



# Audit Committee Meeting Agenda

Thursday, December 12, 2024

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CITY HALL - SONORAN ROOM | 11465 W. CIVIC CENTER DR. | AVONDALE, 85323

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## **REGULAR MEETING**

**2:00 PM**

*Physical Access to the conference room will be available 30 minutes prior to the meeting.*

### **CALL TO ORDER**

#### **1. Roll Call**

#### **2. Introductions**

#### **3. Approval of Audit Committee Minutes**

The Audit Committee will consider approval of the September 25, 2024 Audit Committee meeting minutes. The Committee will take appropriate action.

#### **4. External Auditor Update**

The City's external auditors for the Annual Consolidated Financial Report will provide an update. This item is for discussion only.

#### **5. Report Discussion and Project Status Report**

The City Auditor will discuss completed audits and present a status update of ongoing projects. This item is for discussion only.

#### **6. Audit Recommendation Status Update**

The City Auditor will discuss a brief overview of the status of audit recommendations. This item is for discussion only.

#### **7. Audit Software Enhancements**

The City Auditor will provide an update on the recently implemented software. This item is for discussion only.

## **8. Calendar**

The Committee will decide if there are any specific items they would like included on the next agenda.

Next meeting is Thursday, February 13, 2025 @ 2:00-3:30 PM

## **9. Adjournment**

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Members will attend by telephone conference call. Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1200 or TDD 623-333-0010 at least two business days prior to the meeting.

Los miembros asistirán vía teleconferencia. Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista u oído, o con necesidad de impresión grande o intérprete, deben comunicarse con la Secretaria de la Ciudad al 623-333-1200 o TDD 623-333-0010 cuando menos dos días hábiles antes de la junta del Concejo.

**MINUTES OF THE AVONDALE AUDIT COMMITTEE**  
CITY OF AVONDALE, ARIZONA  
SONORAN CONFERENCE ROOM  
September 25, 2024

A **Regular Meeting** of the Audit Committee of the City of Avondale, Arizona was convened at 11465 West Civic Center Drive in open and public session at 2:00 p.m.

**Voting Members Present:** Chair White; Vice Chair Cook\*; Committee Member Nielson; Committee Member Solorio.

*\*Vice Chair Cook joined online at 2:44 p.m.*

**Non-Voting Members Present:** Committee Member Corbin and Committee Member Weatherless.

**Members Absent:** Committee Member Pacheco.

**Other Municipal Officials Present:** Brandon Cartwright, Attorney I; Marcella Sarmiento, City Clerk; and Emily Soria, City Clerk Specialist.

**Audience:** No members of the public were present.

**1. ROLL CALL BY THE CITY CLERK**

**2. INTRODUCTIONS**

Brandon Cartwright, City Attorney, filling in this week for Nicholle Harris.

**3. APPROVAL OF THE AUDIT COMMITTEE MINUTES**

Committee Member Solorio moved to approve the June 25, 2024, meeting minutes; Committee Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 4 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

**4. AUDIT STATUS REPORT AND REPORT DISCUSSION**

The City Auditor presented a status update of ongoing projects followed by a discussion of completed audits. This item was for discussion only.

Barbara Copping, City Auditor presented the audit status update. Brittany Williams from Heinfeld Meech and Caitlin Gutierrez, Internal Audit Senior Manager, REDW were also present.

There are three audit reports that are issued which will be discussed today. A draft has been issued for the Fleet Management audit and will be discussed at the next Audit Committee meeting. The utility Billing audit is in fieldwork status, the Vendor Master File was put on a temporary hold due to workload, and the Active Directory contract will start late January, early February.

In response to Committee Member questions, Ms. Coppage noted the Active Directory audit relates to cyber security and access management.

Ms. Coppage noted the three audit foundational activities, teammate manual creation, audit manual revisions, and the employee and citizen presentations are all ongoing. The first report discussed is the Status of Prior Audit Recommendations which provides information on outstanding and implemented recommendations. There were approximately 98 recommendations in the database from the prior year and all but seven were implemented. This report will be provided at the end of the year and will incorporate the risk level.

Chair White commended Ms. Coppage on her ability to connect with the team and city staff and achieving 10% implementation of recommendations.

Mr. Corbin explained the gift policy is for donations to the city and outlines how it becomes an asset and making sure the city does not end up with an added cost or burden by accepting a donation and/or gift. This gift policy does not change the policy related to individual employees accepting gifts, being anything below \$100 can be kept and anything above \$100 goes to the city. A brief discussion ensued.

The second report is the payroll timekeeping follow-up report which is to ensure the recommendations from the November 2021 audit were implemented. There were 33 recommendations that were implemented and three yet to be implemented. Part of the audit was also to determine if the controls put in the place for the implemented recommendations are working. The areas focused on where timecard approvals, duplicate payroll transactions, and the usage of different types of leave.

In response to Committee Member questions, Ms. Coppage clarified that even though timecards were not signed / approved, employees still got paid. Mr. Corbin noted they have no intentions of withholding anyone's pay for the lack of a signature. They have increased compliance audits and emails are now sent out to supervisors and directors regarding compliance and this will allow compliance to be monitored. The issue is not with the lack of inputting time worked, it is with getting the employee or supervisor to sign / approve the timecard, which is acknowledging it is correct and prevents duplications or overpayments. Mr. Coppage explained the increase in payroll cost from 2020 to 2025 does not include retirement costs and accounts for an additional 200 employees plus cost of living. Mr. Corbin noted retirement cost is generally 12% but 30% for the Police and Firefighters.

