

Audit of the Department of Utilities Vehicle Fleet

Report # 2018/19-11 | June 2019

The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet

Excessive Access to the City's Fueling Islands Created Data Integrity Issues and May Have Allowed for Fraud

System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analysis and Identify Trends

The City Can Mitigate Risk by Better Documenting and Tracking Employee Licensure, Certifications, and Insurance Information



City of
SACRAMENTO

Office of the City Auditor

Performance Audit Division

Jorge Oseguera, City Auditor

Farishta Ahrary, Principal Fiscal Policy Analyst

Jordan Sweeney, Senior Auditor

Joyce Chih, Auditor

Amanda Stanley, Audit Fellow



The City of Sacramento's Office of the City Auditor can be contacted by phone at 916-808-7270 or at the address below:

915 I Street
MC09100
Historic City Hall, Floor 2
Sacramento, CA 95814

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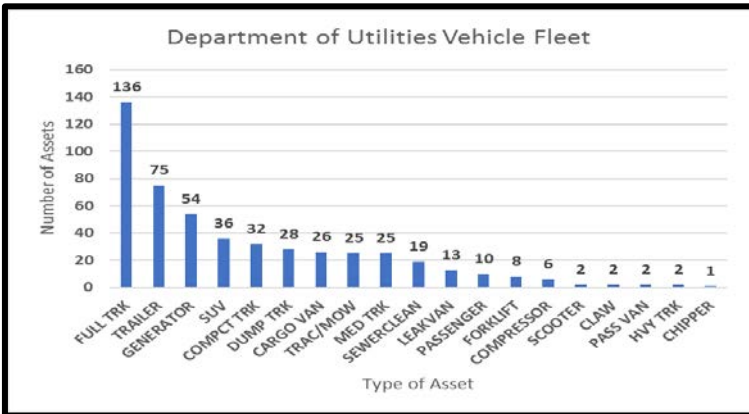
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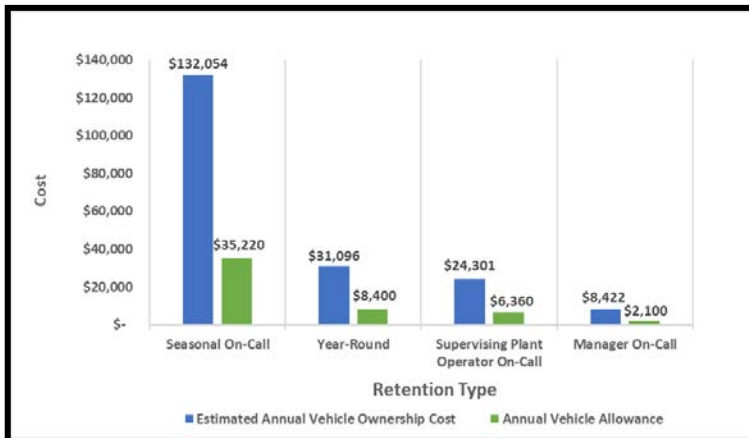
The Department of Utilities (DOU) is responsible for the City’s water, wastewater, and storm drainage services. Reliable vehicles and equipment are essential for DOU to properly maintain the City’s utility infrastructure. DOU spends an average of approximately \$6 million each year, for the maintenance and operation of its vehicle fleet, which consists of approximately 500 fleet assets seen below. This includes new vehicle acquisitions, maintenance, fuel, and various other costs. This audit assesses the controls over the DOU’s vehicle fleet and identifies areas of risk and opportunities for improvement.



Source: Auditor generated based on reports generated from the City’s Fleet Business Intelligence (FBI) and information provided by the Fleet Management Division. Information as of November 2018.

Recommendations

We made 26 recommendations aimed to produce cost savings, improve compliance, and enhance accountability. Our recommendations include establishing policies and procedures, reviewing vehicle utilization and assignments, and strengthening controls over the City’s fueling islands. For example, we estimate the Department of Utilities could save approximately \$143,000 annually by providing some employees a vehicle allowance in lieu of take-home vehicles, as seen in the figure below.



Source: Auditor generated based on information from eCAPS, M5, Sacramento City Exempt Employees Association (SCXEA) Labor Agreement, and Local 39 Labor Agreements.

What We Found

The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet

- Limited vehicle utilization criteria omitted more than 50 Department of Utilities assets from the annual review process;
- The department could save approximately \$143,000 per year by providing some employees a vehicle allowance in lieu of take-home vehicles;
- The department spent approximately \$59,500 in 2018 in excess idling costs; and
- Two employees claimed more than 100 hours in incentive pay they were not eligible for.

Excessive Access to the City’s Fueling Islands Created Data Integrity Issues and May Have Allowed for Fraud

- Twenty-Four percent of sampled fuel transactions were incorrectly captured;
- Manual entry of employee identification and vehicle numbers at fuel kiosks allows unauthorized employees to obtain fuel and can allow the incorrect department to be charged;
- The Fleet Management Division is not notified when employee job duties change;
- Access privileges of former City employees from multiple departments were not revoked and were used to obtain 10,860 gallons of fuel totaling \$30,617 from the fueling islands;
- Seven Department of Utilities employees fueled fleet assets totaling more than 370 gallons and \$1,100 while also receiving a vehicle allowance; and
- Reconciling fuel transaction data could detect potential fraud and enhance compliance with Proposition 218.

System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analyses and Identify Trends

- The Fleet Management Division has not established a formal information system access policy; and
- Administrative controls could improve data integrity and reliability.

The City Can Mitigate Risk by Better Documenting and Tracking Employee Licensure, Certifications, and Insurance Information

- The Department of Utilities did not retain proof of employee crane or backhoe certifications;
- The Fleet Management Division should ensure all drivers of pool vehicles are appropriately licensed; and
- The City is not currently verifying employee compliance with insurance requirements.

Introduction

In accordance with the City Auditor’s 2018-19 Audit Plan, we have completed the *Audit of the Department of Utilities Vehicle Fleet*. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor’s Office would like to thank the Department of Utilities and the Fleet Management Division for their cooperation during the audit process.

Background

The City of Sacramento Department of Utilities is responsible for the City’s water, wastewater, and storm drainage services. In providing these services, the Department of Utilities (DOU) works in conjunction with other City departments as well as regional, state, and federal agencies towards the maintenance, development, and rehabilitation of the City’s water resources infrastructure. Their mission is to support economic development, protect the environment, and improve the quality of life in the City of Sacramento.

Reliable vehicles and equipment are essential for the Department of Utilities to properly maintain the City’s utility infrastructure. The department’s vehicle fleet is a critical component of the department’s operations. The Department of Utilities spends an average of approximately \$6 million each year, for the maintenance and operation of its vehicle fleet. This includes new vehicle acquisitions, maintenance, fuel, and various other costs.

The Department of Utilities spends an average of approximately \$6 million each year, for the maintenance and operation of its vehicle fleet.

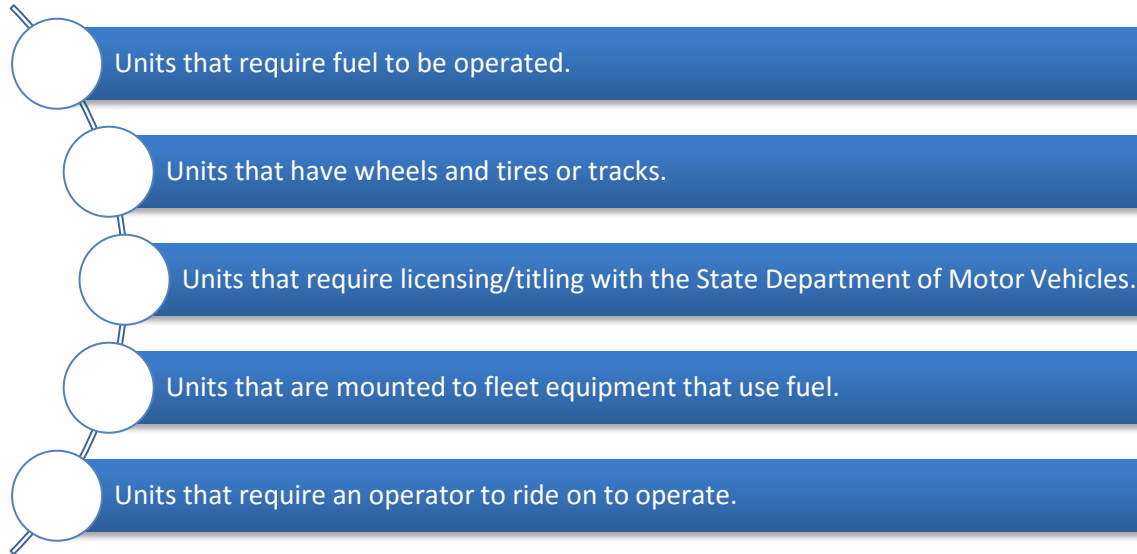
Fleet Management Division

The Department of Public Works’ Fleet Management Division provides fleet management services, such as maintenance and repair of City vehicles and equipment, for all departments in the City. Their mission is to provide their customers—City of Sacramento employees—with safe and dependable vehicles, equipment, and service facilities. Their goal is to work in partnership with City employees to provide high quality products and services in a cost-effective manner.

Definition of Fleet Assets

The Fleet Management Division is responsible for managing approximately 2,400 fleet assets. The City generally defines fleet assets as any vehicle or equipment that meets at least two of the criteria described in figure 1 below. While many fleet assets are vehicles, they also include other equipment such as trailers and compressors.

Figure 1: City of Sacramento Fleet Assets Criteria



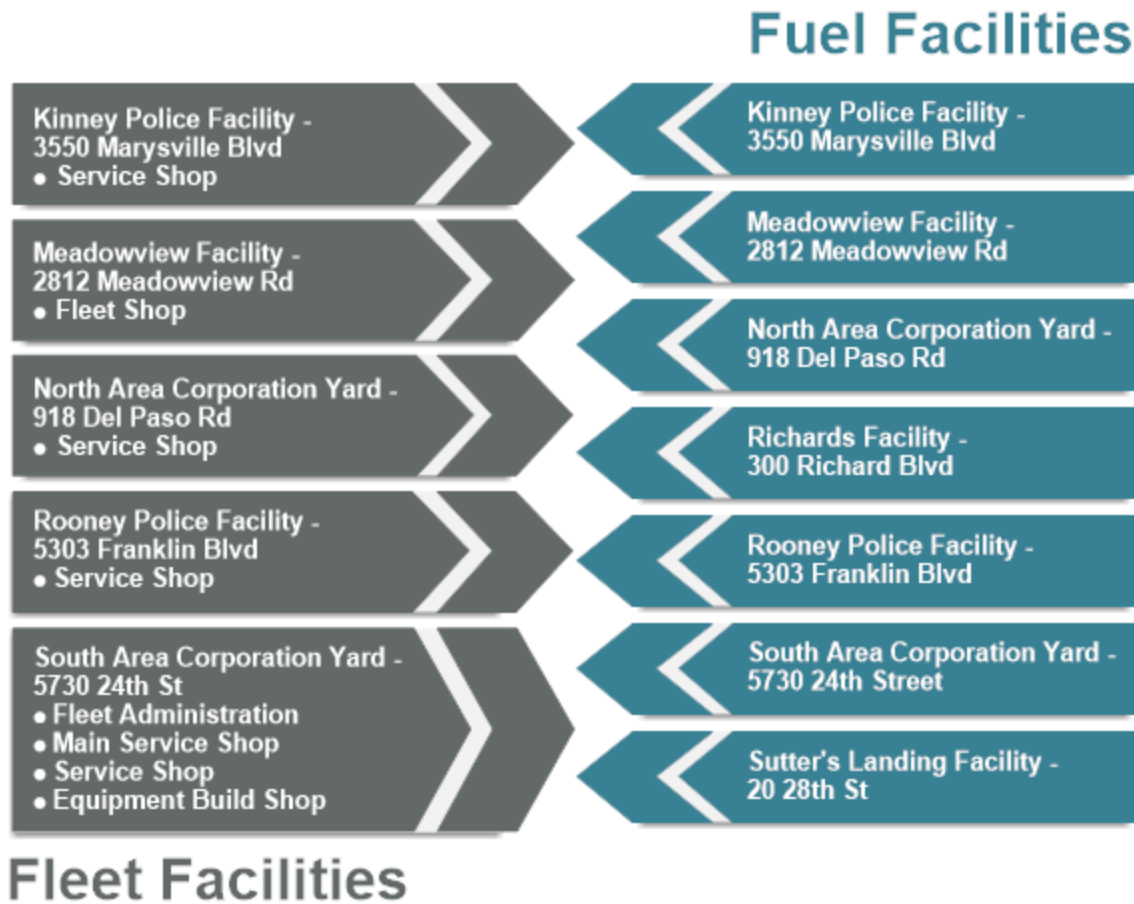
Source: Auditor generated based on the *Fleet Purchasing/Budgeting Policies*.

Note: Vehicles and equipment must meet at least two of the above criteria to be considered a fleet asset.

Fleet and Fuel Facilities

The Fleet Management Division is also responsible for managing the City's fleet and fuel facilities. These facilities allow the Fleet Management Division to service fleet assets in-house as well as provide various locations throughout the City for employees to fuel City vehicles. As seen in figure 2 below, the Fleet Management Division manages five fleet facilities and seven fuel facilities, also known as "fueling islands."

Figure 2: City of Sacramento Fleet and Fuel Facility Locations



Source: Auditor generated based on the information provided by the Fleet Management Division.

Division Funding

Because the Fleet Management Division provides services to other City departments, it is funded by those department's budgets. The Fleet Management Fund is an internal service fund. Internal service funds provide services to various City departments and bill these departments for services rendered. Departments budget for their fleet expenses and make payments to the Fleet Management Division from their operating funds through internal service fund transfers. This means that the nearly \$47.2 million budgeted for the Fleet Management Division in Fiscal Year 2018-2019 (FY 2018-19) is funded from individual departmental budgets.

Department of Utilities Vehicle Fleet

Each year, the Department of Utilities' vehicle fleet travels approximately two million miles in operation of the City's water, wastewater, and storm drainage services. The Department of Utilities meets its operational needs in three ways: by utilizing City-owned vehicles, privately-owned vehicles, and rental vehicles.

City-Owned Vehicles

The Department of Utilities' vehicle fleet consists of over 500 fleet assets; these include various sized trucks, SUVs, trailers, and other miscellaneous vehicles and equipment. Figure 3 below illustrates a breakdown of the Department of Utilities' fleet assets by type.

Figure 3: Department of Utilities In-Service Fleet Assets by Type

Number of Assets	Vehicle Type	Vehicle Description
136	Full Truck	Full size pickup truck such as a Ford F-150, Chevrolet 1500 through 3500, or Dodge 1500 through 3500.
75	Trailer	Any trailer, empty or including mounted equipment.
54	Generator	Any generator, that may be mobile or stationary.
36	SUV	Any sport utility vehicle such as Ford Explorer or Expedition, Chevrolet Blazer or Suburban, Dodge Durango, etc.
32	Compact Truck	Any small pickup truck such as a Ford Ranger or Chevrolet S-10.
28	Dump Truck	Standard tandem axle dump truck over 33,000 lb gross vehicle weight.
26	Cargo Van	Normal full-size van such as Ford E-250 and Transit or Chevrolet 2500.
25	Tractor/Mower	Typical industrial tractor with 3-point hitch mower attachment. Some units include boom mower attached to chassis of tractor.
25	Medium Truck	Normally ranges from heavy F-350 up to 33,000 lb gross vehicle weight. Can be any configuration of equipment mounted on the chassis, from utility body to flat bed. Normally single rear axle truck.
19	Sewer Cleaner	Jet vacuum trucks, Vac Con and Vactor, used in the cleaning of storm drains and sewer lines.
13	Leak Van	A bread type or walk in van, used for mounting equipment and office area with A/C for TV analysis of underground piping. Usually in the 12,000 lb to 13,000 lb gross vehicle weight range.
10	Passenger Van	Van with at least 7 and up to 12 passenger seats used for the transport of passengers.
8	Passenger	Normal passenger sedan, 2-door or 4-door, used strictly for passenger transport.
6	Forklift	Forklift used in typical warehouse applications for distribution of stock materials.
2	Compressor	Typically mounted on a trailer or axle and tongue manufactured directly to the compressor. Used to build up air pressure used in various utilities applications.
2	Scooter	Typically 3-wheel enclosed vehicles, licensed as motorcycles.
2	Claw	An attachment that mounts on the front of a wheel loader and is used to pick up brush and leaves and deposited into a rear loading refuse truck. Includes the claw and wheel loader as one unit.
2	Heavy Truck	Typically any tandem axle truck over 33,000 lb gross vehicle weight that is not allocated into another specialty class code (such as Dump Truck or Sewer Cleaner).
1	Chipper	A trailer mounted device used to chip tree branches and leaves for easier transport and disposal. These units are typically pulled behind a box truck that can collect the trees as they pass through the chipper.

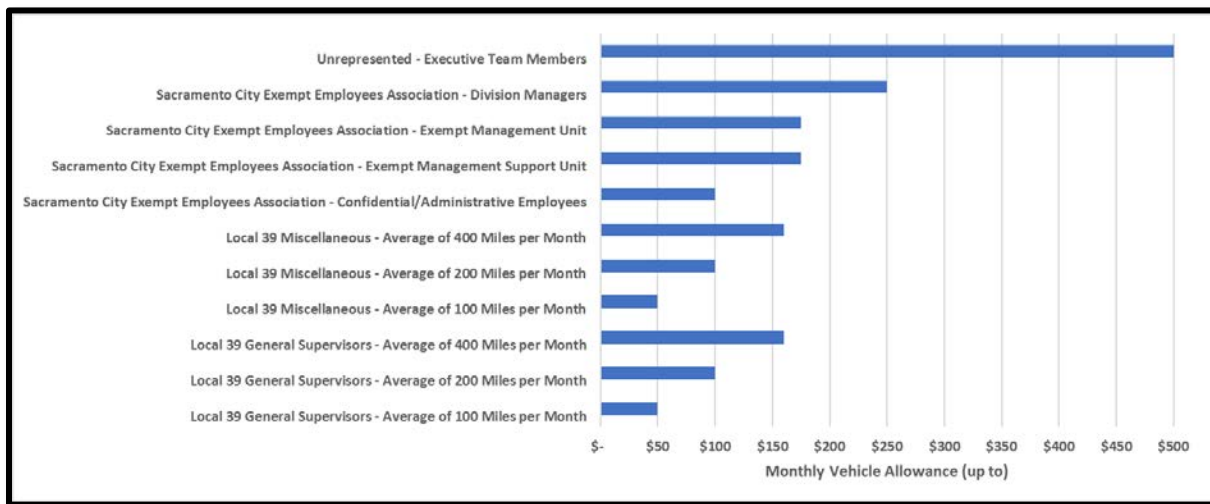
Source: Auditor generated based on reports generated from the City's Fleet Business Intelligence (FBI) and information provided by the Fleet Management Division.

