EVENTS & TRANSPORTATION – FLEET & TRANSIT

VEHICLE AND VESSEL MANAGEMENT

AUDIT REPORT #19-2205

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2018-19 audit plan, Audit & Advisory Services (A&AS) conducted a review of Fleet & Transit (F&T) vehicle and vessel management.

F&T is comprised of two operating units: Fleet Services, a service enterprise; and Transit Operations & Rental Services, an auxiliary enterprise. F&T provides fleet management services for approximately 1,031 vehicles, which include trucks, vans, wagons, and low-speed vehicles, as well as specialty vehicles for specific departmental applications such as ambulances, shuttle buses, street sweepers, utility carts, and trailers. F&T also manages inventory activities for approximately 73 vessels. Core services include various aspects of vehicle procurement, monthly lease program, vehicle maintenance and repair services, vessel inventory management, on- and off- campus fuel provisions, compliance programs, rental services, and the “Go Green Program” to meet clean air mandates.

There are two types of University-owned vehicles and vessels (units) that are managed by F&T: department-owned and Fleet-owned. Department-owned units are funded by the departments operating them. Fleet-owned vehicles are financed by F&T and issued to departments and student groups. The University currently does not lease vehicles from external vendors.

F&T is the vehicle custodian for all acquisitions and disposals of vehicles and vessels for the UCLA campus and is responsible for the planning, review, inventorying, reporting, and control of all University vehicles and vessels. F&T also conducts periodic planning sessions with departments in order to maintain a continual vehicle replacement plan for the campus fleet. FleetFocus is the fleet management system used by the department.

For fiscal year 2018-19, F&T has projected income of $9.53 million and expenses of $8.99 million. The F&T Director oversees the operation, which includes a staff of approximately 59 FTE’s.

# Purpose and Scope

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

The scope of the audit focused on the following areas:

Acquisition and Final Disposition

Inventory Practices

Replacement Plan and Life Cycle Costs Analysis

Monitoring

Information Technology

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests, and other procedures considered necessary to achieve the objective.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, F&T’s overall organizational structure and controls are adequate to help achieve their business objectives. However, certain business practices could be further strengthened to improve upon the existing internal controls. The following were noted:

*Acquisition and Final Disposition*

Management should develop a policy specifying the records that F&T is required to maintain for each type of vehicle and vessel, and implement a record tracking mechanism. Departments should be reminded that they are responsible for contacting F&T prior to processing a purchase for or acquiring a vessel, vehicle, or donated item. In addition, F&T management should work with the UCLA Purchasing department to create a report that notifies F&T of new expenditure transactions containing vehicle and vessel object codes.

F&T should work with UCLA Equipment Management to obtain access to all mobile assets, which would allow F&T to facilitate the removal of a UCLA Asset Management System (AMS) record after the final disposition of a vehicle or vessel has been completed, and the equipment custodian has been notified.

*Inventory Practices*

F&T should coordinate directly with Equipment Management to assign property numbers for assets valued over $5,000, and as previously noted, pursue AMS access to all vehicle and vessel records.

F&T should coordinate with Purchasing to obtain copies of purchase orders (PO's) for all new University vehicle and vessel acquisitions. A final review of database entries should be performed towards the end of the acquisition process. In addition, a review of the database should be conducted on a periodic basis. Any exceptions discovered during the reviews should be followed-up with the appropriate parties.

F&T management should work with the operating departments and Equipment Management to transfer the custody of active assets in AMS to the appropriate department.

F&T should affix the University property tags, when practical, to the physical assets.

To enhance the annual physical inventory, management should ensure that vehicles are physically verified and that all equipment identifying numbers, location, assigned department, and any other relevant information is confirmed. The vehicle certification letter should include additional information about the units to ensure the inventory is up to date. Also, management should develop a procedure to ensure that inventory exceptions are researched, properly approved, and documented.

Monitoring

A process should be developed to ensure that finance agreements are signed by both required parties within 30 days of the vehicle’s release to the department.

Management should revise the depreciation schedule documented in the F&T procedure manual to clarify the factors which determine the expected vehicle lifespan. Furthermore, management should ensure that asset life cycles are assigned based on the approved depreciation schedule(s).

Management should update the procedures to reflect current F&T business practices with regard to fleet registration.