The third report is the Munis Controls Audit prepared with the assistance of REDW who the city contracted with. This audit contain sensitive information.

Chair White asked that a document such as this not be sent to committee members via email as their email is something the public can access and suggested the documents be left on their desk for review and they will leave them there when they depart the meeting.

Caitlin Gutierrez, Internal Audit Senior Manager, REDW explained they looked at the Munis application to see how the data is stored, verified, and how Avondale is making sure the data is protected from a cyber security standpoint and from people going in and changing the data that they shouldn't be able to change. Some areas reviewed were:

1. System Administration Access
2. System Access and System Workflows
3. Accounts Receivable Balance for Utility Billing
4. CIS Levels
5. Data Backup and Restoration
6. Data Retention
7. User setup procedures

In response to question from Committee Members, Ms. Coppage explained that departments establish the dates of implementation. The new system once fully set up will automatically track when things are due, overdue, and from what department and all department heads will be able to see this as well.

Mr. Corbin explained the recommendations are reviewed and they may be prioritized in a different order than what was recommended. The reason many of the target dates are in December is many of the recommendations are straight forward and not hard to meet the deadline because they have already begun implementation. Ms. Coppage explained hopefully the database will provide automatic risk status, but she is still working on that. There will be an increase in the recommendations based on the number of audits.

## **5. EXTERNAL AUDITOR UPDATE**

The City's External Auditors for the Annual Consolidated Financial Report provided an update. This item was for discussion only.

Brittany Williams, External Auditor, Heinfeld Meech provided a brief update on what they are working on. Noting the preliminary fieldwork was completed over the summer and they are working on an internal control questionnaire, they will be performing test controls in disbursement, payroll, and looking at IT controls. The CDBG grant and State and Local Fiscal Recover Funds will be tested this year.

## **6. PEER REVIEW**

The City Auditor discussed a brief overview of a peer review, what it entails, and the impact to Avondale.

Aaron Cook, Audit Committee Vice Chair and Phoenix City Auditor discussed the Peer Review Process. Noting it is an audit of the auditor performed by an external auditor who looks at the quality control system and if it's functioning correctly. To include in the audit

reports that generally accepted government auditing standards are followed you must have a peer review conducted once every three years.

Peer Reviews are conducted by external firms like REDW and will cost between \$20,000 to \$30,000. However, you can use the National Association of State Legislative Auditors or the Association of Local Government Auditors (ALGA) for the cost of travel and one week's accommodations for two peers. The City Auditor would request the peer review, prepare documents such as the audit manual and quality control system review and provide them to the auditors a month in advance. This does require a commitment of staff time to maintain the audit manual as new standards get implemented. An exit interview is conducted by the peer review team with the city auditor. Mr. Cook reviewed the various positive and negative reasons for having a peer review.

A discussion ensued among committee members regarding when a peer review should be conducted. Ms. Coppage asked for more time to get everything in order where she is one person and preparing for the peer review would consume a large amount of her time. Mr. Corbin and Ms. Weatherless agreed with extending the peer review out.

Committee Member Solorio moved to direct staff to seek a peer review by ALGA in FY 2027; Committee Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 5 to 0.

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

## **7. AUDIT SOFTWARE ENHANCEMENTS**

The City Auditor provided an update on the recently implemented software. This item was for discussion only.

Barbara Coppage, City Auditor provided a brief overview of software enhancements for the audit recommendation module.

## **8. CALENDAR**

The Audit Committee discussed their upcoming scheduled meeting, set for November 21, 2024.

Chair suggested moving the final meeting into December to see what can be accomplished before December.

~~Thursday, November 21, 2024, at 2:00 pm to 3:30 pm~~

- Thursday, December 12, 2024; at 2:00 pm to 3:30 pm
- Thursday, February 13, 2025, at 2:00 pm to 3:30pm
- Thursday, May 8, 2025, at 2:00 pm to 3:30pm

Committee Member Solorio moved to approve moving the November 21, 2024 meeting to December 12, 2024; Committee Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 5 to 0.

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

## 9. ADJOURNMENT

There being no further business before the Committee, Committee Member Solorio moved to adjourn the Regular Meeting; Committee Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 5 to 0.

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

Meeting adjourned at 3:34 p.m.

PUBLIC WORKS DEPARTMENT| FINANCE AND BUDGET DEPARTMENT  
**FLEET MANAGEMENT AUDIT**

Date: October 21, 2023 | Project Number: 12502

## **AUDIT REPORT SUMMARY**

### **PURPOSE OF THIS AUDIT**

The purpose of this audit is to evaluate Fleet Services' internal processes for compliance with City policy and best practices, including fleet purchasing and disposals, inventory management and safeguarding, purchasing of parts and supplies, routine maintenance services, and outsourced repairs. The Office of the City Auditor procured the services of REDW, an external auditing firm, to perform this audit. REDW's audit report is attached.

