

Audit

Follow Up

As of September 30, 2005



“Taltran Parts”

(Report #0519, Issued March 4, 2005)

Report #0607

January 30, 2006

Summary

Taltran has completed seven of the 11 action plan steps that were developed for this audit and due for completion no later than September 30, 2005. As of the time of our follow up fieldwork, management had initiated efforts to complete three of the four remaining steps. Action steps initiated pertained to better controlling and limiting access to the parts room and no longer allowing sharing of employee system permissions in the FASTER system. The last step due, equitably allocating freight costs, still needs to be addressed.

In audit report #0519, we identified issues that indicated the need for management to strengthen the control environment. Identified issues included, for example, the need to: (1) restrict access to vehicle parts, (2) better control access within the FASTER system, (3) restrict employee system permissions within the FASTER system to preclude performance of incompatible duties, (4) correctly record transactions, (5) identify vehicles to which parts are issued, (6) implement some available FASTER functions, (7) improve controls over periodic inventory counts of parts, and (8) obtain and use available FASTER system reports to manage and monitor parts activity. Thirty-one action plan steps were developed to address the identified issues. Eleven of those 31 action steps were due for completion no later than September 30, 2005.

In regard to the 11 action steps due for completion as of September 30, 2005, Taltran management completed seven steps to better restrict access to parts, ensure proper execution of transactions, and strengthen controls over periodic inventory counts. Three of the four remaining steps have been initiated but not completed. Those three steps related to further controlling and limiting access to

parts and stopping the sharing of employee FASTER system permissions. The last step not completed was to establish a method to equitably allocate freight costs.

Taltran management expressed their intent to complete each of these four steps, as well as the action steps due for completion subsequent to September 30, 2005.

Scope, Objectives, and Methodology

The audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

Report #0519

The scope of report #0519 included a review of Taltran vehicle parts operations during the period October 1, 2001, through September 3, 2004. Activities relating to the acquiring, receiving, inventorying, issuing, safeguarding, and accounting for those parts were evaluated and analyzed. Use of the FASTER system as an accounting and management tool was evaluated. We also reviewed the control environment, including management's participation in establishing sound internal control practices, and certain related activities, including processing vehicle repair and service work orders.

The objectives of the audit were to determine whether:

- Taltran vehicle parts were properly purchased for authorized uses and accurately accounted for in the City accounting system;
- Use of the FASTER system was adequate to ensure the accuracy and completeness of parts data; and
- Sound internal control practices were in place in regard to parts and related activities.

Report #0607

The purpose of this follow up is to report on the progress and status in completing the recommended action plan steps due for completion during the period April 1, 2005, through September 30, 2005. To obtain information, we conducted interviews with key staff, made observations, and reviewed relevant documentation.

Previous Conditions and Current Status

In report #0519, we identified issues that indicated the need for management to strengthen the control

environment. Identified issues included, for example, the need to: (1) restrict access to vehicle parts, (2) better control access within the FASTER system, (3) restrict employee system permissions within the FASTER system to preclude performance of incompatible duties by a single employee, (4) correctly record transactions, (5) identify vehicles to which parts are issued, (6) implement some available FASTER functions, (7) improve controls over periodic inventory counts of parts, and (8) obtain and use available FASTER system reports to manage and monitor parts activity. Thirty-one action plan steps were developed to address the identified issues. Eleven of those 31 action steps were due for completion no later than September 30, 2005. Table 1 provides a summary of those 11 action steps and their current status.

**Table 1
Action Plan Steps from Report #0519 due as of September 30, 2005, and Current Status**

Action Plan Steps	Current Status
Restrict Access to the Parts Room	
<ul style="list-style-type: none"> Doors accessing the parts room will be locked when the parts room is unattended by parts specialists or other authorized staff. 	<ul style="list-style-type: none"> ◇ Actions have been taken to better secure the doors to the parts room. During our follow up fieldwork, the door accessing the parts room from the technician (mechanic) supervisor's office was secured such that only the parts specialists, division superintendent, and technician supervisors could access the parts room through that door (i.e., door was locked and the noted employees were the only ones authorized to have keys). In addition, the parts specialists and division superintendent asserted that the door accessing the parts room from the shop floor was generally locked. However, they acknowledged that door was sometimes not adequately secured (as noted during our site visit in December 2005). We recommend that efforts be continued to ensure that the parts room is locked when unattended by parts specialists or other authorized staff.
<ul style="list-style-type: none"> Unescorted access to the parts room will be restricted to the parts specialists, the division superintendent, and other staff authorized to issue parts on behalf of the parts specialists. 	<ul style="list-style-type: none"> ◇ Management stated that procedures have been put in place that restrict parts room access to the parts specialists, division superintendent, and technician supervisors. However, management acknowledged that individual technicians (mechanics) occasionally access the parts room unattended and obtain needed parts. We recommend that the occasional practice of allowing technicians to enter and obtain needed parts from the parts room while unattended be stopped. Parts should be obtained and issued only by the designated employees, and technicians should not be allowed unescorted access to the parts room.
<ul style="list-style-type: none"> Staff other than shop technicians (e.g., supervisory staff) will be designated and authorized to receive and issue parts in those instances when both parts specialists are away from the parts room. 	<ul style="list-style-type: none"> ✓ The technician supervisors have been designated and authorized to receive and issue parts at those times that the parts specialists are away from the parts room.

