

A judgmental sample of five transit charter services provided internally by FS between July through December 2014 was selected and reviewed to ensure that the services were billed in accordance with approved rates and posted to the general ledger. All items tested were appropriate and properly billed.

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 2014-15 was approximately \$371,000.

A judgmental sample of five transit charter services externally provided by vendors between July through December 2014 was selected and reviewed to ensure the services were billed in accordance with approved rates and posted to the general ledger. All items tested were appropriate and no issues were noted.

There were no significant control weaknesses noted in this area.