*Information* Technology

Management should conduct a yearly assessment of user access to the FleetFocus system, update password requirements to meet the minimum security standards in accordance with UCLA Policy 401, remove shared accounts, and ensure each employee has a unique log-on and password. In addition, management should ensure that employees who separate from the University have their access removed promptly and that the removal date is documented. Lastly, the system should include the employee’s UID as a unique identifier to enhance the data integrity of the user listing.

The audit results and corresponding recommendations are detailed in the following sections of this report.

# Audit Results and Recommendations

## Acquisition and Final Disposition

### Acquisition

Prior to acquiring a vehicle, campus departments must contact F&T to discuss departmental needs and its justification. After the purchase order is verified, F&T will receive the vehicle and prepare it to be delivered to the requestor. Inspections are performed and necessary paperwork is filed to get the new vehicle to a deliverable state. For vessels, the authorized department representative contacts F&T to discuss departmental needs and justification for vessel acquisition from an outside vendor. The operating departments coordinate the purchase directly with Purchasing and make arrangements for delivery themselves. F&T is responsible for maintaining the title and registration documents on file until disposal.

A judgmental sample of ten vehicle and vessel purchase transactions made in fiscal year 2017-18 was selected from the general ledger. Supporting documentation, such as the Vehicle Justification Forms (VJF), delivery paperwork, and inventory information, was obtained. For each purchase, the documentation was reviewed to verify that justification was provided, the appropriate personnel authorized it, receiving was performed and documented, the transaction was recorded in the FleetFocus database, and it complied with the University’s policies and procedures. The California Department of Motor Vehicles (DMV) title and registration files were also obtained to verify that F&T retains all required documents. The following concerns were noted:

In one instance, a vehicle was missing the VJF.

In three instances, vessels were missing from the FleetFocus inventory.

In three instances, vessels were missing a DMV title.

In one instance, a vessel was missing the registration.

The Vehicle File Checklist (VFC) was a control to manage documents, and is no longer used for new vehicle acquisitions. There was miscommunication among F&T management of whether the VFC is currently used, and if the VJF is a required document. During the course of the audit, management clarified what is needed and prepared a complete list of vehicle records that F&T is required to have on file.

In addition, based on test work performed, the operating departments did not contact F&T prior to purchasing the three vessels selected in the sample. Management indicated that there have been situations when purchases were made by departments without contacting F&T, but Campus Purchasing will sometimes identify these procurements and inform F&T.

Recommendation: Management should develop a policy specifying the records that F&T is required to maintain for each type of vehicle and vessel, and implement a record tracking mechanism. Establishing clear departmental guidelines and implementing a tracking mechanism would ensure that complete records are obtained during the acquisition process. Departments should also be reminded that they are responsible for contacting F&T prior to processing a purchase for or acquiring a vessel, vehicle or donated item. In addition, F&T management should work with the Purchasing department to create a report that notifies F&T of new expenditure transactions containing vehicle and vessel object codes.

Response: We concur. The F&T Assistant Director, Strategy & Business Analysis (Assistant Director),will develop an online checklist that specifies the records that F&T is required to maintain for each type of vehicle and vessel, and implement a tracking mechanism to ensure that complete records are obtained during the acquisition process by March 31, 2020. The Assistant Director will send an annual reminder to departments via email regarding their responsibility for contacting F&T prior to processing a purchase for or acquiring a vehicle, vessel or donated item. The Assistant Director will work with Purchasing regarding the feasibility of creating a report that notifies F&T of new expenditure transactions containing vehicle and vessel object codes.

### Final Disposition

F&T has the authority and responsibility for and must work in partnership with campus departments as necessary/appropriate regarding the disposition of campus vehicles and vessels. Once a disposition is complete, records are adjusted to reflect the transaction in AMS, the University's official equipment management and control system. F&T cannot currently initiate the disposal of department-owned vehicles within AMS.

For a sample of ten vehicles selected from the fiscal year 2017-18 list of disposals provided by F&T management, information from the AMS was obtained to verify that dispositions were properly recorded, reviewed, and approved by the department responsible for the unit. Supporting documents were also reviewed to verify that the vehicle disposal occurred. The general ledger was reviewed to verify that sale proceeds were deposited into University accounts.

Based on the test work performed, A&AS verified that all sample items were disposed of and that the proceeds for sold vehicles were deposited into University accounts. However, the following five items were not properly recorded in AMS:

In one instance, a department-owned vehicle that was sold at an auction on October 7, 2017, was still listed as an active asset in AMS on January 3, 2019.