### **WHY THIS AUDIT IS IMPORTANT**

The fleet audit is important because it helps identify issues that could impact the safety, efficiency, and cost of managing the City's fleet, so areas can be resolved before they affect overall performance.

### **SUMMARY OF RECOMMENDATIONS**

1. Reconcile the capital asset listing to ensure all procurements and disposals are timely and accurately recorded. Create a Citywide policy to establish roles and responsibilities and expected actions.
2. Develop a handbook for fleet services to establish key internal processes such as planning and budgeting for replacement vehicles, operating and proper use of vehicles, maintenance of an asset, and inventory management.
3. Conduct a needs assessment to determine if the current system used can adequately provide needed reports to carry out and monitor day to day fleet operations.

The departments concurred with all recommendations included in this report and listed in the attached detailed report.



Picture to the right is where City vehicles are repaired.

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# City of Avondale

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*Fleet Management  
Internal Audit  
August 2024*



# City of Avondale Fleet Management Audit

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## **City of Avondale Fleet Management Audit**

### **Report**

#### **Introduction**

We performed the internal audit services described below to assist the City of Avondale in evaluating processes for compliance with City policy and best practices within Fleet Services, including fleet purchasing and disposals, inventory management and safeguarding, purchasing of parts and supplies, routine maintenance services, and outsourced repairs.

Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, relevant portions of the Generally Accepted *Government Auditing Standards* and the terms of our contract for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified. Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

#### **Purpose and Objectives**

The City of Avondale Public Works Department's fleet management team (Fleet Services) is responsible for assisting in the procurement of vehicles for purposes of replacement, decommissioning vehicles, monitoring and performing preventive maintenance on the approximate 480 vehicle fleet and managing inventory of parts and supplies. Our audit focused on evaluating the processes and controls in place over parts management, including inventory, safeguarding, and procurement. We assessed routine maintenance procedures to ensure vehicles were serviced timely, work orders were properly monitored and completed, and warranties were tracked to maximize cost savings. In addition, we assessed procedures for the purchasing and decommissioning of vehicles. Lasted, we tested to ensure proper segregation of duties existed within the fleet management system, RTA.

#### **Observations, Recommendations and Management Responses**

REDW observed areas during the course of the audit where controls were functioning properly and established procedures were followed. This included processes over parts and supplies purchasing, routine and preventive maintenance services, purchases for fleet replacements, and system user access management.

As a result of our testing, REDW identified the following observations:

### **1) Capital Asset Reconciliation**

The *City of Avondale Administrative Policy 50 – Grant Policy* identifies the Finance & Budget Department as having the primary oversight responsibility for stewardship of city capital assets, with individual departments offering assistance. The Fleet Services team maintains vehicle inventory within their fleet management system, RTA, and the Finance & Budget Department also maintains a listing separate from the one maintained by Fleet.

Our testing determined there were no formalized policies or procedures (i.e. capital asset management policy) or activities within the City of Avondale to ensure financial records, fleet records, and department records all agreed and all active vehicles were accounted for. In addition, based on our analysis and comparison of Finance’s fixed asset listing to the Fleet vehicle listing, we identified 478 active vehicles on the Fleet listing and 416 on Finance’s listing. Further detailed analysis between the two listings determined:

- Based off the VIN number and tag number, we were able to identify 249 vehicles that were an exact one-for-one match between the two listings.
- An additional 107 vehicles were identified that appeared to be the same vehicle, but there were either minor differences in VIN numbers as recorded or the tag numbers did not match between the two listings; therefore, we could not confirm if they were in fact an exact match.
- Further, we noted additional vehicles that were listed on Fleet’s listing but were not included in Finance’s listing, and vice versa, that did not appear to be a one-for-one match, indicating that purchases and disposals were likely not being recorded which comprised the remainder of the variance between the listings.
- Given the inconsistent manner in which the assets were recorded on Finance’s fixed asset listing versus Fleets, it was difficult to determine the actual variance between the two listings; but ultimately, the two listings did not agree.

Lastly, our testing of 5 vehicles indicated as active in the financial accounting system determined they had been disposed of per the fleet management system. Our testing of 5 vehicles indicated as active in the fleet management system that were not present on the financial accounting system listing were verified as in existence and currently in use. Further inquiry determined the asset listings between the two departments appear to not have been reconciled for several years.

**Potential Risk Level – High:** The absence of a complete master fleet listing increases the risk that the City may not be able to effectively track vehicle existence potentially resulting in financial reporting inaccuracies, insurance tracking issues, and an increased risk of theft, loss, or unauthorized use. Given the discrepancies noted between the two listings and inconsistencies regarding vehicle information captured, we have assessed this risk at high.

**Recommendation:** Finance & Budget, with the assistance of Fleet Services where appropriate, should perform the following:

- **Recommendation 1.1** – Perform a reconciliation of the asset listing maintained in the fleet management system to the listing maintained by Finance & Budget to ensure active vehicles and equipment agree between both systems.

- **Recommendation 1.2** - Implement regular reconciliation activities (e.g. quarterly or semi-annually) to help ensure that the listings maintained between the two departments (and others) remain in alignment for future periods and variances can be corrected timely.
- **Recommendation 1.3** - Develop a capital asset management policy that sets forth the policies and procedures for recording, updating, transferring, and disposing of assets, as well as reporting requirements. In addition, the policy should address who is responsible for performing the asset listing reconciliations, how the reconciliations will be documented, and the frequency with which they will be performed. Finally, the policy and procedures should address how discrepancies will be addressed.