Control Access to the FASTER System	
<ul style="list-style-type: none"> • Employees will no longer be allowed to use the system permissions of other employees to record data or access FASTER. 	<ul style="list-style-type: none"> ◇ Corrective actions have been taken for two of the three instances where system permissions were shared among employees. Specifically: (1) each parts specialist now uses his own unique system password (permission) to access and record activity in FASTER and (2) the common system permissions shared by the different technicians have been updated such that those permissions no longer allow update capability to parts records in FASTER. Notwithstanding those two corrective actions, we noted that the accounting clerk continued to use the system permission of one of the parts specialists to record inventory adjustments in FASTER. We recommend that the accounting clerk use a unique system permission assigned to that position to record activity in FASTER.
Ensure Proper Execution of Transactions	
<ul style="list-style-type: none"> • Taltran will designate and use a unique account code to budget and account for parts acquisitions. That account code will be used solely for parts acquisitions that should also be recorded in FASTER. Staff will be instructed to charge acquisitions of parts and other items to the correct account codes. 	<ul style="list-style-type: none"> √ A unique account code is designated to budget and account for parts acquisitions in the PeopleSoft Financial System. The senior parts specialist also maintains a separate ledger (Excel document) tracking all parts acquisitions to be charged against that budget (ledger reflects a running balance) and entered in FASTER. Management intends to use that ledger to compare to charges actually entered into the PeopleSoft Financial System for the purpose of identifying any inappropriate charges to that budget/account code (e.g., incorrect charges made by other Taltran divisions for non-parts acquisitions).
<ul style="list-style-type: none"> • A policy will be implemented that specifies that work orders should not be deleted in FASTER. Any incorrect work order or work order created in error will instead be closed with appropriate explanation in the notes field in FASTER. 	<ul style="list-style-type: none"> √ Procedures have been established that preclude deletion of work orders. Our review showed that no work orders have been deleted since the initial audit. Any incorrect work orders and work orders created in error are now “closed” with an explanation added to the notes field in FASTER.
<ul style="list-style-type: none"> • An equitable method for allocating freight costs to parts acquisitions will be implemented. 	<ul style="list-style-type: none"> ✗ Although the parts specialists are allocating freight costs to the parts entered into FASTER, a consistent, equitable allocation method has not been used. We recommend that a consistent, equitable method be established and used to allocate freight costs to parts in FASTER.
<ul style="list-style-type: none"> • Parts specialists will become familiar with available City price agreements for vehicle parts. The parts specialists will ensure that prices paid for parts covered by those agreements are at least as good as the prices established by the agreements. 	<ul style="list-style-type: none"> √ Parts specialists now ensure that prices obtained and paid for parts are at least as good as prices established by applicable City price agreements.
Strengthen Controls over Periodic Inventory Counts	
<ul style="list-style-type: none"> • Accounting Services staff within the Department of Management and Budget (DMA) will oversee the annual inventory counts of Taltran parts and related reconciliations. 	<ul style="list-style-type: none"> √ Accounting Services did oversee the most recent annual inventory count and reconciliation process by (1) providing detailed instructions, (2) reviewing the results and reasons for resulting adjustments, and (3) recording adjustments in the PeopleSoft Financial System.
<ul style="list-style-type: none"> • Efforts will be made to reduce the number of errors that resulted in the need to record inventory adjustments in FASTER. This will include informing 	<ul style="list-style-type: none"> √ Our review of inventory adjustments in FASTER made since the initial audit showed that adjustments were reasonable and that significant errors are not occurring

parts specialists of the type errors described in the report that should not occur.	that result in material corrections to inventory records.
<ul style="list-style-type: none"> When they are known, specific reasons for each inventory adjustment will be documented in FASTER. 	<ul style="list-style-type: none"> Reasons for each inventory adjustment are now documented in FASTER.

Table Legend:

- Issue addressed in the original audit
- √ Issue addressed and resolved
- ◇ On-going activities
- X Action step not completed

Conclusion

Taltran has completed seven of the 11 action plan steps developed and due for completion as of September 30, 2005. Actions have been initiated to rectify three of the four steps not completed. Those three steps pertain to (1) better controlling access to the parts room, (2) limiting access to the parts room to authorized staff, and (3) no longer allowing sharing of employee permissions in the FASTER system. The last step for which corrective actions had not been initiated involves establishing and implementing a consistent, equitable method for allocating freight costs to parts.

- Charging each parts issuance to the vehicle or component to which the part is installed;
- Using FASTER to track warranties and lubricants;
- Further strengthening controls over the periodic inventory counts;
- Using available FASTER system reports to manage and monitor parts and other maintenance activity;
- Exploring the feasibility of combining the Taltran and Fleet operating environments; and
- Documenting internal operating procedures.

We appreciate the cooperation and assistance Taltran staff provided in this audit follow up.

Appointed Official Response

City Manager:

We appreciate the assistance provided by the City Auditor and his staff during the StarMetro (Taltran) Parts Audit. Audit staff's recommended actions to improve the integrity of StarMetro maintenance parts functions have proven to be very helpful. I am pleased with the progress we have made and know that StarMetro staff is committed to continued improvement in this area. They have done an exceptional job in developing procedures to improve management of inventory and associated processes.

Copies of this Audit Follow Up or audit report #0519 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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