In four instances, the disposal process in AMS was not complete for department-owned vehicles. The assets were sold in August and September of 2017, but the transactions had not been approved in AMS as of December 20, 2018, because information about the disposal was missing, or an action was not completed in the process.

According to the UC Policy Business and Finance Bulletin (BUS-19), “Registration and Licensing of University-Owned Vehicles,” “Equipment Management and the Accounting offices shall be advised by the Fleet Manager or UC Location Representative of the pertinent details concerning vehicles which are sold or dismantled.”

F&T does not have access to department-owned vehicle or vessel records in AMS, and would not know if the departments had properly updated the University records. F&T management explained that a packet is sent to Equipment Management when vehicles and vessels are disposed of; however, the equipment custodian of each department is ultimately responsible for updating the AMS records.

Recommendation: F&T should work with UCLA Equipment Management to obtain access to all mobile assets, which would allow F&T to facilitate the removal of an AMS record after the final disposition of a vehicle or vessel has been completed and the equipment custodian has been notified. This would ensure that fleet asset records are removed from the University's equipment management system on a timely basis.

Response: We concur. The Assistant Director will work with UCLA Equipment Management to obtain AMS access to all mobile assets. This level of access is required in order for F&T to facilitate the removal of an AMS record after the final disposition of a vehicle or vessel has been completed and the equipment custodian has been notified. F&T cannot ensure that fleet asset records will be removed from the University’s equipment management system on a timely basis without AMS access to all mobile assets.

## Inventory Practices

F&T is responsible for the record keeping of all University vehicles and vessels; therefore, it is essential that management maintains an accurate inventory to maintain control of the fleet. Fleet management assigns each unit with an internal equipment number to track the inventory in the FleetFocus system. UCLA Equipment Management also assigns property numbers for assets valued at over $5,000 and tracks them in AMS.

A judgmental sample of 15 units was selected to perform a physical inventory test. Ten records were selected from the FleetFocus inventory system to verify with the operating departments the existence of the assets, and five vehicles were selected from a campus

parking structure to verify that the assets are accurately recorded in FleetFocus.

A&AS also leveraged data analytics to verify that F&T maintains adequate and accurate information of current University fleet assets valued at over $5,000. All 1,082 FleetFocus inventorial asset records as of December 2018 and 114 vehicle disposal transactions in fiscal year 2017-18 were tested by comparing the information to the AMS database. The three identifying numbers used to compare the records were the vehicle identification number (VIN)/serial, property, and equipment numbers. The purchase order number was used to search the AMS database if the identifying numbers did not yield any results. Furthermore, to test the adequacy of the information in the inventory, A&AS reviewed the FleetFocus data in key fields and identified values that were missing or that were unusually formatted. The following were noted:

### Fleet and University Records

A&AS was able to verify the existence of all 15 vehicles and vessels selected for the physical inventory test; however, some inaccuracies exist in the FleetFocus inventory. The following were noted:

* The property number for one department-owned vehicle is missing.
* The property numbers for two department-owned vehicles are not current. The equipment records were removed from AMS and added to the hospital’s database, but the property numbers were not up-to-date in F&T records.

Based on the review of active fleet records, and assets that were disposed of in fiscal year 2017-18, the majority of the information was adequately recorded; however, the following discrepancies exist between the FleetFocus and AMS inventory management systems:

* In 227 instances, the property number was missing from the FleetFocus inventory records. Out of these records, 100 could not be located in AMS using the other identifying numbers.
* In seven instances, disposal records in FleetFocus could not be located in AMS with the available information.
* In two instances, property numbers were incorrectly recorded in the FleetFocus inventory.
* In one instance, AMS records indicate that one item listed in the FleetFocus inventory was sold in 2015.
* In five instances, vehicles sold in September and October of 2017 per the FleetFocus records were listed as active assets in AMS as of January 25, 2019.
* In 21 instances, conflicting information regarding the description, VIN, equipment, or asset number was identified between the systems.

In ten instances, FleetFocus records were recorded in reverse in AMS (e.g., the VIN for one asset was recorded in another asset, and vice versa).

F&T does not have access to department-owned vehicle records in AMS. Management explained that the missing information was not received from either the departments that own the vehicles or Equipment Management. The Equipment Management team inputs the vehicle information into AMS based on the information that is provided in the purchase order.