**Management Response:**

**Response 1.1** - Public Works concurs with this recommendation. The asset list in the fleet management system will be updated to clarify which fleet assets are capitalized to assist in reconciliation efforts. Public Works will then provide a list of capitalized fleet assets to Finance & Budget and assist with their reconciliation efforts as requested. This is targeted for completion by January 30, 2025.

**Response 1.2** - Finance & Budget concurs with this recommendation. Finance & Budget will add a vehicle reconciliation as a task to be completed each February, May, and Year End. As part of these regular reconciliations, finance will alter the current process of recording all asset additions and disposals at year end. These should be done on a more regular basis along with other fixed asset accounting responsibilities. One of the primary reasons for this to be done at year end is resource constraints. The Finance and Budget Department anticipates requesting a fixed asset accountant for FY2026. The implementation of the regular reconciliation activity is dependent on the initial reconciliation (Recommendation 1.1) being completed.

**Response 1.3** - Finance & Budget concurs with this recommendation. Finance & Budget will develop a capital asset management policy in accordance with best practices. Finance & Budget previously drafted a policy, but it was never finalized. The policy articulates roles and responsibilities for managing various city assets. This will be done in conjunction with Recommendation 1.2.

**2) Disposition**

*City of Avondale Administrative Policy 4 – Surplus or Obsolete Property Disposal* establishes procedures for the proper disposal of surplus or obsolete property, the acceptable methods of disposal, and required approvals. In addition, *State of Arizona Record Retention Schedules* state that all records related to capital assets, including disposition records, must be maintained for 3 years after the fiscal year that the disposal occurred.

Discussions with Fleet Services revealed that the vehicle disposition process is decentralized with a breakdown in the communication channels regarding disposals between Fleet Services, Facilities Management, and the Finance & Budget, Procurement and Accounting divisions. Disposal approvals by Procurement are not always communicated to Fleet Services and Finance & Budget in order to update records accordingly in a timely manner, and Fleet Services further communicated they have not received an auction settlement notification since 2021. Receipt of this notification means Fleet Services can take the vehicle out of the active file and Finance & Budget can adjust the books accordingly and record the necessary receipts.

We attempted to test 4 vehicle disposals; however, despite multiple inquiries with various departments involved in the process, completed disposal forms were not provided. Therefore, we were unable to test vehicle disposals as the Procurement Division’s approval for the

disposal, Facility's evidence of transfer to the auction house, notification from the auction house that the asset was sold, and evidence that the vehicle was removed from the active capital asset listing after funds were received from the auction house, was not maintained in accordance with retention requirements.

**Potential Risk Level – High:** Incomplete records regarding vehicle dispositions increase the risk of inaccurate financial and/or operational data. Given the breakdown in the communication channels of the various departments involved in the disposal of vehicles, we have assessed this risk at high.

**Recommendation:** Finance should perform the following:

- **Recommendation 2.1** - Implement a quarterly review of disposals (which could be performed during the reconciliation process from Observation #1) to ensure vehicle disposals are properly tracked and information regarding the sale is communication timely so asset listings and insurance files can be updated.
- **Recommendation 2.2** - Establish standardized procedures for vehicle dispositions that includes roles and responsibilities, required documentation, and points of contact. The procedures should also address how the records will be retained to ensure compliance with State of Arizona Record Retention Schedules.

Consider if an automated workflow can be utilized that allow for shared access to documents and records to ensure vehicle dispositions are properly managed and tracked. This approach may require a quarterly review to ensure all vehicles that were sent and sold at auction were properly accounted for, relevant parties were notified, and information regarding the sale was recorded timely.

**Management's Response:**

**Response 2.1** - Finance & Budget concurs with this recommendation. Finance & Budget will add this as task to be completed each February, May, and Year End and will be part of the reconciliation of vehicles performed at the same time (Recommendation 1.2).

**Response 2.2** - Finance & Budget concurs with this recommendation. Finance and Budget will develop a capital asset management policy in accordance with best practices. This policy will reference procedures for vehicle dispositions, including roles and responsibilities and points of contact. It should be noted that the Departments are responsible for the assets in their possession and must communicate any changes in status of the assets to the Accounting Division. The targeted completion date is April 1, 2025.

**3) Fleet Maintenance & Management Handbook**

Policies and procedures are critical to ensuring employees are aware of department processes as well as their roles and responsibilities, especially during times of turnover or system transitions. The State of Arizona does not have a specific statewide mandate requiring local governments to have a fleet management handbook. However, local governments are often encouraged to follow best practices for fleet management, which can include adopting a fleet management handbook or policy to ensure efficient use and maintenance of vehicles. Our testing determined that there are no comprehensive Fleet specific policies or procedures, desktop procedures, or training manuals in place over routine/preventive maintenance schedules, service timelines, replacement plans, work order management, parts and supplies perpetual and annual inventory, and disposals to document process requirements and procedural steps.