Note: The information in this table is as of November 2018.

Privately-Owned Vehicles

In addition to department-owned vehicles, the City provides some employees a vehicle allowance for using their personal vehicles to conduct City business. As of January 2019, over 60 Department of Utilities' employees were receiving a vehicle allowance. If these employees continue to receive a vehicle allowance for the entire year, the department will spend approximately \$94,200 in vehicle allowances in 2019. As seen in figure 4 below, the amount an employee is eligible to receive as their vehicle allowance is determined by the employee's labor agreement.

Figure 4: Vehicle Allowance Eligibility for Department of Utilities Employees by Labor Agreement

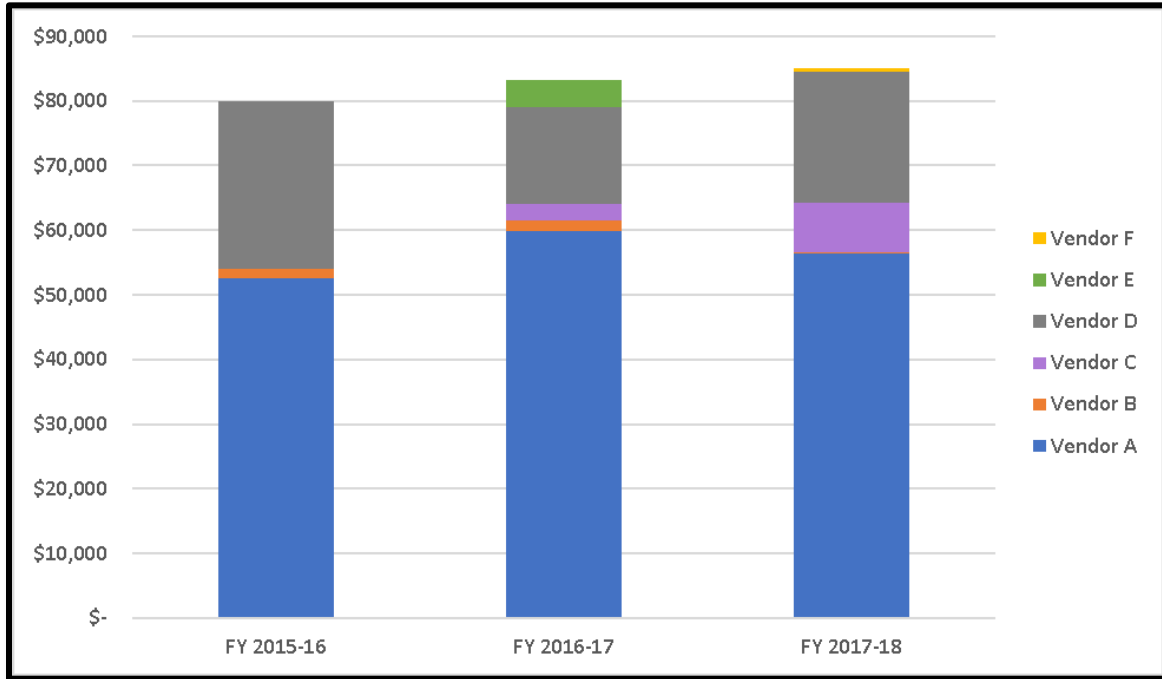


Source: Auditor generated based on the City's labor agreements.

Rental and Leased Vehicles

Due to the types of operations performed by the Department of Utilities, some tasks require specialty vehicles or equipment, or require extra equipment for a short duration. Depending on the frequency that these assets are required, the department may choose to rent or lease in order to reduce costs. As seen in figure 5 below, between FY 2015-16 and FY 2017-18 the Department of Utilities spent nearly \$250,000 to rent fleet assets and equipment from outside vendors.

Figure 5: Department of Utilities Fleet Asset Rentals Between FY 2015-16 and FY 2017-18



Source: Auditor generated based on information provided by the Department of Utilities.

Information Management Systems

The City of Sacramento uses various systems to document and track data related to the City’s vehicle fleet. For example, the City uses AssetWorks’ Fleet Focus M5 and SAP’s Business Intelligence (FBI) to document vehicle information, as well as two global positioning systems (GPS) to track the vehicle fleet once assets are put into service.

Fleet Focus M5 (M5)

The City began the process of upgrading from FleetFocus M4 to FleetFocus M5 (M5) in 2009. The City uses M5 for all aspects of fleet operations, such as work order tracking, labor times, parts usage, vendor repairs, fuel information, and everything related to charges to a specific vehicle.

Fleet Business Intelligence (FBI)

Fleet Management’s customers—City departments—use SAP’s Business Intelligence (FBI) to run reports regarding their individual vehicle fleets. FBI converts data from M5 into plain business terms and enables easy access for users. Essentially, FBI pulls data from M5 and compiles it into reports that management can use to make business decisions.

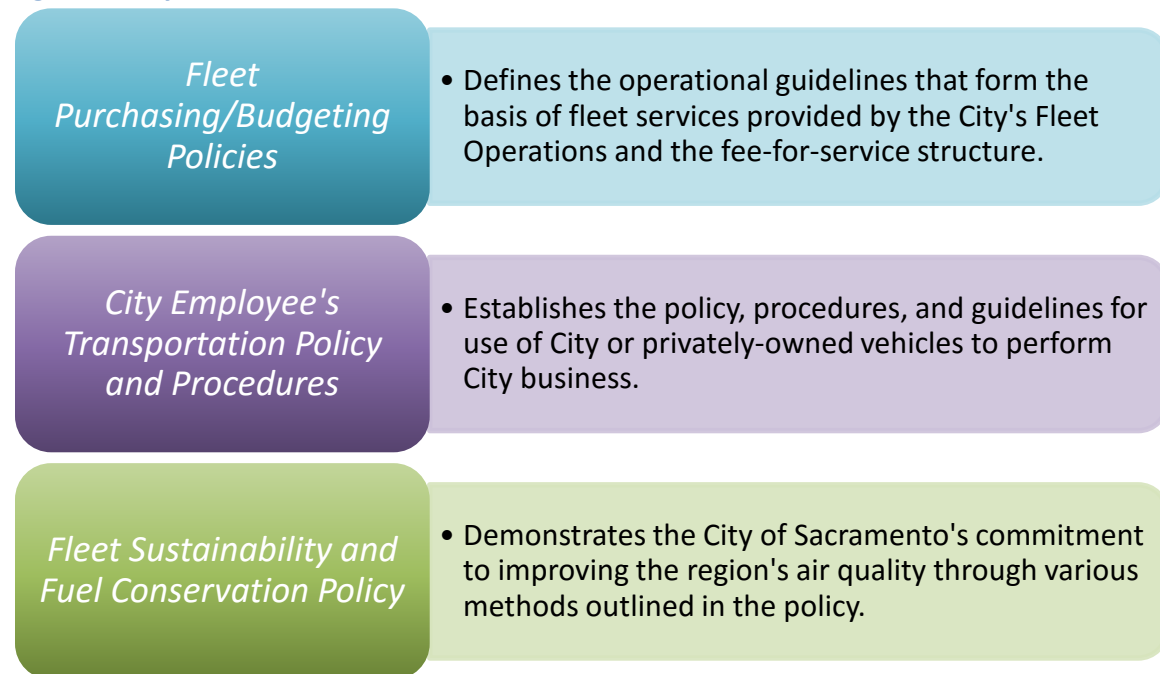
Global Positioning Systems (GPS)

The Global Positioning Systems (GPS) used by the City of Sacramento can determine a vehicle's location, speed, braking, acceleration, and other vehicle metrics such as emissions and engine operations. In 2009, the City of Sacramento contracted with Zonar Systems, Inc. for GPS services to track the City's vehicle fleet. In 2014, the City expanded these services by contracting with Utilimarc, Inc. to purchase Remote Vehicle Analytics (RVA). In general, the City uses Zonar for heavy-duty vehicles and RVA for light-duty vehicles. It should be noted that not all City vehicles are equipped with GPS. For vehicles that are equipped with GPS, the City uses these systems to provide efficient driving routes as well as to track idle times, speed violations, engine problems, and trip distances.

Policies and Procedures

There are three main Citywide policies that govern the City's vehicle fleet: the *Fleet Purchasing/Budgeting Policies*, the *City Employee's Transportation Policy and Procedures*, and the *Fleet Sustainability and Fuel Conservation Policy*. The following figure illustrates how these Citywide policies and procedures govern the City's vehicle fleet and its operations.

Figure 6: Citywide Fleet Policies



Source: Auditor generated based on Citywide fleet policies.

Objective, Scope, and Methodology

The objective of this audit was to assess the controls over the Department of Utilities' vehicle fleet and identify areas of risk and opportunities for potential savings. In addition, we assessed the controls in place designed to deter and detect fraud in relation to the department's vehicle fleet. Our scope included Department of Utilities vehicle related data and records for FY 2012-13 through mid-FY 2018-19. This audit reviewed policies and procedures for both the Fleet Management Division and the Department of Utilities. Additionally, we reviewed training records, inventory records, tracking and reporting of accidents, maintenance and fuel costs, vehicle utilization, and general operations.

Finding 1: The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet

While there are many costs associated with operating a vehicle fleet, such as purchasing, maintenance, and fuel, robust oversight of a vehicle fleet can help to minimize these costs. We analyzed Department of Utilities vehicle data for potential efficiencies and cost savings and identified several areas where improved management could reduce costs. Specifically, we found:

- Limited vehicle underutilization criteria omitted more than 50 Department of Utilities assets from the annual review process;
- The department could save approximately \$143,000 per year by providing some employees a vehicle allowance in lieu of take-home vehicles;
- The department spent approximately \$59,500 in 2018 in excess idling costs; and
- Two employees claimed more than 100 hours in incentive pay they were not eligible for.

Based on our review, we found that the Department of Utilities can realize cost savings related to their vehicle fleet through increased efficiencies of their operations.

Limited Vehicle Underutilization Criteria Omitted More Than 50 Department of Utilities Assets From the Annual Review Process

According to the United States Government Accountability Office's (GAO) report *Federal Vehicle Fleets: Adopting Leading Practices Could Improve Management*¹, "Determining the number and types of vehicles truly needed by agencies—based on a thorough analysis of vehicle utilization, mission needs, and alternatives—also holds the potential for cost savings." While the City of Sacramento does not have a formal policy that requires a minimum utilization for vehicles to be considered cost effective, the Fleet Management Division provides a list of "underutilized" vehicles to departments each year based on an annual mileage criteria of 6,000². For FY 2017-18, the Fleet Management Division identified 13 assets in the Department of Utilities that were potentially underutilized. However, when we applied the 6,000-mile criteria, we found that 121 assets were potentially underutilized during the same period, as seen in

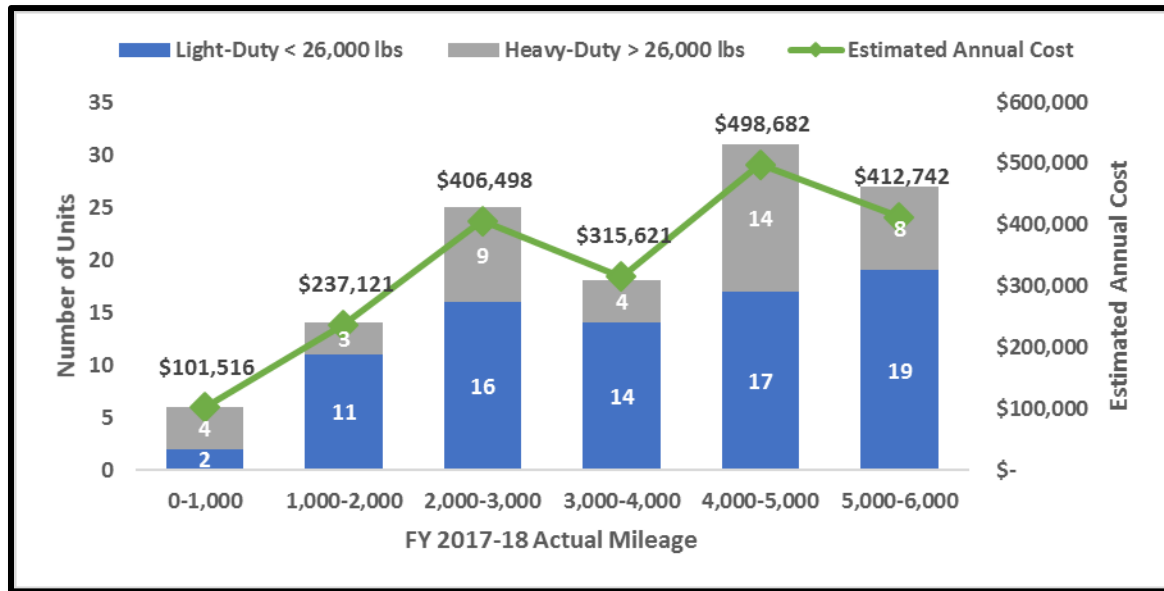
¹ Government Accountability Office, Report Number GAO-13-659, *Federal Vehicle Fleets Adopting Leading Practices Could Improve Management*, July 2013

² Mileage criteria can vary for different government agencies and 6,000 miles may not be the most cost-effective criteria; this is discussed further in the next section.

While there are many costs associated with operating a vehicle fleet, such as purchasing, maintenance, and fuel, robust oversight of a vehicle fleet can help to minimize these costs.

figure 7 below. We estimate the cost of these potentially underutilized assets to be nearly \$2 million annually; this includes annualized purchase costs³, fuel costs, maintenance costs, and administrative fees. As of November 2018, the book value⁴ of these vehicles was nearly \$4.5 million.

Figure 7: Potentially Underutilized Assets in FY 2017-18 Based on 6,000-Mile Criteria



Source: Auditor generated based on information from M5 and vehicle specifications.

Note: For the purposes of this analysis, we categorized any asset with a gross vehicle weight less than 26,000 pounds as light-duty and any asset with a gross vehicle weight at or above 26,000 pounds as heavy-duty.

We then requested further explanation from the Fleet Management Division on their process of identifying potentially underutilized vehicles. Based on their response, we determined that two factors accounted for the majority of the discrepancies between their list and our list of potentially underutilized vehicles: 1) lack of criteria for heavy-duty vehicles and 2) insufficient vehicle justifications.

Lack of Criteria for Heavy-Duty and Specialty Vehicles May Prevent the Identification of Potentially Costly Underutilized Vehicles

Having a mechanism in place for identifying potentially underutilized or unnecessary heavy-duty or specialty vehicles could potentially reduce costs for the City. When the Fleet Management Division reviews vehicle usage to identify underutilized vehicles, they generally apply a 6,000-mile criteria to light-duty

³ Although purchase costs are typically one-time costs, we converted these costs to an annual amount based on the expected life of each vehicle to incorporate the future purchase costs of replacement vehicles.

⁴ This “book value” was obtained from the Fleet Management Division’s M5 system.

non-specialty vehicles; however, there is currently no specific criteria for assessing the utilization of heavy-duty and specialty vehicles. This may put the City at risk of missing opportunities for increased fleet utilization.

While it may be more cost-effective to own heavy-duty and specialized vehicles rather than renting them, even if they are used infrequently, some organizations apply a mileage criteria to these types of vehicles to evaluate utilization efficiency. To get a sense of other organizations’ utilization standards, we performed a benchmark survey; the results of this benchmark survey can be seen in figure 8 below.

Figure 8: Results of Utilization Standards Benchmark Survey

Organization	Light-Duty Vehicle Criteria (Annual Mileage)	Heavy-Duty Vehicle Criteria (Annual Mileage)
City of Palo Alto	2,500	2,500
City of Albuquerque	5,000	5,000
United States Department of Agriculture - Forest Service	5,000-6,000	3,750
City of Sacramento	6,000	-
General Services Administration	7,500 - 12,000	7,500-10,000
United States Department of Energy	7,500 - 12,000	7,500-10,000
National Aeronautics and Space Administration (NASA)	25 Percent of Average Mileage*	25 Percent of Average Mileage*

Source: Auditor generated based on results of benchmark survey.

*Each year, NASA creates a “Utilization Target Point” for each vehicle type by calculating the average usage and then multiplying by 25 percent. Vehicles that fall below this Utilization Target Point are labeled as underutilized.

Note: The gross vehicle weight cutoff between light-duty and heavy-duty vehicles may not be the same for each organization.

Based on the results of the utilization standards benchmark survey, it appears that other organizations apply a utilization standard for heavy-duty or specialized vehicles to evaluate utilization efficiency. Assuming a utilization criteria of 3,750 annual miles for heavy-duty and specialized vehicles, we identified 19 heavy-duty or specialized Department of Utilities’ vehicles that were potentially underutilized in FY 2017-18. We estimate that these 19 potentially underutilized vehicles cost the Department of Utilities more than \$650,000 each year. While the Department of Utilities has been proactive in performing their own utilization studies on some heavy-duty vehicles, we recommend the Fleet Management Division establish utilization criteria for all vehicle types to increase vehicle utilization efficiency.

RECOMMENDATION:

We recommend the Fleet Management Division:

1. Establish utilization criteria for all asset types.

Insufficient Vehicle Justifications Overlook the Department of Utilities' Operational Changes

While criteria to establish target utilization of vehicles, such as Fleet Management's 6,000 annual mile criteria⁵, can be a useful tool in identifying underutilized vehicles, there may be legitimate business reasons for retaining vehicles that do not meet this criteria. For example, emergency situations may require specialty vehicles or equipment; however, these situations may be infrequent.

When a department believes that there is a legitimate business reason to retain a vehicle that the Fleet Management Division has deemed potentially underutilized, the department is required to fill out an Underutilized Vehicle Retention Justification Form⁶. We reviewed the Department of Utilities' Underutilized Vehicle Retention Justification Forms for FY 2017-18 and found that while all but one vehicle were marked as "mission critical," some justifications appeared questionable.

For example, we noted that some of the forms that indicated "supervisor vehicle" as a justification were followed with detailed explanations citing low usage due to the supervisors living in close proximity to the Corporation Yard. This suggests that these vehicles are primarily used for commuting and not operational purposes. Commuting and the use of City-owned take-home vehicles is discussed later in this report. Additionally, for some assets, the Fleet Management Division only requires the Underutilized Vehicle Retention Justification Form to be completed once; once the form has been completed, that vehicle will no longer appear on the list of potentially underutilized vehicles for the life of that vehicle, no matter how little the vehicle is used. For example, we noted more than 50 assets, including both light-duty and heavy-duty assets, that generally⁷ do not meet the annual 6,000-mile utilization criteria and had not appeared on the underutilized vehicle report for at least three years.

We noted more than 50 Department of Utilities assets, including both light-duty and heavy-duty assets, that generally do not meet the annual 6,000-mile utilization criteria and had not appeared on the underutilized vehicle report for at least three years.