UC Policy BUS-29, "Management and Control of University Equipment," states that the campus representative [F&T] should supply the Equipment Management department with all information necessary to record a University-owned motor vehicle, including a University vehicle number and the VIN.

Asset record inaccuracies in AMS can lead to inaccurate financial reporting. Maintaining accurate vehicle and vessel records also allows the campus to better detect shrinkage caused by theft, damage or other types of loss.

Recommendation: F&T should coordinate directly with Equipment Management to obtain property numbers for assets valued at over $5,000. In addition, as previously noted F&T should pursue AMS access to all vehicle and vessel records. Coordination between the two departments should increase the accuracy of fleet inventory information in both AMS and FleetFocus systems. In the future, F&T may want to consider options for integrating the inventory systems when a new fleet management software is purchased.

Response: We concur. The Assistant Director will work with UCLA Equipment Management to obtain property numbers for assets valued at over $5000. As previously noted, the Assistant Director will work with UCLA Equipment Management to obtain AMS access to all mobile assets. The F&T Senior Fleet Management Analyst, in partnership with the F&T Data Analyst,will explore options for possible/future integration of the AMS and FleetFocus systems.

### Fleet Database Entries

The F&T procurement team is responsible for entering new vehicles into the fleet database and confirming that the documentation provided with the vehicle matches the specifications requested on the purchase order.

Based on the 15 assets selected for the physical inventory test, the equipment numbers and descriptions were accurately recorded. However, A&AS found that the purchase date of one vessel and the VIN or serial number for two units were incorrectly recorded.

Further data analytics test work revealed that certain FleetFocus data fields related to purchase orders contained missing or inaccurate information, as presented in the tables below:

|  |  |
| --- | --- |
| **FleetFocus Field:** | **Missing:** |
| Purchase Order Number | 128 |
| Original Cost | 99 |
| Purchase Date | 1 |

|  |  |
| --- | --- |
| **FleetFocus Field:** | **Inaccurate Values:** |
| Purchase Order Number | 5 |
| Original Cost | 1 |

Management stated that they request purchase information from the departments that own the units, but F&T is not always provided with accurate or complete information. In addition to the information stored in FleetFocus, source documents containing the VIN or serial number are stored electronically and as hard copy files.

Accurate VIN and purchase order information allows F&T to inventory, report, and maintain control of all University vehicles and vessels. The UCLA Procedure 745.1, "Acquisition of Vehicles and Vessels", indicates that after the Purchasing department prepares the purchase order for a vehicle, F&T should receive a copy to ensure the accuracy of the order. According to UC Policy BUS-19, "Registration and Licensing of University-Owned Vehicles," fleet records shall include date, source, and cost of acquisition.

Recommendation: F&T should coordinate with the Purchasing department to obtain copies of purchase orders for all new University vehicle and vessel acquisitions, regardless of the funding source. To further improve the accuracy of the inventory, a final review of database entries should be performed towards the end of the acquisition process. In addition, a review of the database should be conducted on a periodic basis. Any exceptions discovered during the reviews should be followed-up on with the appropriate parties.

Response: We concur. The Assistant Director will work with the appropriate F&T staff and the Purchasing department to obtain copies of purchase orders for all new University vehicle and vessel acquisitions. Prior to the end of the acquisition process, the F&T Senior Fleet Management Analyst or designee will conduct a final review of database entries to help ensure the accuracy of information contained within the FleetFocus system. The Assistant Director will conduct an annual review of the FleetFocus database to identify inaccuracies/discrepancies, if any, and follow up with the appropriate parties to further ensure the integrity of information contained within the FleetFocus system.

### Asset Custody

The ownership information in FleetFocus was compared to documents maintained by the department with custody of the equipment. Based on our review, vehicle ownership records conflict with AMS custody information for 43 active vehicles that were acquired before 2016:

In 40 instances, vehicles are listed as department-owned in FleetFocus, but are under the custody of F&T (Fleet-owned).

In three instances, vehicles listed as Fleet-owned are assigned to custody codes of other campus departments.

Management explained that most of the units were donated and assigned to Fleet custody at that time, but they were not transferred to the operating departments after they were distributed. Since then, new F&T personnel have been working in this area and understand that the proper procedures must be followed to ensure that custody codes are updated appropriately. AMS shows that 33 of the vehicles were acquired as gifts and ten were purchases. It was observed that only three of these records have a note in FleetFocus indicating they were donations.