**Potential Risk Level – Moderate:** The absence of written, formalized policies and procedures may increase the risk of operational disruptions or inconsistencies, especially in times of turnover. Since many of the processes have been established, just not documented, we have assessed the risk at moderate.

**Recommendation:**

**Recommendation 3.1** - The Fleet Services team should develop and implement policies, procedures, and/or desktop procedures over key internal processes to ensure that employees understand their roles as well as the standards and expectations in carrying out their day-to-day tasks. Policies and procedures should be disseminated in a manner such that all Fleet maintenance employees are aware of the guidelines and understand them to ensure consistency in operations. At a minimum, the following should be included in a Fleet Maintenance & Management Handbook:

- Planning and budget, including the development and management of an asset replacement plan and processing vehicle requests;
- Replacement Plan detailing Fleet Services roles and responsibilities in the procurement of new capital assets related to replacements;
- Operation of an asset including proper use, safeguarding, and procedures for reporting accidents and damage or instances of theft or vandalism;
- Maintenance of an asset, including definitions of routine maintenance and unscheduled maintenance, work order process, maintenance thresholds, preventive maintenance service schedules, and responsibilities of the departments and/or vehicle owners;
- Inventory management detailing how periodic and annual inventory counts are performed, required documentation to be maintained, justification for adjustments, and any review and/or approval activities. In addition, Fleet should document how they track and monitor surplus inventory to ensure compliance with *City of Avondale Administrative Policy 4 – Surplus or Obsolete Property Disposal*;
- Work order monitoring procedures including how they are assigned, processed, reviewed, and closed out; and
- Disposal processes, including allowable methods, approvals, and condition assessments.

**Management Response:**

**Response 3.1** - To address this finding, Public Works will take a two-pronged approach:

- Public Works will develop an Administrative Policy that clearly defines Fleet's responsibilities and authority within the city. This policy will serve as the foundation for fleet-related operations and procedures. The target date for adoption of the policy is March 3, 2025.
- Public Works will also develop a comprehensive Fleet Handbook. This handbook will reference the Administrative Policy and provide detailed guidelines on all aspects of fleet management mentioned in the audit finding and additional areas as needed. The target date for completion of the first edition of the handbook is December 1, 2025.

This timeline acknowledges the complexity of the task and allows for thorough development, review, and refinement of both the Administrative Policy (AP) and the Fleet Handbook. After establishment, the handbook will be regularly reviewed and updated.

#### **4) Reporting Limitations**

The City's Fleet team utilizes RTA, a fleet management software, that manages assets and related maintenance, manages work orders and parts inventory, and manages fuel costs. The team currently uses a desktop version of RTA, which has presented several challenges in terms of what reports the system is capable of producing, even with a third-party report writer attached to the application, in order for Fleet Services to be able to effectively monitor the fleet. Challenges include:

- Preventive Maintenance Due reports cannot capture information regarding how delinquent a vehicle may be in terms of time or miles. This information has to be queried on a vehicle-by-vehicle basis.
- Warranty component information is difficult to track within the system to ensure the City can maximize warranty-covered repair and maintenance services for purposes of cost-containment.
- The Fleet team has informal key performance indicators over work orders, but the system cannot produce a global report over work orders to include service timelines, statistics on types of services and repairs performed, or how much certain types of repairs or services cost over a defined amount of time in order to better monitor for trends.
- Some reports cannot be exported in a format that can be used and manipulated while other system reports do not have an associated export and can only be viewed on-screen.
- RTA recently rolled out a web-based version which is not completely tied to the legacy system (desktop app) currently utilized. No data validation procedures have been performed to ensure the data that was transferred to the web-based app is complete, accurate, and reliable. Currently, the same report can be run out of the two different applications and the results are different.

**Potential Risk Level – Moderate:** Inadequate reporting on vehicle availability, usage, and maintenance needs can lead to improper allocation of resources and inhibits data-driven decision making. Given that RTA has presented several challenges in its capability to produce meaningful reports, we have assessed this risk at moderate.

#### **Recommendation:**

**Recommendation 4.1** - Fleet Services should conduct a needs assessment to determine the specific reporting requirements it needs and identify gaps within the current system. Based on the results of the analysis, it may be necessary to explore and evaluate options to either upgrade the current application to the web-based version or replace the application with a more robust fleet management system that can meet the reporting needs of Fleet Services.

#### **Management Response:**

**Response 4.1** - Public Works concurs with this recommendation. Public Works will conduct a comprehensive needs assessment to determine the specific reporting requirements for Fleet Services and identify any gaps in the current system. This analysis will determine if the web-based version of the current application is sufficient or if a more robust system is needed. The targeted completion date is December 2, 2024.

## 5) *Parts & Supplies Inventory Procedures*

The requirement for performing periodic or annual counts over parts and supplies inventory is generally dictated by local policies and regulations. While Fleet Services does have informal, undocumented procedures in place for periodic and annual inventory counts, the City does not have an overarching policy in place over department-specific inventory counts per best practices to help ensure accurate financial reporting, accountability, and efficient management of assets.