⁵ Mileage criteria can vary for different government agencies and 6,000 miles may not be the most cost-effective criteria. Evaluation of this criteria can be incorporated into Recommendation #2 below.

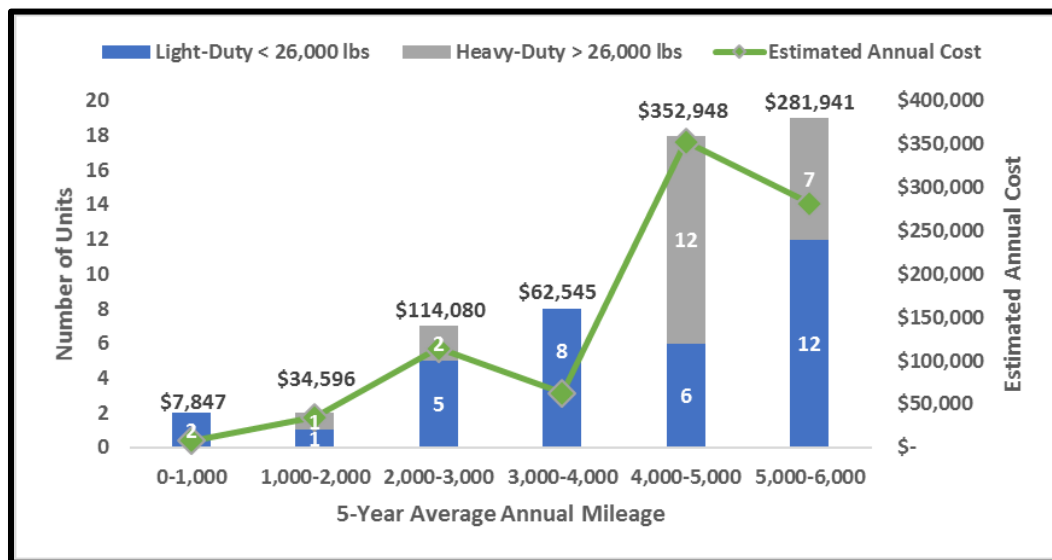
⁶ See Appendix A.

⁷ Based on a five-year average.

While these assets may have had previous justification forms completed, it is unclear whether the justifications would still be relevant to the Department of Utilities' current operations. For example, if a vehicle is underutilized due to a vacant position, this should be a temporary circumstance and utilization should continue to be analyzed to ensure efficient and cost-effective use once the vacancy has been filled. In our opinion, departments should be required to complete vehicle justifications forms periodically to ensure justifications remain relevant to department operations. We recommend the Fleet Management Division develop more stringent criteria and guidance for vehicle justifications.

Due to the continued underutilization of more than 50 vehicles, we estimate the Department of Utilities could save up to \$854,000 annually, approximately \$359,500 for light-duty assets and \$494,500 for heavy-duty assets, by removing these vehicles from their fleet; this includes annualized purchase costs, fuel costs, maintenance costs, and administrative fees. Additionally, we estimate the one-time proceeds for disposing of these vehicles to be approximately \$1.3 million⁸. Figure 9 below illustrates the average utilization of these vehicles in comparison to their estimated annual cost.

Figure 9: Utilization and Cost of Assets that Generally Do Not Meet the 6,000-Mile Criteria and Have Not Appeared on the Underutilized Vehicle Report for At Least 3 Years



Source: Auditor generated based on information from M5 and vehicle specifications.

Note: For the purposes of this analysis, we categorized any asset with a gross vehicle weight less than 26,000 pounds as light-duty and any asset with a gross vehicle weight at or above 26,000 pounds as heavy-duty.

⁸ This estimate is based on the "book value" provided by the Fleet Management Division's M5 system as of November 2018.

While removing these assets can generate significant cost savings for the Department of Utilities, we acknowledge that removing *all* of these assets from the department's vehicle fleet could increase the utilization of the department's remaining vehicles. To mitigate this potential strain on the department's remaining vehicles, we recommend the department perform an analysis to determine which, if any, of the identified potentially underutilized vehicles should be kept as part of the department's fleet. The department should consider mileage reimbursements, vehicle allowances, rental vehicles, and shared vehicles as alternatives to retaining City-owned vehicles. Depending on the option chosen by the department, the \$854,000 in annual cost savings could be impacted.

RECOMMENDATION:

We recommend the Fleet Management Division:

2. Develop more stringent criteria for vehicle justifications.

We recommend the Department of Utilities:

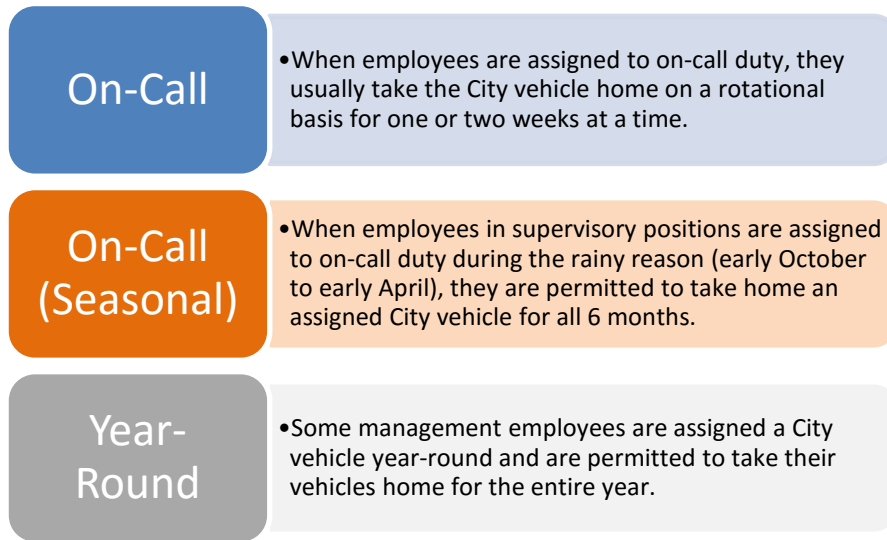
3. Perform an analysis to determine which, if any, of the identified potentially underutilized vehicles should be kept as part of the department's vehicle fleet. Consider mileage reimbursements, vehicle allowances, and shared vehicles as alternatives.

The Department Could Save Approximately \$143,000 Per Year by Providing Some Employees a Vehicle Allowance In Lieu of Take-Home Vehicles

Under certain conditions, City vehicles assigned to employees may be taken home by the employee. In some cases, however, providing a vehicle allowance may be a more cost-effective alternative. The Department of Utilities does not currently have a process in place to determine when it is more cost effective to provide a City vehicle or a vehicle allowance to employees. As a result, some take-home vehicle assignments may warrant reconsideration.

While some Department of Utilities employees are assigned take-home vehicles year-round, others are assigned take-home vehicles during the rainy season or only while the employee is on-call. The figure below summarizes the various take-home vehicle retention schedules for employees in the Department of Utilities.

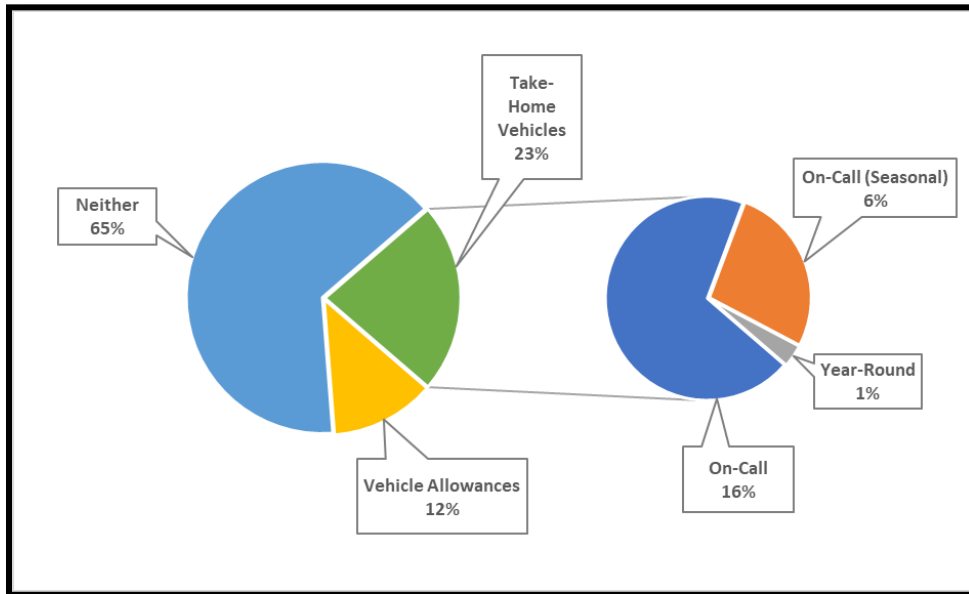
Figure 10: Vehicle Retention Schedules for Department of Utilities Take-Home Vehicles



Source: Auditor generated based on information provided by the Department of Utilities.

Allowing employees to take City vehicles home can be operationally beneficial; however, it may not be the most cost-effective option. Vehicle ownership costs include purchase and acquisition costs, maintenance and repair costs, as well as fuel costs; depending on how high these costs climb, it may be more cost-effective to provide employees vehicle allowances. The City is authorized, per various labor agreements, to offer vehicle allowances to some employees for the use of a personal vehicle to conduct City business, in lieu of offering a City vehicle. In general, employees who receive a vehicle allowance receive a set amount each month and are not required to track the use of their personal vehicle for conducting City business. The Department of Utilities has approximately 500 active employees. Of these 500 employees, approximately 23 percent are provided take-home vehicles and 12 percent are provided a vehicle allowance, as shown in the figure below.

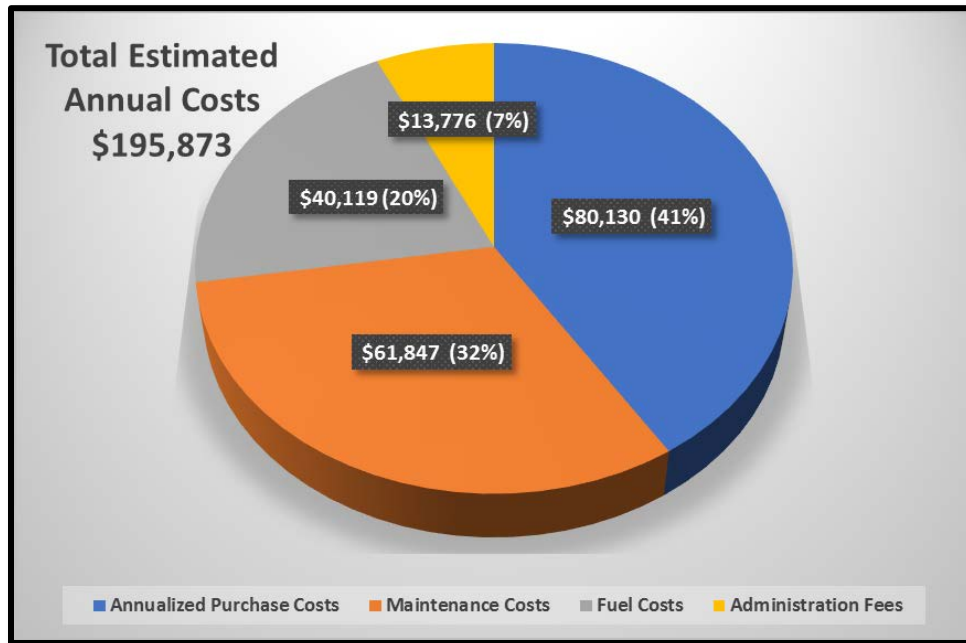
Figure 11: Percentage of DOU Employees with Take-Home Vehicles and Vehicle Allowances



Source: Auditor generated based on information from eCAPS and internal records from the Department of Utilities.

We reviewed vehicle ownership costs for take-home vehicles to determine if cost savings could be achieved by providing employees a vehicle allowance in lieu of a City vehicle. For our analysis, we primarily considered employees who consistently take home a City vehicle, are in supervisory or management positions, and are eligible for a vehicle allowance. Based on these criteria, we estimate that the cost to operate and maintain the take-home vehicles for the 28 employees we identified amounts to nearly \$200,000 per year, as seen in figure 12 below.

Figure 12: Estimated Annual Cost Breakdown of 28 Take-Home Vehicles



Source: Auditor generated based on information from M5.

Note: Although purchase costs are typically one-time costs, we converted these costs to an annual amount based on the expected life of each vehicle to incorporate the future purchase costs of replacement vehicles.

In contrast, we estimate the average annual cost of issuing vehicle allowances to these employees to total just over \$52,000. These employees' eligibility for vehicle allowances is summarized in figure 13 below. The vehicle allowance amount for each employee depends on their labor agreement, and if under the Local 39, General Supervisors labor agreement, the number of miles driven each month. The total count of employees per vehicle allowance type takes both these factors into account.

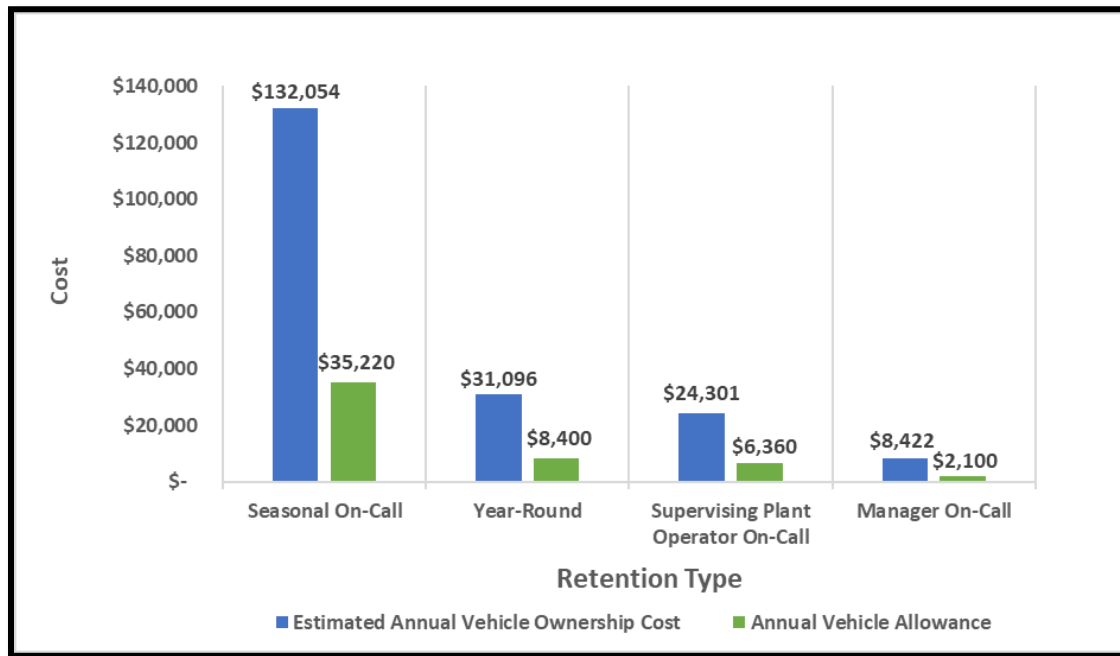
Figure 13: Vehicle Allowance Per Labor Agreement

Labor Agreement	Monthly Vehicle Allowance		Number of Employees	Total Annual Vehicle Allowance
Sacramento City Exempt Employees Association (SCXEA)	\$175 (for management employees)		6	\$12,600
Local 39, General Supervisors	<u>Average Miles Per Month</u>	<u>Monthly Vehicle Allowance</u>		
	400	\$160	19	\$36,480
	200	\$100	2	\$2,400
	100	\$50	1	\$600
TOTAL:			28	\$52,080

Source: Auditor generated based on the City's labor agreements.

The figure below shows the cost difference between issuing a take-home vehicle and issuing a vehicle allowance by retention schedule. Across all schedules, issuing a vehicle allowance will cost the City less than a third of what we estimate the City is currently spending to operate and maintain the vehicles that are assigned to be taken home.

Figure 14: Estimated Annual Cost Difference Between Issuing Take-Home Vehicles and Vehicle Allowance

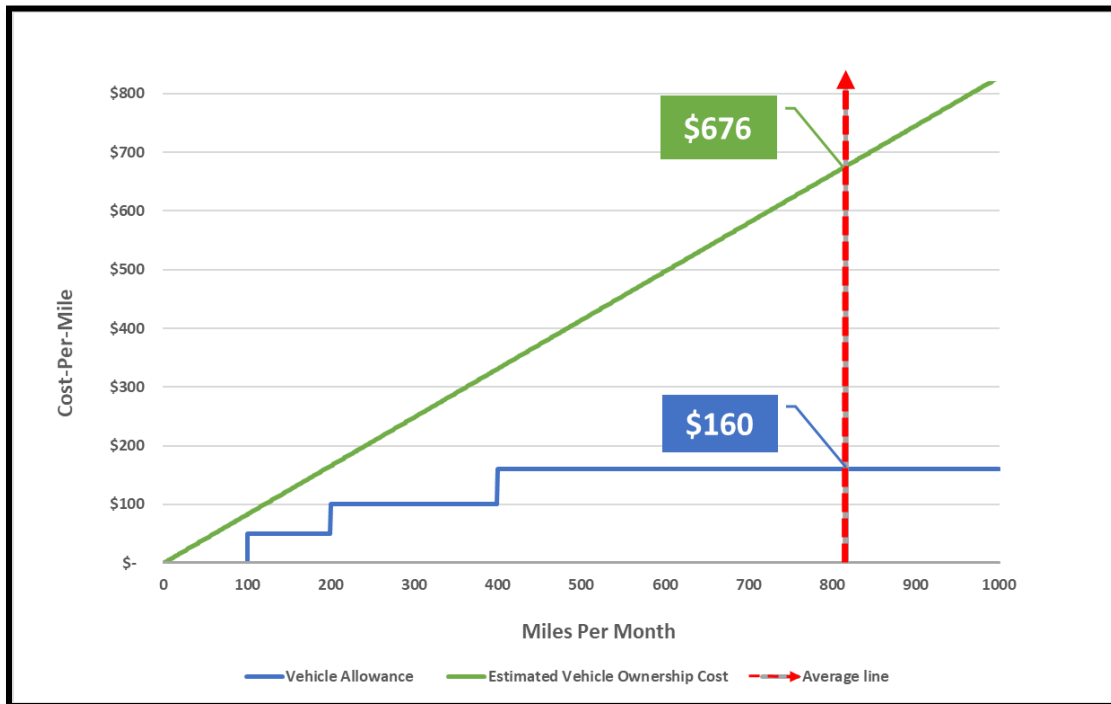


Source: Auditor generated based on information from eCAPS, M5, Sacramento City Exempt Employees Association (SCXEA) Labor Agreement, and Local 39 Labor Agreements.