Recommendation: F&T management should work with the operating departments and Equipment Management to transfer the custody of active assets in AMS to the appropriate department. To address the observation of records not indicating that they were donated, see the recommendation for the Fleet Database Entries section.

Response: We concur. The Assistant Director will work with UCLA Equipment Management and the operating departments in question to transfer the custody of active assets in AMS to the appropriate department. As previously noted, prior to the end of the acquisition process, the F&T Senior Fleet Management Analyst or designee will conduct a final review of database entries to help ensure the accuracy of information contained within the FleetFocus system.

### Property Tags

Property tags, which contain a barcode and an identifying number, are provided to equipment custodians when new assets are added to AMS. According to Equipment Management guidelines, the custodian locates the equipment, verifies the information provided about the asset, and attaches the barcode label to the equipment.

Based on the five vehicle observations made in the physical inventory test, A&AS noted that the University property tags were not affixed to any of the vehicles. Management explained the property tags are kept in the F&T office because there are no secure spots to affix the tags in the vehicles. Maintaining inventory control can be tasking, but property tags can help simplify the inventory process, reduce the chance of human error, and ensure that inventory counts are accurate. Property tags can also be helpful for locating the inventory record in cases where the equipment number or VIN is inaccurate or has not been entered in the AMS database.

Recommendation: Management should affix the University property tags, when practical, to the physical assets in order to maintain an effective property identification tag system.

Response: We concur. The Assistant Director will work with the appropriate F&T staff to ensure that, when practical, University property tags are affixed to the physical assets.

### Physical Inventories

Once a year, F&T performs a physical inventory for Fleet-owned vehicles. Management analyzes data of vehicles that have been fueled or serviced at Fleet Services during the prior fiscal year to determine if they are active. For vehicles that were not active, F&T obtains a written certification from the operating departments to verify the existence of the equipment. The F&T equipment custodian will occasionally locate and view the vehicles, if necessary. Equipment custodians with department-owned vehicles and vessels are responsible for conducting their own physical inventories and updating the records in AMS.

Equipment Management guidelines indicate that to perform the inventory, equipment custodians are to physically locate and view each piece of equipment listed on the inventory, and confirm the property number, description, location, serial number, assigned department, utilization/condition codes, and title.

Documents were reviewed to verify that physical inventories are conducted, and discussions were held with management about the established internal procedures. Based on the review, A&AS verified that the Equipment Management Annual Certification of Equipment Inventory form was completed by the Senior Vehicle Analyst and approved by the Assistant Director of F&T Strategy & Business Analysis on March 16, 2018. However, the following observations were made:

The fuel date is used as the last inventory date for vehicles. The analysis of fuel transactional data is a good control to determine if the vehicle is active and to discover potential discrepancies, but the fuel data does not physically verify the vehicle’s existence. The analysis of service transactional data is a good control for physically verifying the existence of the vehicles; however, service technicians are not required to confirm all equipment identifying numbers, location, assigned department, or other relevant information, thus complete asset information is not verified.

The vehicle certification letter verifies that the operating department physically accounts for the equipment and that the description, equipment number, and VIN are confirmed, but other inventory information, such as the property number, location, and assigned department, is not listed in the letter.

F&T tracked the vehicle activity and certifications in a log containing 508 vehicle records and documented that further investigation was needed in five instances where a certification letter had not been returned by the operating departments. A&AS requested one example where the exception was further researched, properly approved and documented, but F&T management did not have written follow-ups on the five vehicles.

Recommendation: To enhance the annual physical inventory, management should ensure that vehicles are physically verified and that all equipment identifying numbers, location, assigned department, and any other relevant information is confirmed. The vehicle certification letter should include additional information about the units to ensure the inventory is up to date. Also, management should develop a procedure to ensure that inventory exceptions are researched, properly approved and documented.

Response: We concur. The Assistant Director will work with the appropriate F&T staff to ensure that vehicles housed on or near campus are physically verified during the annual inventory process and that any relevant information (e.g., equipment identifying numbers, location, assigned department) is confirmed. The F&T Senior Fleet Management Analyst will modify the vehicle certification letter to include the property number, location and assigned department, as well as any other relevant information, anddevelop a procedure to ensure that inventory exceptions are properly researched, documented and approved by March 31, 2020.