Our testing determined annual procedures have been occurring and annual inventory counts were documented but periodic counts were not; therefore, we were unable to determine if they were occurring at the intended frequencies, if adjustments made were justified, or if they were properly reviewed. In addition, we determined that adjustments related to the fiscal year 2023 annual inventory count were not supported with justifications/reasons for the discrepancy (however, they did appear to be minimal, accounting for 0.6% of the ending inventory balance). Lastly, we determined the inventory counts were being performed by the Parts Specialist who oversees the parts area, controls the items mechanics/technicians retrieve from the area during normal business hours, and reconciles work orders to parts utilized, indicating a potential issue with segregation of duties over the inventory counts and reconciliations.

**Potential Risk Level – Moderate:** Undocumented inventory counts could lead to financial discrepancies. Given that periodic inventory counts were not documented, potential issues with segregation of duties exist, and adjustments were not supported but appeared minimal, we have assessed this risk at moderate.

### **Recommendation:**

**Recommendation 5.1** – Parts and supplies inventory procedures, both periodic and annual, should be documented in the Fleet Maintenance & Management Handbook including:

- Roles and responsibilities of various Fleet staff over inventory
- Frequency of counts
- Types of counts
- Steps for preparation of the counts (such as freezing the movement of inventory during counts)
- Conducting the counts
- Required documentation to support counts
- Reconciliations and adjustments
- Reporting

Any variances should be documented and investigated so justification can be provided to support adjustments (e.g. damaged, expired, theft, misplacement, administrative error, returns, etc.) which will aid in identifying trends and patterns over adjustments.

In addition, segregation of duties considerations should be infused into the procedural manual and should, at a minimum, exist between those responsible for safeguarding the parts and supplies and those performing the inventory counts and maintaining the accounting records, as well as between those verifying and reconciling the counts and those approving/entering adjustments. It may be beneficial to provide training for all employees involved in inventory management on the importance of segregation of duties and the specific procedures they need to follow.

## **Management Response:**

**Response 5.1:** Public Works concurs with this recommendation. Public Works will include a section on Periodic and Annual Parts and supplies inventory and procedures in the Fleet Maintenance & Management Handbook that addresses the areas in this recommendation. The handbook will include clear segregation of duties, training, and information regarding how variances will be documented. The targeted completion date is December 1, 2025. While the Fleet Maintenance & Management Handbook is being developed, Fleet Services will continue to complete periodic and annual inventories, and any variations found in the inventory process will be documented and investigated. Additionally, Public Works will segregate duties by involving other Public Works Staff in the inventory process.

## **6) Facility Access**

The *City of Avondale Administrative Policy 30 – Identification Badge and Access* states that each month a report is generated identifying City badges that have been inactive for 30 days, including elected officials, City employees, and contractors. The listing is sent to the issuing department to confirm the employment contractor status. Further, the *Avondale Office of Public Safety Policy 14.2 – City ID Badges* states that the system is set for any access badges to automatically deactivate after 60 days of non-use. Our testing of 36 contractors identified 2 that have been inactive for 32 and 39 days and a third being inactive for 83 days, indicating non-compliance with deactivation protocol. Further discussion indicated that monthly reporting over inactive badges to identify contractors who may have exceeded the 30-day threshold was not occurring. No City employees tested with access to the Fleet facility fell outside the policy parameters.

While the City does have policies over badge access and the monitoring of badges, there are no policies over physical key access. Parts and supplies are stored within a locked area within the facility, which has its own access door and physical keys. The Parts Specialist typically staffs the parts area during normal hours of operation; however, mechanics/technicians have keys to the parts area as they are assigned on-call duties for after-hours emergencies and on weekends. Our testing determined the Fleet Supervisor did not maintain a log of who has been issued a physical key to the parts area. In addition, while the Fleet Supervisor indicated that keys are collected from employees upon separation, there was no documentation to support that the keys were issued and subsequently collected upon separation.

**Potential Risk Level – Moderate:** The absence of monitoring to inventory holding areas can increase the risk of unauthorized entry resulting theft, loss, and misplaced inventory. Given that there is currently limited monitoring over access mechanisms to inventory holding areas, we have assessed this risk at moderate.

**Recommendation:** To help ensure parts and supplies are properly safeguarded against theft or other types of losses related to unauthorized or unmonitored access:

- **Recommendation 6.1** – Public Works should implement the use of a log to track the physical keys issued to Fleet staff and when, in the absence of a system with the ability to track movement in and out of inventory holding areas. This log should also capture if keys have been collected from employees separating from the City to ensure inventory is properly safeguarded.

The process for issuing, tracking, and collecting/revoking physical keys should be documented in the Fleet Management & Maintenance Handbook or other procedural directive and disseminated to relevant employees.

- **Recommendation 6.2** – Facilities should create a key policy or procedure to provide guidance on a citywide basis on the use, distribution, and recording of all keys issued and recorded.

- **Recommendation 6.3** – The City’s Office of Public Safety should ensure that monitoring and deactivation of security access badges, per *City of Avondale Administrative Policy 30 – Identification Badge and Access*, is occurring at the intended frequencies and is functioning properly to deactivate inactive access badges in a timely manner, especially over contractors who may have after-hours access to areas housing sensitive information or City assets.

**Management Response:**

**Response 6.1** – Public Works concurs with this recommendation. Public Works will inventory and log keys currently issued to fleet staff. Fleet Services will address how keys are issued and tracked in the Fleet Management & Maintenance Handbook. The targeted completion date is December 5, 2025.