Figure 15 below compares the monthly cost⁹ of issuing a take-home vehicle and vehicle allowance per mile for the 19 employees listed under the Local 39, General Supervisors labor agreement. The figure suggests that offering a vehicle allowance consistently costs less than assigning City-owned vehicles for employees under this agreement. Given that the average number of miles driven by the 19 employees is approximately 820 miles per month, we estimate the average cost savings would be approximately \$516 per person per month if these employees were provided vehicle allowances in lieu of take-home vehicles.

⁹ The monthly estimated vehicle ownership cost-per-mile includes each assets' purchase costs annualized over its expected life, typically eight to ten years, and both the assets' life-to-date maintenance costs and fuel costs annualized by the assets' in-service age; the total annualized costs were converted into monthly costs and divided between the average monthly miles driven over a two-year period for the 19 assigned assets.

Figure 15: Estimated Monthly Cost-Per-Mile of Issuing a Take-Home Vehicle Compared to Vehicle Allowance for Employees Under Local 39, General Supervisors

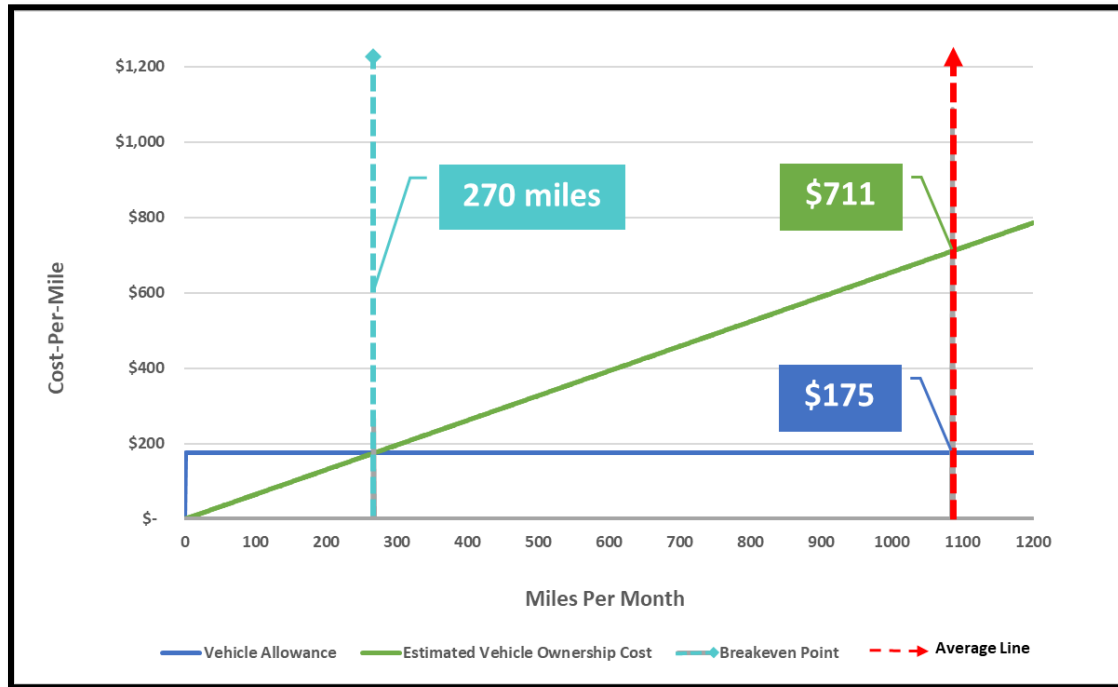


Source: Auditor generated based on information from eCAPS, M5, and the Local 39 General Supervisors labor agreement.

Note: Although purchase costs are typically one-time costs, we converted these costs to an annual amount based on the expected life of each vehicle to incorporate the future purchase costs of replacement vehicles. This results in the Estimated Vehicle Ownership Cost line beginning at zero.

Figure 16 compares the monthly cost of issuing a take-home vehicle to the vehicle allowance per mile for the six employees listed under the Sacramento City Exempt Employees Association (SCXEA) labor agreement. As shown in the figure below, a take-home vehicle costs the City less than the SCXEA vehicle allowance as long as the number of miles driven is 270 miles per month or less. If the mileage is greater than approximately 270, then offering a vehicle allowance is a more cost-effective alternative to a take-home vehicle. Given that the average number of miles driven by the six employees under SCXEA who are assigned take-home vehicles is approximately 1,086 miles per month, we estimate that not only can we surpass the breakeven point but can achieve an average cost savings of approximately \$536 per person per month by providing these employees vehicle allowances in lieu of take-home vehicles. It should be noted that the employees' commuting miles to and from home is included in the calculation above; commuting in City vehicles is discussed in the next section.

Figure 16: Estimated Monthly Cost-Per-Mile of Issuing a Take-Home Vehicle Compared to a Vehicle Allowance for Employees Under SCXEA



Source: Auditor generated based on information from eCAPS, M5, and the Sacramento City Exempt Employees Association (SCXEA) labor agreement.

Note: Although purchase costs are typically one-time costs, we converted these costs to an annual amount based on the expected life of each vehicle to incorporate the future purchase costs of replacement vehicles. This results in the Estimated Vehicle Ownership Cost line beginning at zero.

Based on our analysis, it appears that providing vehicle allowances in lieu of a take-home vehicle could result in cost savings for the Department of Utilities of \$143,000 annually. However, it appears the Department of Utilities lacks a process to determine when it is more cost-effective to provide a City vehicle or a vehicle allowance to employees. To reduce costs, we recommend the department develop a process to evaluate operational needs and costs to determine when take-home vehicles are necessary and when vehicle allowances are a more cost-effective option.

RECOMMENDATION:

We recommend the Department of Utilities:

4. Develop a process to evaluate operational needs and costs to determine when take-home vehicles are necessary and when vehicle allowances are a more cost-effective option.

Based on our analysis, it appears that providing vehicles allowances in lieu of a take-home vehicle could result in cost savings for the Department of Utilities of \$143,000 annually.

The Department Spent Approximately \$21,000 in 2017 by Allowing Four Employees to Commute to Work in City-Owned Vehicles

We reviewed GPS records and driving distance estimates from Google Maps for the four employees who are assigned take-home vehicles year-round to determine if the vehicles are primarily used for operational purposes or for commuting purposes. We only considered employees who take their vehicles home year-round out of the total 28 employees who are assigned take-home vehicles in order to have more consistent data on commuting behavior. Based on this review, we estimate that for these four employees, approximately 62 percent to 78 percent of the miles driven in the 2017 calendar year were likely due to commuting miles with the remaining miles for operational purposes. The cost to the Department of Utilities for the commuting miles for these four employees is approximately \$21,000 per year¹⁰ while the estimated vehicle allowance would be \$8,400 per year, as seen previously in figure 14.

Given this relatively high percentage of commuting miles, offering a vehicle allowance could significantly reduce costs without compromising operational effectiveness. Additionally, when only considering operational miles, all four of these vehicles appear to fall short of the 6,000-mile utilization criteria. For example, the average utilization for 2017 for these four vehicles was 13,945 miles; however, the average operational utilization was only 3,856 miles. This indicates that across these four employees, commuting miles in City-owned vehicles averaged approximately 10,000 miles in 2017. We recommend the Department of Utilities develop a process to periodically review vehicle usage for take-home vehicles to ensure operational utilization meets the City's utilization criteria.

RECOMMENDATION:

We recommend the Department of Utilities:

5. Develop a process to periodically review vehicle usage for take-home vehicles to ensure operational utilization meets the City's utilization criteria.

Undefined Terminology May Hinder Emergency Response Times

Section 13.3 of the City of Sacramento's *Rules and Regulations of the Civil Service Board* (Rules) state, "Employees in positions in the following classifications within the classified service, in addition to those employees having custody of City vehicles, must reside within thirty-five (35) air miles from

¹⁰ This calculation is based on specific employees. Turnover in these positions could change the estimated commuting miles and associated cost.

The cost to the Department of Utilities for the commuting miles for these four employees is approximately \$21,000 per year while the estimated vehicle allowance would be \$8,400 per year.

the freeway interchange at W-X, 29th-30th Streets, so as to provide the citizens of this City with an effective response capability to emergencies.” However, the Rules do not define the term “air mile” or establish what “an effective response capability” would be.

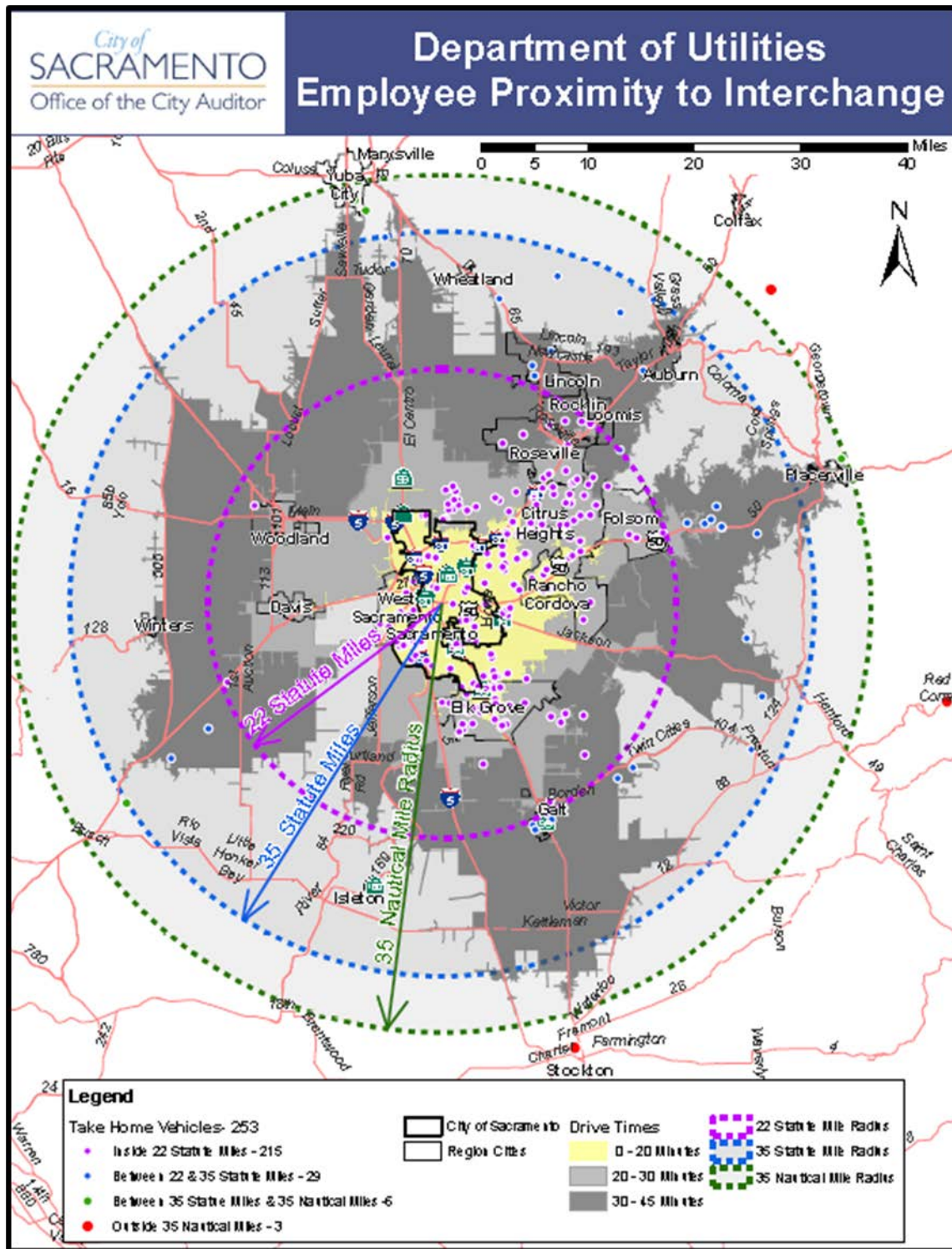
Additionally, it was brought to our attention that some City staff have interpreted “air mile” as “nautical mile.” The term “nautical mile” is defined as 1/60 of a degree of latitude, which equates to exactly 1,852 meters. This term is typically used to denote mileage in sea travel, not travel on land. It is unclear why “nautical miles” would have been selected as the metric of choice to measure the allowable distance given that distance on land is typically measured in “statute miles.” The term “statute mile” is used to denote mileage on land and is defined as approximately 1,609 meters, or 5,280 feet.

While the intent of this section appears to be to establish an effective response capability to emergencies, interpreting “air miles” as “nautical miles” extends the allowable distance within which employees may reside from 35 statute miles to 40.25 statute miles, a fifteen percent increase. With the help of the City’s Geographic Information Systems team, we plotted home addresses for Department of Utilities employees required by the Rules to reside within the 35-air mile radius, as seen in figure 17 below. To illustrate how various distances can affect the City’s emergency response times, we have included radii at 35-nautical miles, 35-statute miles, and 22-statute miles¹¹.

Interpreting “air miles” as “nautical miles” extends the allowable distance within which employees may reside from 35 statute miles to 40.25 statute miles, a fifteen percent increase.

¹¹ This distance was chosen as it encompasses the majority of the 20-30 minute response time.

Figure 17: Department of Utilities Emergency Response Times



Source: City of Sacramento Geographic Information Systems team generated with information from eCAPS and the Department of Utilities.

Note: Not all employees in this figure are assigned take-home vehicles.

As seen in figure 17 above, both the 35-nautical mile radius and the 35-statute mile radius include locations where emergency response times would be more than 45 minutes, which may not be reasonable in the event of an emergency. Therefore, it may be necessary to decrease the size of the radius to ensure “an effective response capability.” To ensure the intent of the Rules is met, we recommend the Human Resources Department work with the Civil Service Board (Board) to review and update Section 13.3 of the Rules. Specifically, we recommend the Board determine the appropriate radius to ensure “an effective response capability to emergencies” in statute miles.

RECOMMENDATION:

We recommend the Human Resources Department:

6. Work with the Civil Service Board to review and update Section 13.3 of the City of Sacramento’s *Rules and Regulations of the Civil Service Board*. Specifically, determine the appropriate radius to ensure “effective response capability to emergencies” in statute miles.

The City’s Process for Identifying Employees with Taxable Take-Home Vehicles Is Insufficient to Maintain Compliance with Internal Revenue Service (IRS) Regulations

The United States Internal Revenue Service (IRS) considers commuting in City vehicles a fringe benefit that could potentially be taxable income to the employee. While the City has a process in place to identify instances where commuting in City vehicles is taxable, we identified gaps in the list of Department of Utilities employees who were taxed for commuting in the 2017 calendar year. Based on our review, it appears that insufficient review of documentation submitted by employees may have resulted in non-compliance with regulations. We recommend the Finance Department and Fleet Management Division develop a more robust process for identifying employee personal use of City-owned vehicles that should be reported as taxable income.

RECOMMENDATION:

We recommend the Finance Department and Fleet Management Division:

7. Work together to develop a more robust process for identifying employee personal use of City-owned vehicles that should be reported as taxable income.

While the City has a process in place to identify instances where commuting in City vehicles is taxable, we identified gaps in the list of Department of Utilities employees who were taxed for commuting in the 2017 calendar year.

The Department Spent Approximately \$59,500 in 2018 in Excess Idling Costs

Title 13 of the California Code of Regulations limits diesel-fueled commercial motor vehicles that operate within the State of California with gross vehicle weight ratings (GVWR) of 10,000 pounds or more to no more than five consecutive minutes of idling at any location. In 2010, the Interim City Manager sent a memorandum to the City’s department directors detailing the Fleet Engine Idling Limit Policy. This memorandum outlines the City’s intent to limit the amount of idling in City vehicles which would further minimize emissions and reduce fuel costs to the City. The memorandum states, “In alignment with the efforts on a city and statewide level, I [former Interim City Manager] am extending the five-minute limit on idling to **all** vehicles in the City’s fleet.”

To determine compliance with the City’s intent to limit all vehicle idling to five minutes or less, we reviewed three weeks’ of vehicle idling data from calendar year 2018 for Department of Utilities’ vehicles that are equipped with Zonar¹². Based on this review, we found that many of the department’s vehicles, including more than 80 diesel-fueled commercial vehicles with GVWR more than 10,000 pounds, exceeded the Fleet Engine Idling Limit Policy during the sample periods¹³. Furthermore, for diesel-fueled commercial vehicles with GVWR more than 10,000 pounds that exceed the five-minute idling limit, the department may be non-compliant with Title 13 of the California Code of Regulations which could result in monetary penalties.

As seen in figure 18 below, if these 3 weeks of data are indicative of typical idling, we estimate the Department of Utilities used approximately 19,000 gallons of fuel in excess idling over the five-minute limit in 2018; we estimate the cost of this excess idling to be approximately \$59,500. This estimate is based on fuel consumption rates obtained from the United States Department of Energy.

We found that many of the Department of Utilities vehicles exceeded the Fleet Engine Idling Limit Policy during the sample periods.

¹² Remote Vehicle Analytics (RVA) does not produce vehicle idling data; therefore, vehicles equipped with RVA were not included in this analysis.

¹³ Some vehicles require the vehicle to idle to operate equipment attached to the vehicle. These vehicles were excluded from this analysis.

Figure 18: Estimated 2018 Department of Utilities Excess Idling Fuel Costs

Sample Week	Number of Vehicles Over 5-Minute Limit	Total Idling Time Over 5-Minute Limit (Hours)	Estimated Number of Gallons	Excess Cost of Idling Over 5-Minute Limit
3/1/2018–3/7/2018	134	724	324	\$957
6/1/2018–6/7/2018	133	901	421	\$1,373
9/1/2018–9/7/2018	138	751	351	\$1,104
Average	135	792	365	\$1,145
2018 Estimate	-	41,184	19,002	\$59,535

Source: Auditor generated based on Zonar reports, information provided by the Department of Utilities and Fleet Management Division, and fuel consumption rates obtained from the United States Department of Energy.

In addition to excess fuel costs, idling vehicles can release harmful chemicals, gasses, and particle pollution into the air which contributes to ozone, regional haze, and global climate change. Additionally, the pollution caused by the exhaust of idling vehicles can aggravate asthma, allergies, cardiovascular disease, and respiratory disease. Vehicle emissions are still present and harmful, even if exhaust is not visible. Figure 19 below illustrates the estimated metric tons of certain emissions released while Department of Utilities vehicles idled over the five-minute idling limit.

Figure 19: Estimated 2018 Department of Utilities Excess Idling Emissions (in Tons)

Sample Week	Carbon Monoxide	Carbon Dioxide	Nitrogen Oxide
3/1/2018 – 3/7/2018	0.066	3.395	0.015
6/1/2018 – 6/7/2018	0.079	4.454	0.021
9/1/2018 – 9/7/2018	0.057	3.731	0.015
Average	0.067	3.860	0.0169
2018 Estimate	3.494	200.726	0.877

Source: Auditor generated based on Zonar reports, information provided by the Department of Utilities and Fleet Management Division, and emission rates obtained from the United States Environmental Protection Agency.