## Replacement Plan and Life Cycle Costs Analysis

Best practices for fleet management indicate that maintaining an effective replacement program is an important control for monitoring the performance of the fleet and the total cost of ownership. The UCLA Procedure 745.1, “Acquisition of Vehicles and Vessels,” states that F&T is responsible for the careful planning, reviewing, inventorying, reporting, and control of all University vehicles and vessels, which includes maintaining a vehicle Replacement Plan for the campus fleet.

Generating a Replacement Schedule and Life Cycle Costs Analysis report for each department or vehicle in the inventory is not part of the regular business operations of F&T for inventory planning. Management explained that preparing these requires extensive effort on behalf of F&T, which involves analyzing vehicles with the utilization of market projections and factors such as class, fuel type and consumption, age, usage, maintenance cost, etc. Since F&T cannot force campus departments to purchase new vehicles, F&T does not expend time generating a Replacement Schedule and Life Cycle Costs Analysis report for every department or vehicle in the inventory. Instead, F&T holds consultations with campus management to recommend which vehicles should be replaced, but ultimately, it is up to the departments to make the decision.

Out of the ten judgmentally selected vehicles and two vessels aging between the years of 1964 and 1995, it was determined that Life Cycle Costs Analysis and Replacement Schedule reports were not provided to departments. However, A&AS determined that F&T held discussions with all departments operating the eight sampled vehicles. Since vessel replacement planning is not part of F&T's area of expertise, F&T did not hold discussions regarding the two sampled vessels.

While reports are not provided to all departments, it appears that F&T schedules planning sessions with departments at least once a year to maintain a continual vehicle replacement plan for the campus fleet.

There were no significant control weaknesses noted in this area.

## Monitoring

### Finance Agreements and Maintenance Service Plans

Departments that elect to have vehicles financed through F&T are required to have one of two maintenance service plan options. Departments that own vehicles also have the option to pay for services on a fee-for-service basis, but this option is not available for Fleet-owned vehicles. A finance agreement is established between the two parties, specifying the maintenance plan, monthly charges, and other terms and conditions.

Discussions with management were held and a review of finance agreements was performed in February 2019 to verify whether the information is adequately maintained. Based on the review of eight units judgmentally selected from a list of 154 financed vehicles with maintenance contracts, A&AS found that the agreements were not signed for three automobiles with lease terms beginning on October 2013, August 2015, and November 2018. Management explained that the signatures for the vehicle financed in 2018 are pending.

Also, the vehicle maintenance plan documented in one of the unsigned agreements did not match current FleetFocus records. Management stated that the Fee for Service Plan Option documented in the 2015 agreement is incorrect because all financed vehicles are required to have a maintenance service option, and that the department is being recharged for the correct plan. According to the finance agreement, all financed vehicles are required to have either a limited or a full maintenance service plan, but management could not provide documentation to verify that the specific service contract recorded in FleetFocus is accurate.

Obtaining and documenting finance agreement authorizations on a timely basis is important to ensure the terms and conditions are reviewed by both the lessee and lessor, and to validate the information recorded in the F&T database.

Recommendation: Management should develop a process to ensure that finance agreements are signed by both required parties within 30 days of the vehicle’s release to the department.

Response: We concur. The F&T Senior Fleet Management Analyst will develop and implement a process to ensure that finance agreements are signed by both required parties within 30 days of the vehicle’s release to the department by April 30, 2020.

### Vehicle Asset Life

The assets are depreciated over their expected life-span based upon the established depreciation schedule(s). The terms of internal lease contracts are consistent with the life-cycle of the vehicles; therefore, the asset life assigned to vehicles affects the lease amount that departments are charged monthly.

Vehicle depreciation lengths were examined through discussions with management and a review of vehicle records was performed to verify that the asset life is accurately recorded in accordance with F&T standard terms. Based on the data analytics review of 203 records for 2015 to 2019 vehicles that are financed, A&AS found that the asset life cycle for 69 vehicles varies from the depreciation schedule, including 59 UCLA Vanpools. The depreciation schedule in the procedure manual appears to indicate that only vanpools with a class 2A vehicle weight rating have an expected lifespan of 48 months; however, management explained that the weight class of vanpools is not a factor in determining the length of the Initial Finance Term (ITF). Additionally, some vehicle units from several years ago were assigned atypical IFT lengths based on F&T’s determination of appropriate vehicle life cycles given proposed intensity of use.