**Response 6.2** – Facilities concurs with the recommendation. Facilities tracks key distribution but has not tacked key disposal. We will develop a concurrent log to track all keys life cycle thru disposition. We will work on a policy to support accurate reporting. the targeted completion date is April 1, 2025.

**Response 6.3** – The Office of Public Safety concurs with the recommendation. Response: This has been addressed and no further issues of this kind shall occur. The proper reports to establish the necessary information have been located and ran by the Municipal Security Sergeant. Access to the Fleet Shop doors have been removed for janitorial crews, contractors, IT personnel, and the Municipal Security Unit. A current list of cardholder access has been sent to the Director of Public Works with their authorization to remove any additional personnel. A discussion with the Director of Facilities has been discussed to limit only the necessary contractors to have access to the Fleet Shop and access shall only be granted on a temporary basis. Facilities will be providing an escort into the Fleet Shop for the majority of the occasions. A schedule shall be set annually to send the Directors of each department a cardholder access report to review and add/remove personnel at their discretion.

**7) Surplus Parts & Supplies Inventory**

*City of Avondale Administrative Policy 4 – Surplus or Obsolete Property Disposal* requires each department to maintain a record of surplus or obsolete property maintained within the department. Our testing of 6 surplus items (used rotors, police light bars, and new and used computer docking stations that the IT department brought to the facility to store) determined 5 were not recorded on a log or in the fleet management system, per policy. Further discussion with the Fleet Services department indicated because these items often belong to other departments, they were not maintained on a formal tracking mechanism, either on a log or within RTA.

**Potential Risk Level – Low:** An absence of a systematic and periodic assessment of inventory to identify obsolete or surplus items can lead to difficulty in managing this type of inventory, allowing it to take up valuable storage space. However, given that items tested were small quantities and are recycled and repurposed to recoup value, we have assessed this risk at low.

**Recommendation:**

**Recommendation 7.1** – Fleet Services should:

- Establish a formal schedule for regular inventory assessments to identify and address surplus and obsolete items (e.g. quarterly).

- Standardize procedures for documenting surplus inventory items, including details such as parts numbers, quantities, and storage locations, should be implemented. Procedures should be documented in a Fleet Management and Maintenance Handbook.
- Implement procedures for the disposal of obsolete and surplus inventory to ensure any excess inventory can be regularly cleared out to make space for essential parts and equipment.
- Similar procedures should be implemented for other departments if they wish to utilize the facility for storage and Fleet should not be expected to manage these excess items.

**Management Response:**

**Response 7.1** – Fleet Services concurs with this recommendation. Surplus items that are deemed useful for fleet will be inventoried and entered in the Fleet Management System. Surplus items deemed unnecessary will be disposed of in accordance with AP-4: Surplus or Obsolete Property Disposal. Items from other departments will not be allowed to be stored in the fleet facility. The targeted completion date is December 31, 2024.

**8) Compliance with Preventive Maintenance Schedules**

While the City of Avondale *Administrative Policy No. 12 – City Vehicle Usage* mentions that routine maintenance of city vehicles will be supervised through Fleet Services, we determined service schedules were not documented for vehicle operator reference to ensure they were aware of the frequency, thresholds, and responsibilities for timely delivery to Fleet for performance of preventive and routine maintenance services. In addition, while our testing did not indicate any issues of vehicle operators not bringing their vehicles in timely, we determined there was no policy in place to escalate non-compliance with vehicle service timelines to ensure supervisors and City leadership, if necessary, were notified and could assist in correcting the issue.

**Potential Risk Level: Low** – In the absence of a documented service scheduled and escalation protocol, unresolved maintenance issues may lead to unexpected vehicle breakdowns resulting in increased vehicle downtime and increased maintenance and repair costs to the City. Since our testing did not identify issues and this appears to be gaps in policy and procedure documentation, we have assessed the risk at low.

**Recommendation:**

**Recommendation 8.1** – The City’s administrative policy should be updated to include service schedules to ensure they are aware of timelines and thresholds and how non-compliance should be escalated in the case that vehicles remain delinquent. Escalation procedures should be mirrored in a Fleet Management & Maintenance Handbook, along with any additional procedures Fleet Services deems necessary on their end (e.g. Fleet Services notices vehicle damage not previously reported).

**Management Response:**

Response 8.1 – Fleet Services concurs with this recommendation. This will be addressed in the City Administrative Policy, being developed as part of recommendation 3.1. Detailed guidance for fleet Services staff will be included in the Management & Maintenance Handbook. The targeted completion date is March 3, 2025.

## Scope and Procedures Performed

In order to gain an understanding of the controls and processes, we interviewed the following personnel:

- Public Works Department
- Finance & Budget Department

In order to gain an understanding of the processes and controls in place we read relevant portions of:

- City of Avondale Administrative Policy 4 – Surplus or Obsolete Property Disposal (revised August 24, 2023)
- City of Avondale Administrative Policy 12 – City Vehicle Usage (revised June 27, 2019)
- City of Avondale Administrative Policy 23 – Procurement Policy (revised February 13, 2024)
- City of Avondale Administrative Policy 30 – City of Avondale Identification Badge and Access (revised August 23, 2023)
- City of Avondale Administrative Policy 37 – Vehicle/Equipment Retention Policy and Procedure (revised September 23, 2020)
- City of Avondale Code of Ordinances Chapter 25 – Procurement Code

**We performed the following testwork:**

**Physical Inventory:** We performed a walkthrough of the inventory room to ensure inventory appeared neat and orderly, items were organized in a manner that supported efficient reconciliations, and physical access controls appeared to be functioning.