Because the memorandum detailing the Fleet Engine Idling Limit Policy is not listed on the City’s Policies and Procedures webpage, employees may not be aware of the City’s intent to limit idling to no more than five minutes. To enhance accountability, we recommend the Fleet Management Division formalize the Fleet Engine Idling Limit Policy and post the policy on the City’s Policies and Procedures webpage. Additionally, we recommend the

Department of Utilities develop a process to identify instances of non-compliance and hold employees accountable.

RECOMMENDATIONS:

We recommend the Fleet Management Division:

8. Formalize the Fleet Engine Idling Limit Policy and post the policy on the City's Policies and Procedures webpage.

We recommend the Department of Utilities:

9. Develop a process to identify instances of non-compliance with the Fleet Engine Idling Limit Policy and hold employees accountable.

Two Employees Claimed More Than 100 Hours in Incentive Pay They Were Not Eligible For

Some employees in the Department of Utilities are eligible to receive crane/backhoe worked pay, which gives employees a five percent increase in their base salary for hours worked operating a crane that requires certification by the State of California, or when operating a backhoe. The eligibility for this pay is outlined within the City's labor agreements. We reviewed payroll records to determine compliance with the City's labor agreements for crane/backhoe worked pay. Based on this review, we found two ineligible employees that received crane/backhoe worked pay totaling more than 100 hours and \$215. It appears that these employees were promoted to positions that were no longer eligible to receive this incentive; however, they continued to claim these hours on their timesheets which were then approved by the supervisors.

In the *Audit of the Department of Utilities Labor Reporting*, we found similar timesheet errors and recommended that the Finance Department and the Information Technology Department review the existing employee user access to pay types and restrict access to only those pay types for which an employee is eligible. As of January 2019, this audit recommendation had not yet been implemented. Accelerating the implementation of this audit recommendation could reduce the risk of future errors.

We found similar timesheet errors in a previous audit; however, as of January 2019, our audit recommendation to reduce the risk of these errors had not yet been implemented.

Finding 2: Excessive Access to the City’s Fueling Islands Created Data Integrity Issues and May Have Allowed for Fraud

The City of Sacramento’s fueling islands dispense an average of 2.7 million gallons of fuel each year with an average annual cost of \$6.5 million. Without adequate controls in place to safeguard this valuable resource, the City could potentially be vulnerable to unauthorized, inappropriate, or fraudulent activity. Access to these fueling islands is restricted to City employees, City volunteers or interns, and Sacramento County personnel¹⁴. Figure 20 below is a photograph of the Meadowview Facility fueling island, which is an example of one of the City’s larger fueling islands.

The City of Sacramento’s fueling islands dispense an average of 2.7 million gallons of fuel each year with an average annual cost of \$6.5 million.

Figure 20: Meadowview Facility Fueling Island



Source: Auditor photographs.

To determine whether the controls in place ensure appropriate use and accountability of the City’s fueling islands, we performed testing of the City’s fuel records as well as physical testing at one of the fueling islands. Based on this review, we found several issues related to access to the City’s fueling islands. Specifically, we found:

- Twenty-Four percent of sampled fuel transactions were incorrectly captured;
- Manual entry of employee identification and vehicle numbers at fuel kiosks allows unauthorized employees to obtain fuel and can allow the incorrect department to be charged;

¹⁴ Department Head or Division Manager approval is required for City employees, volunteers, or interns to get access to the fueling islands. The City receives reimbursement for any fuel obtained by County personnel.

- The Fleet Management Division is not notified when employee job duties change;
- Access privileges of Former City employees from multiple departments were not revoked and were used to obtain 10,860 gallons of fuel totaling \$30,617 from the fueling islands;
- Seven Department of Utilities employees fueled fleet assets totaling more than 370 gallons and \$1,100 while also receiving a vehicle allowance; and
- Reconciling fuel transaction data could detect potential fraud and enhance compliance with Proposition 218.

To promote appropriate and accountable use of the City’s fueling islands, we recommend the Fleet Management Division and the Department of Utilities implement system controls at fuel kiosks and develop processes to ensure appropriate access to the fueling islands in compliance with the *City Employee’s Transportation Policy and Procedures*.

Twenty-Four Percent of Sampled Fuel Transactions Were Incorrectly Captured

Because departments are charged for their fuel use based on actual usage, inaccurate fueling records could potentially cause the Fleet Management Division to bill departments incorrectly. To assess the accuracy of Fuel Focus, the fueling module in the M5 system, we observed and recorded 38 fueling transactions at four of the seven fueling islands and then reconciled those transactions with system generated records. While we were able to reconcile 76 percent of sampled fueling transactions, 24 percent of transactions in our sample had at least one exception such as the incorrect fuel amount (6), incorrect employee (3), or the incorrect vehicle number (1). While 100 percent accuracy may not be realistic, the high error rate in our testing sample indicates there may be system issues that could potentially create inaccurate fueling records. For example, we observed one employee obtain 9.4 gallons of fuel that the system incorrectly recorded as zero gallons; because the cost of this fuel was not charged to the appropriate department, the Fleet Management Division absorbed this cost. To ensure accurate billing for fuel use, we recommend the Fleet Management Division work with AssetWorks to identify and resolve or minimize system issues related to fuel transactions.

While we were able to reconcile 76 percent of sampled fueling transactions, 24 percent of transactions in our sample had at least one exception such as the incorrect fuel amount, incorrect employee, or the incorrect vehicle number.

RECOMMENDATION:

We recommend the Fleet Management Division:

10. Work with AssetWorks to identify and resolve or minimize system issues related to fuel transactions.

Manual Entry of Employee Identification and Vehicle Numbers at Fuel Kiosks Allows Unauthorized Employees Access to Fueling Islands to Obtain Fuel and Can Allow the Incorrect Department to Be Charged

To obtain fuel at the fueling islands, employees must either scan their employee ID badge or enter their employee ID number into the fuel kiosk, seen in the figure to the right; enter the vehicle number receiving fuel; and select the pump number for use. This process represents internal controls established by the Fleet Management Division to prevent unauthorized individuals from obtaining fuel. According to the Association of Certified Fraud Examiners' *Fraud Examiners Manual*¹⁵, "Although internal control plays a critical role in fraud prevention and detection, it is a dynamic system that requires constant reevaluation of its weaknesses."

During our observations, we noticed some transactions that exposed vulnerabilities in the City's fueling practices. For example, we observed one employee enter another employee's ID number to obtain 9.4 gallons of fuel for \$30.67. Additionally, we noted that one employee entered the incorrect vehicle number resulting in a \$55.47 charge to a Department of Utilities' SUV for 17 gallons of fuel that actually went into a Fire Department ambulance. These practices circumvent access controls for the fueling islands and result in inaccurate fueling data, potentially incorrect billing to departments for fuel, and potentially inappropriate use of City resources, such as fueling one's personal vehicle. Due to data limitations previously discussed, it would be difficult to detect potential fraud committed by employees exploiting these vulnerabilities.

The Fleet Management Division has already begun the process of removing the ability for employees to type in their employee ID numbers at fueling islands, instead requiring the employee to scan their employee ID badge. To ensure the fueling records reflect accurate information and to deter inappropriate use of City resources, we recommend the Fleet Management Division continue to remove the ability to manually input employee ID numbers at the fuel kiosks

Figure 21: Fuel Island Control Unit Kiosk



Source: Auditor photographs.

¹⁵ Association of Certified Fraud Examiners, *Fraud Examiners Manual*, 2018 U.S. Edition.

and implement additional controls to mitigate the use of incorrect vehicle numbers.

RECOMMENDATION:

We recommend the Fleet Management Division:

11. Continue to remove the ability to manually input employee ID numbers at fuel kiosks and implement additional controls to mitigate the use of incorrect vehicle numbers at the fuel kiosks.

Access Privileges of Former City Employees From Multiple Departments Were Not Revoked and Were Used to Obtain 10,860 Gallons of Fuel Totaling \$30,617 From the Fueling Islands

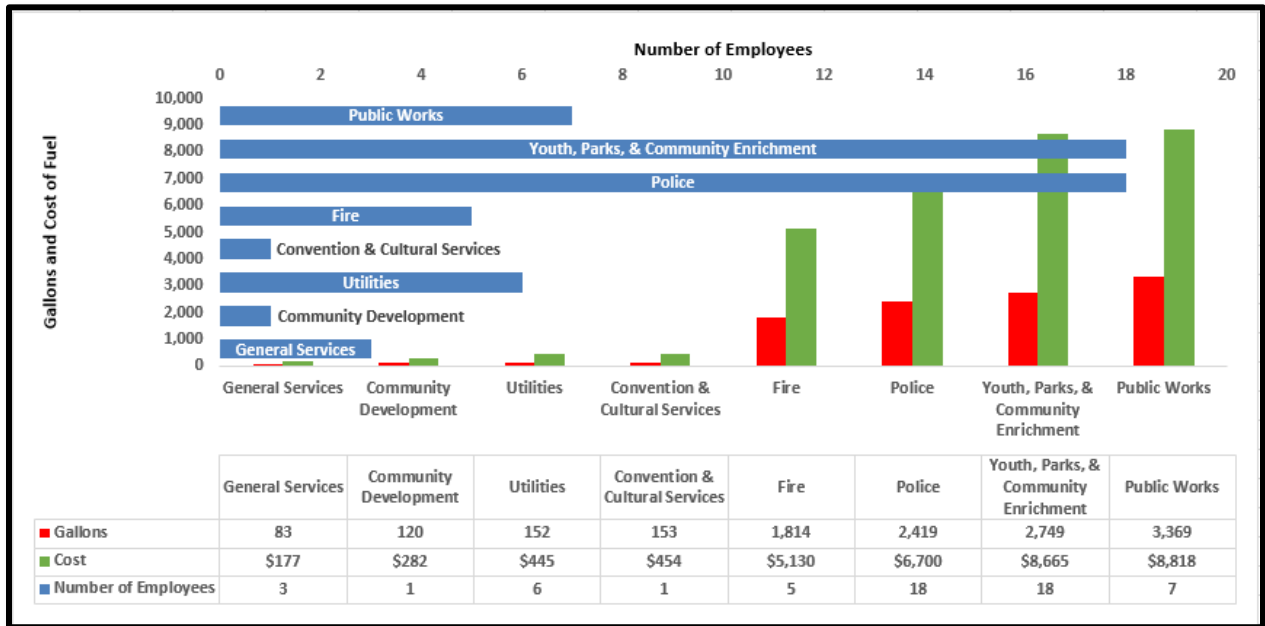
According to the United States Department of Defense's *User's Guide on Controlling Locks, Keys and Access Cards*¹⁶, "An effective access control (lock and key or electronic) program will help minimize the possibility of unauthorized access to a facility and/or assets in a facility. Possession of keys and access control cards represent primary authorization for an individual to enter a facility or have access to a particular asset. Possession of keys and access control cards by unauthorized individuals severely affects security and neutralizes the primary purpose of an access control program." For the City's fueling islands, employee ID badges act as access control cards that authorize employees to obtain fuel.

When an employee separates from City service, the Fleet Management Division receives notification and should then revoke access to the fueling islands per the City's *Employee Separation* policy. However, our review of access to the fueling islands found that nearly 60 employees appear to have obtained 10,860 gallons of fuel totaling \$30,617 from the fueling islands after separating from City service, as seen in figure 22 below. The use of City fueling islands by former City employees may constitute theft of City resources if fuel is obtained for non-City business.

Our review of access to the fueling islands found that nearly 60 employees appear to have obtained 10,860 gallons of fuel totaling \$30,617 from the fueling islands after separating from City service.

¹⁶ United States Department of Defense, Report Number UG-2040-SHR, *User's Guide on Controlling Locks, Keys and Access Cards*, July 2000.

Figure 22: Nearly 60 Former City Employees Obtained Fuel After Separating from City Service



Source: Auditor generated based on information from eCAPS and Fuel Focus.

We reached out to the departments with larger amounts of fuel obtained by former employees to determine if any of the transactions were for legitimate business purposes, such as a former employee returning as a volunteer. While some transactions may be due to previously identified issues, such as the manual entry of employee ID numbers, at least one department believes that some transactions appeared to have no business purpose. Based on this review, it appears that the current process for revoking access to the fueling islands for employees who have separated from City service is lacking. Without an adequate process to revoke access to the fueling islands for separated employees, the City could be vulnerable to the misappropriation of the City’s fuel. To prevent potential theft of City resources, we recommend the Fleet Management Division enhance their process of revoking access to the fueling islands upon employee separation.

RECOMMENDATION:

We recommend the Fleet Management Division:

- 12. Enhance the process of revoking access to fueling islands upon employee separation.

The Fleet Management Division is Not Notified When Employee Job Duties Change

The Fleet Management Division grants access to the City’s fueling islands through an employee’s ID badge or their employee ID number based on access forms approved by an employee’s manager. According to the United States Department of Defense’s *User’s Guide on Controlling Locks, Keys and Access Cards*, “Regardless of whether the equipment used to limit access is mechanical or electronic, control of the device (locks, keys and access cards) that allows authorized entry into a secure area is vitally important to ensure that integrity of the system is maintained.”

Currently, the Fleet Management Division relies on the various departments to inform them when employees’ job duties change. If departments fail to inform the Fleet Management Division that employees no longer require access to the fueling islands due to changes in the employees’ job duties, the integrity of the system may be compromised. For example, if an employee transfers to a new department, the employee’s new supervisor may not be aware that the employee has access to the City’s fueling islands and will not likely monitor the employee’s fueling transactions. To maintain the integrity of the system, we recommend the Fleet Management Division work with the Human Resources Department to determine when employee job duties change, revoke those employees’ access to the fueling islands, and require new access forms be completed, if necessary.

RECOMMENDATION:

We recommend the Fleet Management Division:

13. Work with the Human Resources Department to identify when employee job duties change, revoke those employees’ access to the fueling islands, and require new access forms be completed, if necessary.

Seven Department of Utilities Employees Fueled Fleet Assets Totalling More than 370 Gallons and \$1,100 While Also Receiving a Vehicle Allowance

To support employees in conducting official City business, the City generally offers two primary options: a City vehicle or financial reimbursement in the form of a vehicle allowance for the use of a privately-owned vehicle. The *City Employee’s Transportation Policy and Procedures* state, “In the event that the privately[-]owned vehicle of an employee who is authorized a monthly personal vehicle allowance is out of use for repairs, the City Manager may authorize

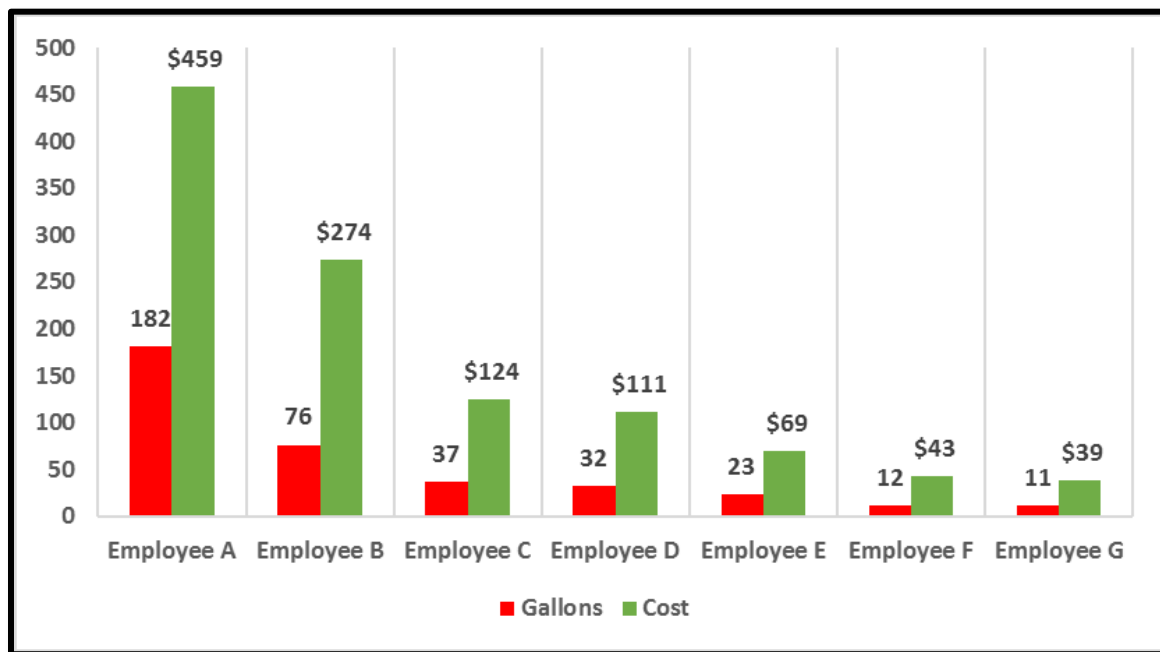
If departments fail to inform the Fleet Management Division that employee no longer require access to the fueling islands due to changes in the employees’ job duties, the integrity of the system may be compromised.

temporary use of a City owned vehicle for performance of official City business.” While not directly stated, it appears the intent of the policy is to restrict the use of City vehicles for employees receiving a vehicle allowance.

Because the City uses vehicle allowances as a cost-effective option in lieu of providing employees City vehicles, restricting the use of City vehicles for employees receiving a vehicle allowance appears appropriate to minimize the City’s costs. We reviewed fueling records for the Department of Utilities to determine if employees receiving a vehicle allowance also fueled City vehicles, an indication those employees may have driven a City vehicle while receiving a vehicle allowance. Based on this review, we found seven Department of Utilities employees who fueled City vehicles while receiving a vehicle allowance. As seen in figure 23 below, these employees put more than 370 gallons of fuel, totaling more than \$1,100, in various City vehicles or equipment.

We found seven Department of Utilities employees who fueled City vehicles while receiving a vehicle allowance.

Figure 23: Department of Utilities Employees Who Fueled City Vehicles While Receiving a Vehicle Allowance



Source: Auditor generated based on fueling reports from FBI.

Note: Due to differing time periods in this analysis, the cost per gallon of fuel may not be the same for each employee.

While there may be legitimate business reasons for these employees to fuel City vehicles while receiving a vehicle allowance, such as fueling generators or other types of equipment, these types of instances are red flag indicators that should be reviewed by the department to determine if the transactions are appropriate. For example, these employees could potentially be fueling their

personal vehicles, which is inappropriate because they receive a vehicle allowance to cover costs associated with using their personal vehicle for City business. We recommend the Department of Utilities develop a process to periodically review fueling records to assess compliance with the *City Employee's Transportation Policy and Procedures*.

RECOMMENDATION:

We recommend the Department of Utilities:

14. Develop a process to periodically review fueling records to assess compliance with the *City Employee's Transportation Policy and Procedures*.