Recommendation: Management should revise the depreciation schedule documented in the F&T procedure manual to clarify the factors that determine the expected vehicle lifespan. Furthermore, management should ensure that asset life cycles are assigned based on the approved depreciation schedule(s).

Response: We concur. The Assistant Directorwill revise the depreciation schedule contained in the F&T procedure manual to clarify the factors that determine expected vehicle lifespan by June 30, 2020, and work with F&T staff as necessary/appropriate to ensure that asset life cycles are appropriately assigned based on the approved depreciation schedule(s).

### Fleet Registration

F&T is responsible for retaining registration documents throughout the life of the assets. Discussions were held to determine whether monitoring controls over the DMV registration renewal documents for the fleet are adequate. Management stated that recurring reviews of DMV files are not required because the University fleet is exempt from annual registration renewals. F&T only needs to ensure that the title and registration is obtained when a unit is initially acquired, and before releasing the vehicle to the requesting department. The documents are then stored in a secure safe until disposing of the vehicle.

F&T vessel procedures state that the DMV vessel renewal notices are received every odd year for a status and location update, and that the DMV documents should be reconciled annually to the current vessel inventory; however, management explained that the written procedures do not reflect current F&T business practices and need to be updated.

Recommendation: Management should update the procedures to reflect current F&T business practices with regard to fleet registration.

Response: We concur. The Assistant Director will work with the appropriate F&T staff to ensure that all relevant procedures are updated to reflect current F&T business practices with regard to fleet registration by June 30, 2020.

## Information Technology

FleetFocus is the fleet management information system used by F&T that includes comprehensive preventive maintenance schedules, work orders and labor tracking, as well as parts and inventory management.

A review of the FleetFocus system was conducted to determine whether unique log-on identification (ID) and passwords are used, the system is backed up appropriately, and it has proper access controls that are in compliance with UC Business and Finance Bulletin, Information Security (IS)-3: Electronic Information Security. Also, a list of 53 users was obtained from F&T management, and a sample of 24 administrator accounts and ten user accounts were selected to determine the appropriateness of the user’s access based on job classification and responsibilities.

From the discussions held with management, it was determined that the system is appropriately backed up. Daily backups are kept for three weeks and monthly backups are kept for a year. A&AS also determined that the FleetFocus application meets the documentation standards. Although there are no written guides for the application, the application has a built-in resource guide. The following were noted:

Fleet Services technicians do not have a unique log-on ID and password. Two accounts are shared by the service technicians; one of the accounts only has view-access, but the other can change and update the odometer setting for vehicles in FleetFocus. As a mitigating control, the shared account activity is reviewed by the maintenance service manager.

One user account out of the 34 that were tested was determined to have inappropriate access. Management stated that the employee was removed from the system, but A&AS was unable to obtain information regarding the date that access was removed.

Three user accounts were associated with employees that had separated from the University or had transferred to a different department in recent months. A&AS was unable to verify whether access was removed in a timely basis; however, it was confirmed that the employees last logged in to the system when they were still working at F&T.

Annual assessments of user access appropriateness are not conducted.

There are no minimum password standards for the FleetFocus system. The application does not require users to periodically change passwords and accepts passwords as small as a single character.

The FleetFocus system does not have a unique identifier to help identify users.

Recommendation: Management should conduct a yearly assessment of user access to the FleetFocus system, update password requirements to meet the minimum security standards in accordance with UCLA Policy 401, remove shared accounts, and ensure each employee has a unique log-on and password. In addition, management should ensure that employees who separate from the University have their access removed promptly and that the removal date is documented. Lastly, the system should include the employee’s UID as a unique identifier to enhance the data integrity of the user listing.

Response: We concur. The F&T Data Analyst will conduct a yearly assessment of user access to the FleetFocus system and work with E&T Information Technology (IT) to update password requirements to meet the minimum security standards in accordance with UCLA Policy 401. Fleet shared accounts have been removed, and each Fleet employee has a unique log-on and password. The F&T Data Analyst will work with E&T IT, the F&T General Manager and the Assistant Director as necessary/appropriate to ensure that employees who separate from the University have their access promptly removed; the removal date will be appropriately documented. E&T IT will explore the feasibility of including the employee’s UID as a unique identifier within FleetFocus.

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