In addition, we selected a sample of 5 bins (reverse audit) and 5 items from the RTA inventory listing and tested to ensure the amounts and information recorded in the system agreed to the bins.

**Inventory Reconciliations:** We obtained the fiscal year 2023 annual inventory reconciliation performed and tested to determine if:

- The reconciliation process was set up correctly;
- Inventory adjustments made were justified, supported, authorized and were reasonable; and
- Inventory review was performed by someone separate from the inventory counting process.

**Parts Purchasing:** We obtained a listing of all parts purchased by Fleet in fiscal year 2024. From a total population of 2,129 purchases of parts, supplies and tools, we selected a sample of 10 purchases and tested to determine if:

- The parts were purchased from an authorized vendor;
- The purchase was approved by the Parts Supervisor prior to purchase;
- Parts received on receiving report agreed to the Purchase Order and RTA; and
- Price was accurately entered in RTA.

**Facility Security/Badge Access:** We obtained a listing of all employees with active badge access to the Fleet facility doors as of July 2024. In addition, we obtained a listing of all active City of Avondale employees as of July 2024. We compared the listings to identify potential discrepancies between the two listings. In addition, we scanned the listing to determine if employees with badge access to the Fleet facility appeared appropriate and deactivation policies for contractor access were adhered to.

**Routine Maintenance:** We obtained a listing of active fleet vehicles as of June 30, 2024, from a total population of 409, we selected 10 vehicles. We then obtained the work order histories and selected the 2 most recent work orders and tested to determine if:

- The vehicle was flagged for service prior to reaching 5,000 miles or a year between the last maintenance;
- The Fleet Coordinator contacted the vehicle owner and scheduled the maintenance service;
- The Work Order for maintenance was completed and reviewed by the Parts Supervisor;
- The work order was processed timely given the service provided and parts required; and
- Documentation regarding work performed/parts utilized was documented on the work order.

**Outsourced Repairs:** We obtained a listing of all services that were performed both internally at the Fleet Services facility and outsourced. From a total population of 165 repairs outsourced, we selected 10 and test to determine if:

- Repair was outsourced to an authorized vendor with an established PO;
- Repair was completed timely given the nature of the work performed and materials utilized;
- If delays occurred, communication was documented with the department regarding status; and
- Work performed by the vendor was approved by Fleet in RTA prior to payment.

**Work Order Monitoring:** We performed an analysis on how Fleet Services performs monitoring over work orders to ensure they were assigned timely, filled out accurately, and closed out timely upon completion. We tested to determine if consistent reporting was performed, how limitations in RTA reporting might have impacted knowledge of the status of the fleet, and how the department has been able to identify potential trends in the fleet population that may impact department expenses.

**Warranties** – We evaluated how the Fleet Department has monitored for vehicles/equipment under warranty to ensure warranties were properly maintained and tracked. In addition, we assessed how RTA is utilized to track warranty information and evaluated the process for submitting warranty claims.

**Purchases/Additions:** We obtained a listing of all vehicles purchased in fiscal year 2023. From a listing of 45 purchases, select 5 and test to determine:

- Vehicle was included in the approved fiscal year budget;
- The purchase was authorized by the Fleet Supervisor, or designee, in accordance with the Procurement Policy;

- Fleet verified that another vehicle in the fleet couldn't be reallocated prior to purchase; and
- The vehicle was added to RTA and the Finance Fixed Asset listing timely after being placed in service.

**Disposals:** We obtained a listing of all disposals from FY 2023. From a listing of 8 disposals, we selected 4 and tested to determine if:

- The disposal form was completed and approved by Procurement, indicating the asset could be disposed of;
- Upon sale of the asset at the auction house, Finance and Fleet were notified that the asset had been sold and could be removed from the asset listings; and
- The asset was removed timely from RTA and the fixed asset GL (Finance) only after funds were received.

**Capital Asset/Fleet Services Listing Reconciliation:** We compared the asset listings provided by Finance to the vehicles contained in the RTA system. We tested to determine if any discrepancies existed between the two and determined if periodic reconciliations between Fleet and Finance records occurred.

**User Access Management:** We obtained a listing of all active users in RTA as of July 2024, including username, assigned role(s), and date of last login. Of 13 active users, we selected 6 and tested to determine if:

- User was a current employee;
- Access was appropriate based on job title and role; and
- Audit logs were enabled.

Lastly, we gained an understanding of how the RTA system is hosted and how Fleet ensures access is removed timely upon separation from employment.

\* \* \* \* \*

This report is intended for the information and use of the City of Avondale, the audit committee, members of the City of Avondale City Council and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from personnel of the City of Avondale previously mentioned in this report during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

**REDW** LLC

Phoenix, Arizona  
October 17, 2024