Reconciling Fuel Transaction Data Could Detect Potential Fraud and Enhance Compliance with Proposition 218

During this audit engagement, the Fleet Management Division notified our office of questionable fueling transactions by a Department of Utilities employee. Fueling records indicated that this employee had fueled vehicles that were assigned to different departments, including the Community Development Department; the Youth, Parks, and Community Enrichment Department; and the Police Department. Because departments are charged for fuel when vehicles assigned to their department obtain fuel, these questionable transactions could indicate that the incorrect departments were being charged for fuel used by the Department of Utilities. Conversely, if a non-Department of Utilities employee fueled a vehicle assigned to the department to perform non-utility services, this could potentially pose a violation of Proposition 218.

Proposition 218 is a November 1996 State of California ballot initiative that restricts how much can be charged to ratepayers in California for their utility services. One major aspect of Proposition 218 is that it prohibits the Department of Utilities from charging ratepayers more than the cost to provide the utility service that the rate is charged for. Another major aspect of Proposition 218 is that it prohibits the Department of Utilities from using funds collected for one utility to pay the cost of providing a different utility. For example, funds collected from charging water rates cannot be used to pay for drainage projects that are unrelated to the provision of water service. Therefore, if the water fund is charged for fuel that was used by the drainage fund, this may be inconsistent with the cost allocation requirements of Proposition 218.

Revenues derived from the fee or charge shall not:
(1) exceed the funds required to provide the property related service
(2) be used for any purpose other than that for which the fee or charge was imposed.
– Proposition 218

The following sections discuss our investigation of the questionable fueling transactions identified by the Fleet Management Division and our review of fueling transactions for compliance with Proposition 218.

One Department of Utilities Employee May Have Falsified City Records to Obtain Fuel for Non-City Business Totaling More Than \$1,000

As discussed previously, to obtain fuel from the fueling islands, employees must either scan their employee ID badge or enter their employee ID number into the fuel kiosk, enter the vehicle number receiving fuel, and select the pump number for use. We reviewed the fueling transactions and M5 vehicle and employee information for this employee to determine potential control failures in this process. Based on this review, we noted several indications this employee may have engaged in fraudulent behavior by entering a City vehicle number at the fuel kiosk and obtaining fuel for non-City business. Specifically, we noted:

- The employee had three active employee ID badges with access to the fueling islands and all three badges appeared to be in use. Allowing employees to have multiple badges with access to the fueling islands increases the risk of unauthorized employees obtaining fuel.
- While we observed that employees sometimes enter the incorrect asset number into the fuel kiosk, this employee’s fuel transactions indicate that more fuel was obtained than the maximum tank capacity of the employee’s assigned vehicle which suggests that the employee may not have been fueling their assigned vehicle.
- Based on limited analysis¹⁷ of vehicle information box (VIB) records, VIB records did not or could not indicate that the vehicles not assigned to the Department of Utilities fueled by this employee were present at the fueling islands at the times these fueling transactions occurred.
- Based on GPS and employee badging records, there appears to be one instance where the employee was driving their assigned vehicle while fueling a vehicle that was not assigned to the Department of Utilities, and another instance where the employee arrived at one facility one minute before fueling a vehicle not assigned to the Department of Utilities at another facility. We acknowledge that the first situation could be explained by another City employee driving the employee’s

We noted several indications this employee may have engaged in fraudulent behavior by entering a City vehicle number at the fuel kiosk and obtaining fuel for non-City business.

¹⁷ To determine if the employee was fueling the vehicle that correlated to the vehicle number they entered at the fuel kiosk, we reviewed vehicle information box and GPS records to determine the location of the vehicles at the time of the fueling transactions. However, not all of the vehicles involved were equipped with these devices, limiting our analysis.

assigned vehicle; however, we believe these instances raise a question as to whether someone other than the employee was using the employee's ID badge at the fueling islands or at City facilities.

- While the employee in question tends to fuel their assigned vehicle at the South Area Corporation Yard, we found they tend to fuel the other unassigned vehicles at the Sutter's Landing fueling island, which is a more isolated facility. For example, we noted that for one of the vehicles not assigned to the Department of Utilities, this employee was the only employee to fuel the vehicle at Sutter's Landing while 85 percent of the vehicle's fueling transactions occurred at either the Kinney Police Facility or the Rooney Police Facility. We also noted that the average fuel quantity obtained for this vehicle by this employee was double the average fuel quantity obtained by other employees for this vehicle.
- In one instance, records indicated the employee fueled a vehicle not assigned to the Department of Utilities on a day they were not working for the City.

These issues indicate that the employee may be engaging in fraudulent behavior by entering a City vehicle number at the fuel kiosk but obtaining fuel for non-City business. This behavior falsifies City records and is a burden to the City's taxpayers. Our investigation into these questionable transactions was limited by Fleet Management system limitations. To strengthen access controls to the fueling islands, we recommend the Fleet Management Division limit the number of active badges each employee can use to access the fueling islands. Additionally, to better detect and deter fraud, we recommend the Fleet Management Division consider installing security cameras at the City's fueling islands.

RECOMMENDATION:

We recommend the Fleet Management Division:

15. Limit the number of active badges each employee can use to access the fueling islands.
16. Consider installing security cameras at the City's fueling islands.

Department of Utilities Funds May Have Been Inappropriately Charged More Than \$106,000

Because Proposition 218 restricts the use of utility funds, we performed additional testing to ensure that utility fueling transactions were being appropriately accounted for. Specifically, we wanted to determine whether the utility funds were being charged appropriately and that other departments were

not inappropriately attributing costs to the Department of Utilities. Based on this testing, we identified more than \$106,000 in fuel transactions that may have been inappropriately charged to a restricted Department of Utilities fund. For example, records indicate that Police Officers charged more than 1,800 gallons totaling more than \$5,700 in fuel costs to the Department of Utilities.

Additionally, we identified more than \$10,000 that potentially should have been charged to one of the Department of Utilities' funds but was not. For example, records indicate the Department of Utilities charged nearly \$5,000 in fuel to the Solid Waste fund. It should be noted that limited testing was performed due to resource constraints; therefore, similar transactions may have occurred that were not identified as part of this testing.

The Department of Utilities does not have a process in place to review fueling transactions for appropriateness and compliance with Proposition 218. To enhance compliance with Proposition 218, we recommend the Department of Utilities develop a process to periodically review fueling records to ensure employees are fueling authorized assets and the department is being charged appropriately.

RECOMMENDATIONS:

We recommend the Department of Utilities:

17. Develop a process to periodically review fueling records to ensure employees are fueling authorized assets and the department is being charged appropriately.

We identified more than \$106,000 in fuel transactions that may have been inappropriately charged to a restricted Department of Utilities fund.

Finding 3: System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analyses and Identify Trends

According to a report by the United States Government Accountability Office’s (GAO) titled *Federal Vehicle Fleets Adopting Leading Practices Could Improve Management*, “Complete data and well-designed FMISs [Fleet Management Information Systems] are essential for the management of federal fleets.”

Further, according to experts identified by the GAO and United States General Services Administration officials interviewed by the GAO, “sound data systems provide the basis for the various types of analyses that are needed to make cost-effective investment decisions, such as decisions about whether to own or lease vehicles, and determine appropriate fleet size and composition.” We reviewed the Fleet Management Division’s information systems to determine the accuracy and reliability of data, and assessed the appropriateness of user access. Based on this review, we found:

- The Fleet Management Division has not established a formal information system access policy; and
- Administrative controls could improve data integrity and reliability.

To ensure data quality, we recommend the Fleet Management Division establish policies and procedures related to user access and implement various administrative controls over the various Fleet Management information systems.

The Fleet Management Division Has Not Established a Formal Information System Access Policy

“User access” refers to the process by which authorized individuals access a computer system and unauthorized individuals are prevented from doing so. The Institute of Internal Auditors’ *Global Technology Audit Guide on Identity and Access Management*¹⁸ states that “As part of its IAM [Identity and Access Management] monitoring process, the organization should establish a methodology to periodically review the access rights granted to all identities residing in its IT environment.” We found that ongoing monitoring was not performed to ensure users continued to have the correct levels of permission. During our review of user access privileges, we noted 21 generic user accounts, two users with multiple accounts in the same system, and at least 16 user accounts for individuals who are no longer employed by the City of Sacramento.

We noted 21 generic user accounts, two users with multiple accounts in the same system, and at least 16 user accounts for individuals who are longer employed by the City of Sacramento.

¹⁸ Institute of Internal Auditors, *Global Technology Audit Guide on Identity and Access Management*, November 2007

The presence of generic user accounts limits the Fleet Management Division’s ability to hold employees accountable for any inappropriate use of their systems because it may not be clear which individual was using the account. Users with multiple accounts may have differing access capabilities in the various accounts that may not all be compatible with their current role in the organization. Failing to remove system access of former employees could result in individuals processing inappropriate or potentially fraudulent transactions. For example, an employee with system administrative privileges could create ghost employees or vehicles in M5 to fuel non-City vehicles; this would essentially be theft of City resources. As seen in figure 24 below, the Fleet Management Division reviewed and updated the user access in their systems based on our testing.

Figure 24: User Access Pre- and Post- Audit Review

System/Module	Pre-Review	Post-Review	Percent Change
CAM	15	15	0%
Zonar	254	204	-20%
RVA	129	116	-10%
M5	147	141	-4%
FBI*	Everyone	Everyone	0%

Source: Auditor generated based on information provided by the Fleet Management Division.

*FBI is a reporting system only. All employees have access to view these reports; however, only six users have administrator level access.

The Fleet Management Division has not established a formal policy for managing or monitoring user access to their systems. As shown above, lack of formal user access policies and procedures can lead to unauthorized users that should be removed retaining access to the Fleet Management systems. We recommend the Fleet Management Division establish policies and procedures for managing and monitoring user access and their privileges.

RECOMMENDATION:

We recommend the Fleet Management Division:

- 18. Establish policies and procedures for managing and monitoring user access and their privileges.

Administrative Controls Could Improve Data Integrity and Reliability

According to the United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*, “Management should use quality information to achieve the entity’s objectives.” One attribute of this

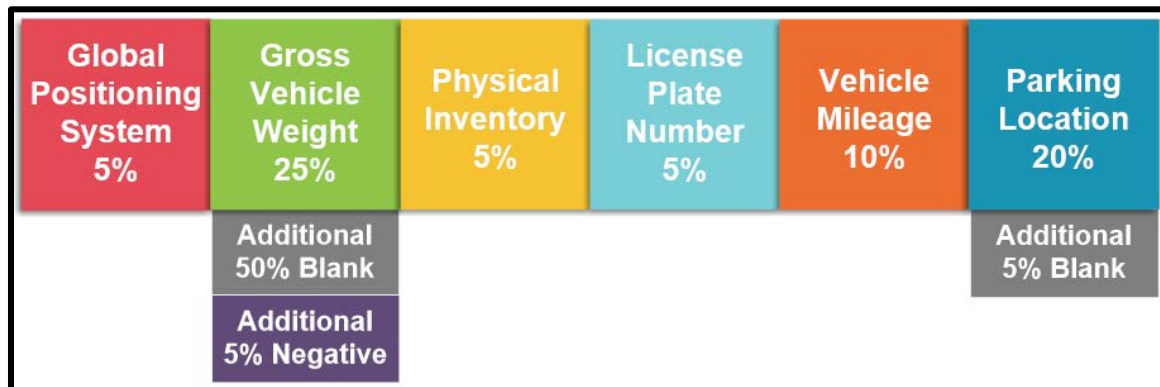
principle is that management obtains “relevant data from reliable sources.” According to the GAO, data is reliable if it is “reasonably complete and accurate, meet[s] your intended purposes, and [is] not subject to inappropriate alteration.” To assess the accuracy and reliability of the various Fleet Management Division’s information systems, we performed detailed testing of system information. This includes verifying actual vehicle specifications and determining the accuracy of sample fuel transactions, GPS device assignments in RVA, and vehicle department assignments in the GPS systems.

Our review found several issues related to data quality and integrity, outlined below. To ensure management has quality information to make informed decisions, we recommend the Fleet Management Division review the data captured by the various Fleet Management systems, determine key data fields, and implement controls to ensure these fields contain accurate information.

The M5 System Contains Errors and Omissions

Fleet Focus M5 (M5) is the Fleet Management Division’s primary information system. To assess the accuracy of the M5 system, we physically inspected a sample¹⁹ of 20 fleet assets belonging to the Department of Utilities to determine if actual vehicle specifications matched with system data. These inspections included a review of vehicle information numbers, license plate numbers, asset make, asset model, asset year, GPS system installed, gross vehicle weight, mileage, parking location, and California Department of Transportation motor carrier permit decals. Based on our review, we found discrepancies between actual vehicle specifications and M5 system data, illustrated in figure 25 below.

Figure 25: Discrepancies Between Actual Vehicle Specifications and M5 System Data for Sample of 20 Department of Utilities Fleet Assets



¹⁹ A systematic sampling method was used to select these assets. It should be noted that the selected sample size is not statistically significant.

Source: Auditor generated based on physical inspections of sample of Department of Utilities fleet assets.

Although gaps were identified in various key data fields, we noticed a high percentage of blank entries and the existence of negative values in the gross vehicle weight field. As a result, we performed additional testing to determine the pervasiveness of this issue²⁰. Based on this additional testing of current in-service assets belonging to the Department of Utilities, we found that nearly 250 assets, or approximately 50 percent, had blank entries and more than 30 assets, or approximately 7 percent, had a negative entry in the gross vehicle weight field. While the Fleet Management Division has not defined this as a key data field that requires information to be entered, accurate gross vehicle weight information is important because various City policies and State regulations are dependent on the gross weight of the vehicle.

Accurate gross vehicle weight information is important because various City policies and State regulations are dependent on the gross weight of the vehicle.

For example, the *City Employee's Transportation Policy and Procedures* requires drivers operating vehicles with gross vehicle weight ratings of 10,501 pounds and above (vehicles larger than full size pick-up trucks) to perform daily pre-trip and post-trip inspections. We noted at least 28 vehicles appear to have gross vehicle weight ratings of 10,501 pounds or more but had blank entries in the system. Without accurate and complete gross vehicle weight information, management is limited in its ability to ensure compliance because they may not be aware the policy or regulations is applicable to a particular vehicle.

Due to the limited sample testing performed, it is unclear how pervasive the discrepancies between M5 and actual vehicle specifications are. To ensure management has quality information, we recommend the Fleet Management Division review the data captured by the M5 system, determine key data fields, and implement controls to ensure these fields contain accurate and complete information.

RECOMMENDATION:

We recommend the Fleet Management Division:

19. Review the data captured by the M5 system, determine key data fields, and implement controls to ensure these fields contain accurate and complete information.

²⁰ Due to time constraints, we did not perform additional testing on vehicles with positive entries in the gross vehicle weight field for accuracy of entries.

GPS Data for Nearly 130 Vehicles is Not Viewable by the Appropriate Managers Due to Incorrect Assignments in the GPS Systems

For vehicles that are equipped with GPS, the City uses RVA and Zonar to provide efficient driving routes and to track idle times, speed violations, engine problems, and trip distances. Within the City's two GPS systems, supervisors and managers are given access to see only the vehicles used by their group. In RVA this is accomplished by establishing "Groups" and in Zonar this is accomplished by establishing "Locations" that designate which group each vehicle belongs to. However, in our review of RVA and Zonar data, we noted that these Groups and Locations were not always correct. For example, we found that in RVA, 110 City assets were listed as "unassigned" and in Zonar, 15 in-service assets belonging to the Department of Utilities were assigned to either the incorrect group within the department or to the incorrect department altogether. Additionally, we found two Department of Utilities assets that were listed as "UNKNOWN" in the Location field in Zonar. While GPS data is still being captured for these vehicles, the correct management teams may not be able to view or use this data in decision making.

Each GPS unit installed in a City vehicle has a unique device identification number. Within the City's GPS tracking systems, each vehicle has the GPS device ID assigned to a specific vehicle which allows managers and supervisors to search by vehicle number instead of device ID to review GPS records. We reviewed GPS device ID assignments for accuracy and found six vehicles in RVA had multiple device IDs assigned to them, one vehicle in RVA had the wrong device ID assigned to it, and one vehicle had two GPS devices installed. Incorrectly assigning device IDs could result in misleading information; for example, if a vehicle has the wrong device ID assigned to it, the GPS records for that vehicle would be incorrect because they would display the GPS records for the vehicle that device ID is actually installed in.

It appears the Fleet Management Division has not established a consistent process to verify the accuracy of vehicle and GPS unit device ID assignments in the GPS tracking systems. Limiting management's ability to effectively manage their vehicle fleet with unviewable or inaccurate data defeats the controls and accountability that GPS tracking provides; this appears to be an inefficient use of monetary resources as we estimate the City paid more than \$53,200 in one-time costs and continues to pay nearly \$26,400 per year for the GPS units in nearly 130 vehicles. To ensure management has the correct information available for decision making, we recommend the Fleet Management Division establish a process to verify the accuracy of vehicle and GPS unit device ID assignments in the GPS tracking systems.

We found that in RVA, 110 City assets were listed as "unassigned" and in Zonar, 15 in-service assets belonging to the Department of Utilities were assigned either to the incorrect group within the department or to the incorrect department altogether.

RECOMMENDATION:

We recommend the Fleet Management Division:

- 20. Establish a process to verify the accuracy of vehicle and GPS unit device ID assignments in the GPS tracking systems.

Generator Assets and Corresponding Documentation is Inconsistently Tracked in M5

The Department of Utilities is responsible for maintaining the City’s generator fleet; this includes both mobile and stationary generators. Typically, mobile generators are generators that are mounted to small trailers so that they can be towed by a vehicle to wherever they are needed in the City. Stationary generators, however, are typically larger in size and are assigned to a permanent location. Examples of mobile and stationary generators can be seen in figure 26.

In 2009, the Department of Utilities and the Department of General Services signed a service agreement involving the maintenance of City stationary generators. The agreement distinguishes the specific regulatory compliance oversight roles, in addition to other responsibilities and deliverables, for the two departments. However, in April 2015, the Department of General Services was dissolved and its divisions were dispersed into other departments. According to the Fleet Management Division, there does not appear to be an updated service agreement.

Active generators may require a regional or state permit to be in compliance with California emissions regulations and to be legally operated within California. We reviewed current permit information for the City’s active generators, both mobile and stationary. Based on this review, we found that both the Department of Utilities and the Fleet Management Division currently manage permits for the City’s generators. There does not appear to be a clear distinction between permits managed by the Department of Utilities or by the Fleet Management Division, as both entities have paid for mobile and stationary generator permits.

Figure 26: Examples of Mobile and Stationary Generators



Source: Mobile Generator photograph provided by the Fleet Management Division and Stationary Generator photograph taken by audit staff.

Additionally, while M5 tracks permit information for permits that the Fleet Management Division has paid for, the permit numbers and expiration dates for the assets paid for by the Department of Utilities were not all updated in M5. The most recent permit information for these assets had to be separately acquired from the Department of Utilities. This could potentially lead to regulatory fines if permit documents are not readily accessible by the party designated to provide them to the relevant regulatory agencies.

Historically, both mobile and stationary generators have been considered fleet assets and are tracked in M5. However, while mobile generators typically meet the definition of a fleet asset because they have tires and require fuel to operate, stationary generators generally do not. We reviewed data for stationary generators in M5 and found that many of the stationary generators listed as active are no longer retained by the City. According to the Department of Utilities, updated information for stationary generators is contained in their Computerized Maintenance Management System. Based on our review, it appears that conflicting data for stationary generators could potentially lead to confusion among stakeholders and the various sources of data may delay timely access to the most updated information. In our opinion, in emergency situations, it is important to know the available power and operating time that generators can provide; therefore, prompt access to accurate information is essential.

Roles in the generator permitting process are not clearly defined despite having role-based guidelines in a past interdepartmental service agreement. We recommend that the Department of Utilities and the Fleet Management Division work together to develop well defined regulatory compliance oversight roles. Additionally, to prevent confusion and maintain data integrity, we recommend the Fleet Management Division remove generators that do not meet the definition of a fleet asset, such as stationary generators, from M5. By removing generators that do not meet the definition of a fleet asset from M5, we estimate the Department of Utilities will save approximately \$500 per year in avoided administrative fees to the Fleet Management Division.

RECOMMENDATION:

We recommend the Department of Utilities:

21. Work with the Fleet Management Division to develop well defined regulatory compliance oversight roles.

We recommend the Fleet Management Division:

While mobile generators typically meet the definition of a fleet asset, stationary generators typically do not.

Roles in the generator permitting process are not clearly defined.

22. Work with the Department of Utilities to identify generators that do not meet the definition of a fleet asset, such as stationary generators, and remove them from the M5 system.

Finding 4: The City Can Mitigate Risk by Better Documenting and Tracking Employee Licensure, Certifications, and Insurance Information

Some employees in the Department of Utilities are eligible to receive incentives or allowances for having specialty licenses or certifications, or for using their personal vehicles to conduct City business. The eligibility for this pay is outlined within the City's labor agreements while the *City Employee's Transportation Policy and Procedures* sets vehicle and insurance requirements for employees using their personal vehicles to conduct City business. We reviewed employee licenses and certifications as well as vehicle insurance documents to determine compliance with labor agreements and the *City Employee's Transportation Policy and Procedures*. Based on this review, we found:

- The Department of Utilities did not retain proof of employee crane or backhoe certifications;
- The Fleet Management Division should ensure all drivers of pool vehicles are appropriately licensed; and
- The City is not currently verifying employee compliance with insurance requirements.

To reduce the City's liability related to employees operating fleet assets that require specialty licensure and use of privately-owned vehicles for conducting City business, we recommend the Department of Utilities obtain and retain proof of certifications, insurance, and specialty licensure. Additionally, we recommend the Fleet Management Division revise the *City Employee's Transportation Policy and Procedures* and develop a detailed insurance verification process.

The Department of Utilities Did Not Retain Proof of Employee Crane or Backhoe Certifications

The City's Record Retention Schedule states that employee records that document an employee's history at the department level such as "copies of personnel action form[s], leave of absence forms; safety and training records, correspondence, time off requests, documented counseling, commendations, citations, and other employee related information" shall be retained until an employee has been separated from the City for more than three years. We requested copies for a sample of employee certificates for operating cranes or backhoes to determine if employees receiving crane/backhoe worked pay were appropriately certified. While the department was able to provide current proof of crane and backhoe certifications for most employees in our sample, the department had not retained previous certifications which prevented us from

The Department of Utilities had not retained previous crane and backhoe certifications which prevented us from determining whether employees had been appropriately certified for the entire period they received crane/backhoe worked pay.

determining whether employees had been appropriately certified for the entire period they received crane/backhoe worked pay. It is important to retain proof of employee certifications to ensure employees are appropriately trained to safely operate equipment. We recommend the department obtain proof of crane and backhoe certifications prior to providing monetary incentives, develop a process to monitor certification expiration dates, and retain the documentation of employee certifications per the City's Record Retention Schedule.

It is important to retain proof of employee certifications to ensure employees are appropriately trained to safely operate equipment.

RECOMMENDATION:

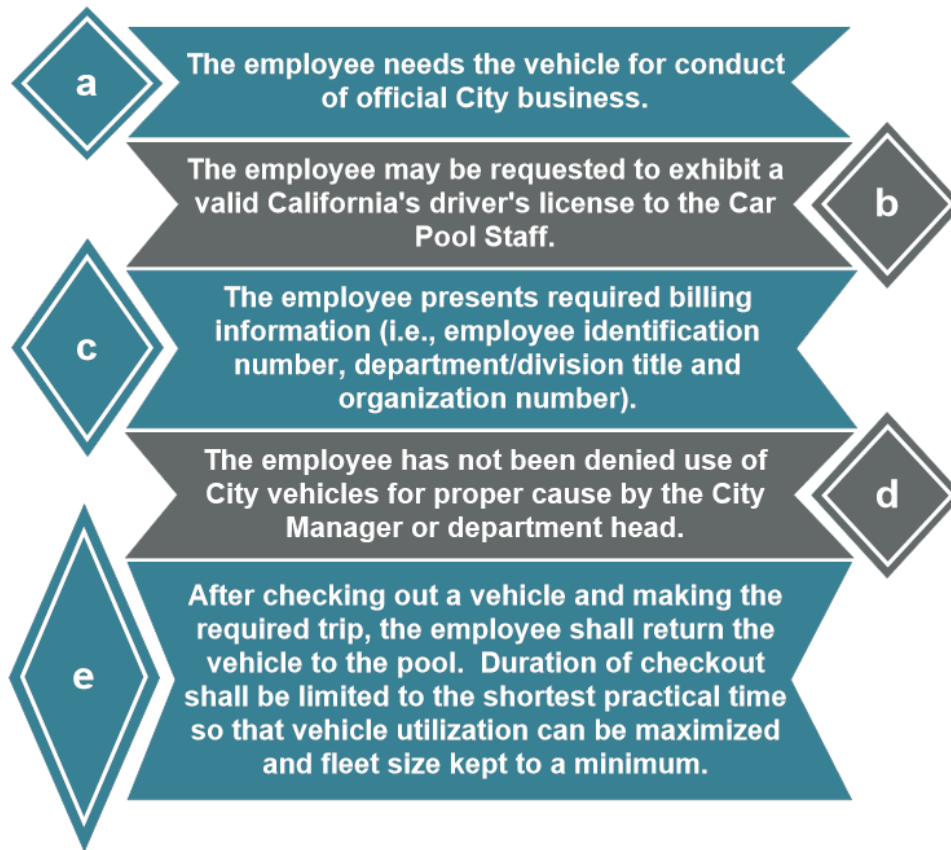
We recommend the Department of Utilities:

23. Obtain proof of crane and backhoe certifications prior to providing monetary incentives, develop a process to monitor certification expiration dates, and retain the documentation of employee certifications per the City's Record Retention Schedule.

The Fleet Management Division Should Ensure All Drivers of Pool Vehicles are Appropriately Licensed

The *City Employee's Transportation Policy and Procedures* outlines the use and requirements for checking out a pool vehicle. As seen in figure 27 below, there are five requirements for checking out a pool vehicle. We reviewed pool vehicle check-in and check-out logs for compliance with the *City Employee's Transportation Policy and Procedures*. Based on this review, we found that while the Fleet Management Division generally obtained the appropriate billing information, they did not always request proof of licensure.

Figure 27: Requirements for Checking Out a Pool Vehicle



Source: Auditor generated based on the *City Employee's Transportation Policy and Procedures*.

While obtaining proof of licensure is not strictly required by City policy, California Vehicle Code states that "A person may not drive a motor vehicle or combination of vehicles that is not of a type for which the person is licensed." Therefore, in our opinion, it is important to ensure only licensed drivers operate pool vehicles to comply with the California Vehicle Code, to mitigate risks and the subsequent liabilities associated with the operation of pool vehicles, and to promote accountable motor pool use. Additionally, while Fleet Management's motor pool records detail who *requested* a vehicle, this may not be the same employee who actually *drove* the vehicle. To enhance accountability, we recommend the Fleet Management Division revise the *City Employee's Transportation Policy and Procedures* to require employees to provide proof of licensure when using pool vehicles.

RECOMMENDATION:

We recommend the Fleet Management Division:

- 24. Revise the *City Employee’s Transportation Policy and Procedures* to require employees to provide proof of licensure when using pool vehicles.

The City is Not Currently Verifying Employee Compliance with Insurance Requirements

According to the *City Employee’s Transportation Policy and Procedures*, “Any employee authorized use of his/her privately owned vehicle for official City Business shall have...sufficient public liability and property damage insurance at least equal to the requirement of the financial responsibility laws of the State of California (Vehicle Code Section 16430).” Given that sufficient insurance coverage may reduce the City’s potential financial liability associated with vehicle-related incidents, the City requires that the employee affirm their compliance with these insurance requirements by completing the Insurance Certification form²¹ and providing the form to their supervisor.

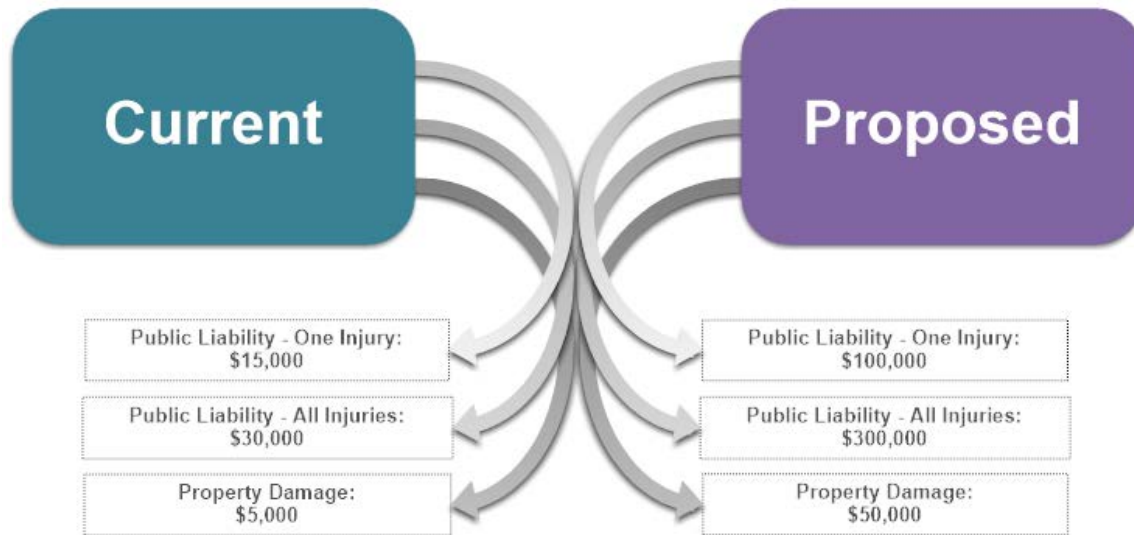
To verify compliance with the *City Employee’s Transportation Policy and Procedures*, we contacted various City departments to obtain copies of employees’ Insurance Certification forms. However, none of these departments were able to provide the requested documentation, and were also unsure if employees were actually signing these forms. Based on this exercise, it appears that the City is not enforcing this section of the *City Employee’s Transportation Policy and Procedures*. We recommend the Department of Utilities require employees currently receiving a vehicle allowance to complete the Insurance Certification form, require these forms be submitted prior to the employee receiving a vehicle allowance in the future, require employees submit updated forms regularly to account for changes in employee vehicles and insurance, and develop a process for retaining these forms.

Additionally, while the current version of the *City Employee’s Transportation Policy and Procedures* only requires employees to obtain insurance to match minimum requirements set by the state of California, we noted that the updated draft of the *City Employee’s Transportation Policy and Procedures* is set to increase the current insurance requirements above the state minimums. Figure 28 below illustrates the current and proposed insurance requirements for employees receiving a vehicle allowance.

None of the departments we contacted were able to provide the requested documentation, and were also unsure if employees were actually signing the Insurance Certification forms.

²¹ See Appendix C.

Figure 28: Current and Proposed Vehicle Insurance Requirements for Privately-Owned Vehicles



Source: Auditor generated based on the current version and proposed draft of the *City Employee's Transportation Policy and Procedures*.

To determine whether employees are in compliance with the current insurance requirements, we requested vehicle insurance documentation from a systematic random sample of 20 Department of Utilities employees who received a vehicle allowance as of August 2018. While we found all employees within the sample were in compliance with the current *City Employee's Transportation Policy and Procedures* insurance limits, we noted several instances where verifying compliance with the proposed *City Employee's Transportation Policy and Procedures* may present potential obstacles.

For example, several employees in the sample own multiple vehicles that they may use for conducting City business. While an employee may claim that they only use one of their vehicles for conducting City business, if the employee were to use another vehicle that did not have sufficient insurance, the City could potentially be liable for amounts in excess of the vehicle's insurance. One potential solution to this issue is to have employees specify which vehicle(s) they use to conduct City business on the Insurance Certification form. However, as noted above, it appears the City is currently not enforcing this section of the *City Employee's Transportation Policy and Procedures*. To ensure a successful implementation of the proposed updates to the *City Employee's Transportation Policy and Procedures*, we recommend the Risk Management Division develop a detailed process to verify vehicle insurance requirements are met for employees receiving a vehicle allowance.

RECOMMENDATIONS:

We recommend the Department of Utilities:

25. Require employees currently receiving a vehicle allowance to complete the Insurance Certification form, require these forms be submitted prior to the employee receiving a vehicle allowance in the future, require employees submit updated forms regularly, and develop a process for retaining these forms.

We recommend the Risk Management Division:

26. Develop a detailed insurance verification process for employees receiving a vehicle allowance.

Appendix A: Underutilized Vehicle Retention Justification Form

Underutilized Vehicle Retention Justification Form

Unit #(s): _____

Department: _____

Specialty Vehicle(s) Explain: _____

Other Explain: _____

Please clearly state your justification why above vehicle(s) cannot be turned in and how it will impact your operations if the vehicle(s) is/are no longer available and/or alternative options are not feasible.

Comments:

Division Manager Approved: _____ Date: _____

Department Head Approved: _____ Date: _____

SCHEDULE A:

The following types of vehicles are qualified non personal use vehicles. **If you are assigned one of the following vehicles, records of business and personal use are not required and no additional taxable income will be included in your pay.**

- A. Clearly marked police and fire vehicles. A marking on a license plate is not a clear marking for this purpose.
- B. Ambulances used as such and hearses used as such.
- C. Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.
- D. Bucket trucks ("cherry pickers")
- E. Cement mixers.
- F. Combines
- G. Cranes and derricks.
- H. Delivery trucks with seating only for the driver or for the driver plus a folding jump seat.
- I. Dump trucks, including garbage trucks.
- J. Flatbed trucks.
- L. Passenger buses used as such with a capacity of at least 20 passengers.
- M. Qualified moving vans used by a professional moving company.
- N. Qualified specialized utility repair trucks, meaning any truck (not including a van or pickup truck) specifically designed and used to carry heavy tools, testing equipment or parts if the shelves, racks or other permanent interior construction which has been installed to carry and store such heavy items is such that it is unlikely that the truck will be used more than a de minimis amount for personal purposes. In addition, you must be required to drive the truck home in order to be able to respond to utility service emergency situations.
- O. Refrigerated trucks
- P. School buses.
- Q. Tractors and other special purpose farm vehicles.
- R. Unmarked vehicles used by law enforcement officers, if the use is officially authorized. **Use of an unmarked vehicle for vacation trips does not qualify as an authorized use.**
- S. A van with a gross vehicle weight not over 14,000 pounds if clearly marked with permanently affixed decals or special painting or other advertising associated with the City, it has a seat only for the driver and one passenger, and either permanent shelving is installed that fills most of the cargo area or the cargo area is open and the van constantly carries equipment or material used in the City's business.
- T. A pickup truck with a gross vehicle weight not over 14,000 pounds if clearly marked with permanently affixed decals or special painting or other advertising associated with the City and is equipped with at least one of the following: a hydraulic lift gate, permanently installed tanks or drums, side boards or panels materially raising the level of the bed of the pickup, or other heavy equipment, such as an electric generator, welder, boom, or crane used for towing.

**Appendix C: City Employee's Transportation Policy and Procedures
Insurance Certification Form**

API #29
Page 13

Appendix 15.1

INSURANCE CERTIFICATION

TO: RISK MANAGEMENT

FROM: EMPLOYEE

**SUBJECT: USE OF PRIVATELY OWNED VEHICLE ON CITY BUSINESS
INSURANCE CERTIFICATION**

I, the undersigned, hereby certify that I possess a valid California driver's license and that I have sufficient public liability and property damage insurance, at least equal to the requirements of the Financial Responsibility Laws of the State of California (Vehicle code Section 16430), and that my insurance will operate as primary insurance.

Name _____
Please Print

Signed _____

Date _____

City of Sacramento
Administrative Policy
06/06/01
S:\FLEET\Vehicle Use Policy 1-01.doc

MEMORANDUM

DATE: May 22, 2019

TO: Jorge Oseguera, City Auditor

FROM: William O. Busath, Director Department of Utilities

CC: Fran Halbakken, Assistant City Manager

SUBJECT: Audit of the Department of Utilities Vehicle Fleet

1. This memorandum is in response to the City Auditor's Audit of the Department of Utilities Vehicle Fleet.
2. The Department of Utilities (DOU), acknowledges receipt and concurs with the recommendations from the City Auditor's draft report.
3. Corrective actions are actively being taken. In addition, internal operating procedures are being updated and staff training has begun to ensure implementation of the recommendations. It is DOU's understanding that the City Auditor will review completed recommendations for effectiveness of policy, procedure and implementation.
4. I would like to take this opportunity to thank the City Auditor and staff for their efforts in identifying process improvements in this audit. DOU decided to fund a position in the City Auditor's office to improve our practices and procedures and to identify areas where efficiencies might be realized. We are pleased with the outcome of this audit both for DOU and for the City. Please feel free to contact me directly should you have any questions.
5. Below is the response of the Department of Utilities to the 9 audit recommendations identified in the audit report:

AUDIT RECOMMENDATIONS AND DEPARTMENTAL RESPONSE:

3. Perform an analysis to determine which, if any, of the identified potentially underutilized vehicles should be kept as part of the department's vehicle fleet. Consider mileage reimbursements, vehicle allowances as alternatives.

Response: DOU is in the process of reviewing the more than 50 vehicles that were identified as having less than 6,000 miles over a five-year average. Some of the vehicles that meet the underutilization criterion are heavy duty vacuum trucks, camera trucks, and rodger trucks. These vehicles typically drive short distances and perform work for long periods of time at one job site. It is difficult to know what savings can be achieved until an underutilization criterion is developed for heavy duty and specialty vehicles. DOU will work with Fleet to examine a utilization criterion based on hours used and mileage. This will give a more accurate utilization rate than the current mileage criterion.

DOU will also examine the underutilized light duty vehicle list and offer mileage reimbursements to employees if it is operationally efficient and will achieve a cost savings. DOU will also determine if vehicles can be carpooled at their campuses. If so, some light duty vehicles may be decommissioned if there is not an impact to operations.

4. Develop a process to evaluate operational needs and costs to determine when take-home vehicles are necessary and when vehicle allowances are a more cost-effective option.

Response: DOU is in the process of reviewing the justification for each take home vehicle to determine if a take-home vehicle is warranted or not. If a take-home vehicle is determined not to be warranted, DOU will decommission the vehicle or remove the "take-home" status and it will only be used during normal working hours. In these cases, if operationally efficient and allowable, DOU will, on a case-by-case basis, offer employees a vehicle allowance to use their personal vehicles in lieu of a take home vehicle.

5. Develop a process to periodically review vehicle usage for take-home vehicles to ensure operational utilization meets the City's utilization criteria.

Response: DOU will maintain a comprehensive list of all take-home vehicle types, position classification, name of the person assigned to the vehicle and justification for the assignment. This list will be reviewed annually and executed justifications will be needed to retain the "take-home" vehicle assignment.

9. Develop a process to identify instances of non-compliance with the Fleet Engine Idling Limit Policy and hold employees accountable.

Response: The software that Fleet installs on all our heavy-duty equipment currently tracks vehicle idling data. DOU is in the process of creating a report from this data that will be sent to Superintendents and Division Managers on a re-occurring schedule. In addition, to address all equipment, DOU will work with the DOU Safety Specialist to incorporate information regarding the idling policy in various trainings.

14. Develop a process to periodically review fueling records to assess compliance with the City Employee's Transportation Policy and Procedures.

Response: DOU is working with Fleet to receive a fuel transaction report that can be cross referenced with the list of employees driving personal vehicles and receiving a vehicle allowance. The DOU Policy Team will develop guidelines identifying the rare exceptions when staff receiving a vehicle allowance would be permitted to fuel a city vehicle. Training will be provided to ensure employees understand and accept updated guidelines.

17. Develop a process to periodically review fueling records to ensure employees are fueling authorized assets and the department is being charged appropriately.

Response: DOU is working with Fleet to receive a fuel transaction report that can be cross referenced with an employee's current department ID and the department ID the vehicle is assigned to. DOU can then determine when an employee fueled a vehicle that is assigned to a department ID that does not match their employee department ID. This report will be sent to Superintendents and Division Managers on a re-occurring schedule. This report will also be used to verify that DOU is not being billed for fuel used in non-DOU vehicles.

21. Work with the Fleet Management Division to develop well defined regulatory compliance oversight roles.

Response: Per the auditor's recommendation, DOU will work with Fleet to revise the existing MOU to clarify maintenance and regulatory compliance roles and responsibilities for stationary and mobile generators.

23. Obtain proof of crane and backhoe certifications prior to providing monetary incentives, develop a process to monitor certification expiration dates, and retain the documentation of employee certifications per the City's Record Retention Schedule.

Response: DOU will work with IT to electronically store crane and backhoe certification documents in a single location. DOU will work with IT to develop a database that tracks crane and backhoe certification expiration dates. Superintendents will receive a notification if crane and/or backhoe certifications are expiring within a month. Employee Services will be notified to remove incentive pay if certifications expire.

25. Require employees currently receiving a vehicle allowance to complete the Insurance Certification form, require these forms be submitted prior to the employee receiving a vehicle allowance in the future, require employees submit updated forms regularly, and develop a process for retaining these forms.

Response: DOU has sent the Insurance Certification form to all employees who currently drive a personal vehicle for city business. Completed forms have been received for most of the identified staff and DOU expects to have them all submitted by the end of June 2019. New Employees will be required to complete and submit the appropriate Insurance Certification form prior to receiving a vehicle allowance. DOU will work with IT to store insurance documents electronically in a single location. DOU will follow all guidelines and regulations in the current and future versions of the Employee Transportation Policy and Procedures.

MEMORANDUM

DATE: May 13, 2019
TO: Jorge Oseguera, City Auditor
FROM: Mark Stevens, Fleet Manager
SUBJECT: Audit of the Department of Utilities Vehicle Fleet

1. This memorandum is in response to the City Auditor's Audit of the Department of Utilities Vehicle Fleet.
2. The Fleet Management Division of the Department of Public Works acknowledges receipt and concurs with the recommendations from the City Auditor's draft report.
3. Corrective actions are actively being taken. In addition, internal operating procedures and policies are being established to comply with the recommendations of this audit.
4. I would like to take this opportunity to thank the City Auditor and staff for their efforts in identifying process improvements to continue Fleet's effort to improve the quality of its customer service as well as reliable data. Please feel free to contact me directly should you have any questions.
5. Below is the management response to the 15 audit recommendations directed to the Fleet Management Division, as identified in the draft audit report.

AUDIT RECOMMENDATIONS AND THE DIVISION RESPONSE

1. Establish utilization criteria for all asset types.

Response: Fleet has already begun the process to solicit benchmark data from other municipal organizations with the same fleet make-up as the City of Sacramento. This will ensure we get realistic data pursuant to our geographic size and vehicle/equipment make-up. Plans are to create utilization criteria for several classes of vehicles, such as light-duty, medium-duty, heavy-duty and off-road equipment. The criteria will then be used to run an annual report indicating the vehicles/equipment that do not meet the minimum utilization criteria and justification forms will need to be submitted, and approved, to retain the vehicles/equipment in service. This will be done on an annual basis with justification forms filled out, and approved, each year.

2. Develop more stringent criteria for vehicle justifications.

Response: As noted above in the response to recommendation #1, any exemption form will be required on an annual basis and reviewed for proper or sound justification. Fleet can work with

DOU to analyze whether cost savings could be realized in utilizing rental vehicles or equipment, or other potential alternatives.

7. Develop a more robust process for identifying employee personal use of City-owned vehicles that should be reported for taxable income.

Fleet staff has already canvassed all departments for an updated list of employees that take home a City-owned vehicle. That list has been entered into M5 and all employees identified, by a specific code, as having a City-owned take home vehicle. Fleet will continue to update the list when notified from using departments, typically a PAR request. Fleet will work with the Finance Department staff to supply a current list for IRS reporting purposes.

8. Formalize the Fleet Engine Idling Limit Policy and post the policy on the City's Policies and Procedures webpage.

Response: The Fleet Division will take the original Fleet Engine Idling Limit Policy, created and approved by Gus Vina, Interim City Manager, on August 3, 2010 and create a current citywide policy. Review of the current policy and any updates will be incorporated into the new policy.

10. Work with AssetWorks to identify and resolve or minimize system issues related to fuel transactions.

Response: We are currently working to correct fuel data entry errors. The fuel island readers, responsible for manual input of data necessary for dispensing fuel, are older and prone to mechanical breakdown. Fleet is in the process of replacing these units, as the old units break, with the newest technology. This will help to minimize some of the errors discovered in the audit.

11. Continue to remove the ability to manually input employee ID numbers at fuel kiosks and implement additional controls to mitigate the use of incorrect vehicle numbers at the fuel kiosks.

Response: Fleet has changed its procedures to eventually only allow electronic employee badge access to the fuel islands. This will minimize the errors seen from employees typing in their badge, or ID, to access fuel. During the audit, it came to light that there is not one single system used for all employee ID badges. There are several Hirsch badge systems used, and the Police, Fire, DOU and the general employee systems did not communicate. Changes have been made so that the hexadecimal number, assigned to any Hirsch system badge, can be forwarded to Fleet administration. At that point Fleet staff takes the appropriate employee number and inputs it into our M5 Fuel Focus system so that the employee has appropriate access to fuel.

12. Enhance the process of shutting off access to fueling islands upon employee separation.

Response: Fleet is working diligently with Human Resources and IT to identify when an employee is separated from the City. This is accomplished by what is internally called the "Separation Team" email system. Fleet procedures are now in place to immediately remove an employee from fueling access as soon as Fleet is notified.

- 13. Work with Human Resources Department to identify when employee job duties change, revoke those employee's access to the fueling islands, and require new access forms be completed, if necessary.**

Response: Fleet is currently working with the Human Resources Department staff to identify when an employee is transferred, promoted, or demoted. Staff previously believed that the same Separation Team email would be generated from all the department PAR contacts, but survey results have shown this is not always the case. Fleet is working on this and will identify a process to meet the audit recommendation.

- 15. Limit the number of active badges each employee can use to access the fueling islands.**

Response: Fleet has already taken steps to review the Fleet software data base and remove any duplicate employee badges. Written procedures will be established to ensure periodic review for duplicate badges and subsequent removal.

- 16. Consider installing security cameras at the City's fueling islands.**

Response: Fleet has already sent a request to the IT Department to review the possibility of installing cameras at the fueling islands. The cost of the project will then be submitted to the Budget Department for processing and ultimate approval.

- 18. Establish policies and procedures for managing and monitoring user access and their privileges.**

Response: Fleet will create a written procedure to account for access approval and verification for the following systems, **M5, CAM, Zonar, Utilimarc, Local Motion and FBI**. This will reduce the potential for generis, duplicate, and unnecessary user accounts.

- 19. Review the data captured by the M5 system, determine the key data fields, and implement controls to ensure these fields contain accurate and complete information.**

Response: Fleet started the process to identify the important and necessary data fields several years ago and includes the data on all new vehicles. Fleet staff is capturing the data as well as all associated documents and pictures of all new vehicles and equipment. However, former Fleet staff did include all data in the M5 system, as described in the audit. Current Fleet staff is now reviewing old records and updating the data fields as necessary. These corrections are time consuming, but Fleet is committed to completing the task.

- 20. Establish a process to verify the accuracy of vehicle and GPS unit device ID assignments in the GPS tracking system.**

Response: Fleet will create a written procedure to ensure the accuracy of vehicle and GPS unit device ID assignments. This procedure will also describe the periodic time frame in which this information will be validated.

- 22. Work with the Department of Utilities to identify generators that do not meet the definition of a fleet asset and remove them from the M5 system.**

Response: The identification of all “stationary” non-asset generators will be completed within the next several weeks. Fleet will follow up with communication to DOU on the recommended generators for removal from the M5 system. Fleet will no longer be required to monitor or submit any required regulatory compliance requirements for the DOU asset generators. The DOU will be responsible for all maintenance and regulatory compliance on all stationary generators. Fleet will be responsible for all maintenance on all portable fleet asset generators, unless other arrangements are initiated and agreed upon by Fleet staff.

24. Revise the City’s Employee Transportation Policy and Procedures to require employees to provide proof of licensure when using pool vehicles.

Response: The Employee Transportation Policy and Procedures will be updated to reflect the draft audit report recommendations.

MEMORANDUM

DATE: May 28th, 2019
TO: Jorge Oseguera, City Auditor
FROM: Harinder Rangi, Payroll Manager
CC: Dawn Holm, Finance Director
SUBJECT: Department of Utilities Vehicle Fleet Audit

1. This memorandum is in response to the City Auditor's Department of Utilities Vehicle Fleet Audit.
2. The Finance Department's Payroll Division acknowledges receipt and concurs with the recommendations from the City Auditor's draft report.
3. Corrective actions are actively being taken. In addition, internal operating procedures are being updated and staff training has begun to ensure implementation of the recommendations.
4. Below is the response of the Department of Finance to the audit recommendation identified in the draft audit report:

AUDIT RECOMMENDATIONS AND DEPARTMENTAL RESPONSE

1. **We recommend the Finance Department and Fleet Management Division: Work together to develop a more robust process for identifying employee personal use of City-owned vehicles that should be reported as taxable income.**

Response: The Finance Department initiated meetings with the Public Works Department, Fleet Management Division in 2018, to ensure that Fleet Management was maintaining accurate data on the use of city vehicles, including take home assignments. It is our understanding that the fleet system has been updated and is being maintained in order to accurately provide reports on the use of city fleet assets by employees, including take home assignments.

Starting July 2019, the Payroll Division will be requesting a report from the Fleet Management Division, on a quarterly and annual basis, on all take home vehicle assignments and use the collected data when requesting and reporting tax information, as required by the IRS Regulations.

MEMORANDUM

DATE: May 20, 2019

TO: Jorge Oseguera, City Auditor

FROM: Aaron Donato, Labor Relations Manager

CC: Shelley Banks-Robinson, Director of Human Resources

SUBJECT: **Civil Service Board Rules and Regulations Regarding Residency Requirements**

1. This memorandum is in response to the City Auditor's audit of the City of Sacramento's Rules and Regulations of the Civil Service Board ("CSBR") regarding:
 - a. the undefined terminology of "air mile" with regard to the requirement that employees in certain classifications reside within a specific proximity to the city limits; and
 - b. whether the distance is appropriate to ensure employees maintain "an effective response capability."
2. There is a current map that all unions agreed to regarding the air miles and the area it encompasses. The map is old and somewhat blurry. We will work with IT staff to update the map, ensuring that updating the map places no one in or out of the defined area as agreed upon.
3. The Department of Human Resources, Labor Relations Division, makes no recommendation regarding whether the established distance ensures employees maintain, "an effective response capability," however, this memorandum provides guidance regarding the statutory and local rules which regulate that process.
4. Attached is the response of the Department of Human Resources, Labor Relations Division, to the Auditor's Office recommendation(s) identified in the report.

AUDIT RECOMMENDATIONS AND DIVISION RESPONSE:

1. **CSBR Rule 13.3 states the following in whole:**

Residence. Employees in positions in the following classifications within the classified service, in addition to those employees having custody of City vehicles, must reside within thirty-five (35) air miles from the freeway interchange at W-X, 29th-30th Streets, so as to provide the citizens of this City with an effective response capability to emergencies. Upon written request approved by the appointing authority, and for good cause, the Director may approve a waiver of the residency requirements. Denials of such requests shall be appealable under Rule 1.4.

- Construction Inspector III
- Electrician
- Electrician Supervisor
- Fire Investigator I, II
- Fire Captain
- Fire Apparatus Operator
- Firefighter
- Landfill Equipment Operator
- Machinist
- Machinist Supervisor
- Plumber
- Police Lieutenant
- Police Officer
- Police Sergeant
- Senior Landfill Equipment Operator
- Senior Plumber
- Street Construction Laborer
- Street Construction Equipment Operator
- Street Maintenance Supervisor
- Lighting and Signal Supervisor
- Lighting and Signal Technician I, II
- Water and Sewer Supervisor
- Water and Sewer Serviceworker
- Water and Sewer Leadworker

Any employee in the above classifications whose residence is outside the designated area shall be required to move the employee's residence within the designated area within one (1) year from the commencement of employment, provided, however, that no employee shall be required to move the employee's residence if the employee resides within the City.

2. **The CSBR requires personnel described in Rule 13.3 to reside within “35 air miles” of the City’s main freeway interchange. The CSBR does not define the term “air mile.” According to the Department of Utilities, the City has interpreted “air mile” as “nautical mile.” The term “nautical mile” is 1,852 meters and is generally a measurement to describe sea travel. A “statute mile” is generally used to denote travel on land and is 1,609 meters. This is a difference of approximately fifteen percent (15%).**

Response: The map defining the air miles and area an employee can live will be updated to ensure everyone knows the area covered.

3. **The Auditor’s Office recommends that the CSB determine the appropriate radius to ensure “an effective response capability to emergencies.”**

Response: Labor Relations has never been contacted by any department to express a concern that response times have been slow or inadequate due to an employee’s residence. At this time, we do not feel there is a need to make a change other than updating the current map.

Although [Sacramento City Charter Article VII §§ 80-92](#) provide the necessary authority for the Sacramento Civil Service Board (“CSB”) to take corrective action, [Meyers-Milias-Brown Act \(“MMBA”\) \(California Government Code §§ 3500-3511\)](#) requires that the City meet and confer with the relevant recognized employee organizations (“REOs”) prior to effecting any change.

4. Although not specifically mentioned in the Auditor’s Office recommendations, the list of classifications provided in Rule 13.3 contains position titles which have been either eliminated or renamed.

Response: The Labor Relations Division has the residency requirement as a [frequently asked question on the NEXUS page \(see Item 9\)](#). Some of the titles of the classifications have been changed over the years and the FAQ references the “updated” titles. The updated titles need to be taken to Civil Service Board to modify the Rule along with a list of other changes that need to be addressed.

MEMORANDUM

DATE: May 23, 2019

TO: Jorge Oseguera, City Auditor

FROM: Aaron Donato, Labor Relations Manager

CC: Shelley Banks-Robinson, Director of Human Resources

SUBJECT: **City Auditing Procedures for Verifying Personal Insurance Liability Limit Compliance and Updating Existing City Policy to Reflect Proposed Increased Liability Insurance Amounts**

1. This memorandum is in response to the City Auditor's recommendation that:
 - a. the City verify employee compliance with the City's Employee Transportation Policy and Procedures with regard to carrying the required vehicle insurance levels; and
 - b. the City's Employee Transportation Policy be updated to reflect the higher personal vehicle insurance limits being recommended by the Department of Human Resources, Risk Management Division.
2. Attached is the response of the Department of Human Resources, Labor Relations Division, to the Auditor's Office recommendation(s) identified in the report. Any changes to the current vehicle insurance levels required in the City's Employee Transportation Policy and Procedures will need to be negotiated with the relevant Recognized Employee Organizations (REOs).

AUDIT RECOMMENDATIONS AND DIVISION RESPONSE:

- 1. Develop a Mechanism to Audit and/or Track Employee Compliance with the City’s Employee’s Transportation Policy and Procedures with regard to carrying the required vehicle insurance levels.**

Response: The Department of Human Resources, Labor Relations and Risk Management divisions are currently evaluating various solutions and will report back to the City Auditor’s Office with recommendations.

- a. the City’s Employee Transportation Policy be updated to reflect the higher personal vehicle insurance limits being recommended by the Department of Human Resources, Risk Management Division.

- 2. Update the City’s Employee Transportation Policy to reflect the recommended increase in personal vehicle insurance requirements for employees who receive a vehicle stipend.**

Response: The Department of Human Resources, Risk Management Division recommends the following change:

Current Requirement	Recommended Requirement
Public Liability – One Injury: \$15,000	Public Liability – One Injury: \$100,000
Public Liability – All Injuries: \$30,000	Public Liability – All Injuries: \$300,000
Property Damage: \$5,000	Property Damage: \$50,000

Because this recommended change impacts “wages, hours, and other terms and conditions of employment,” the [Meyers-Milias-Brown Act \(“MMBA”\) \(California Government Code §§ 3500-3511\)](#) requires that the City meet and confer with the relevant recognized employee organizations (“REOs”) prior to effecting any change.

The Department of Human Resources, Labor Relations Division is prepared to initiate this process if so directed.