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# TALTRAN PARTS



Sam M. McCall, CPA, CGFM, CIA, CGAP  
City Auditor

Report #0519

March 4, 2005

## Executive Summary

*Significant control issues were identified that increase the risk that parts are not used for authorized purposes.*

*The significant control issues make identification of fraud, should it occur, difficult to determine.*

This audit reviewed vehicle parts activity at Taltran during the period October 1, 2001, through September 3, 2004. Activities relating to acquiring, receiving, inventorying, issuing, safeguarding, and accounting for those parts were evaluated, analyzed, and tested. Use of the FASTER system as an accounting and management tool was evaluated. The control environment and management's participation in ensuring sound internal control practices were considered.

During the audit period Taltran spent approximately \$500,000 annually on parts for transit buses and vans, and staff vehicles. A parts room for the receipt, storage, and issuance of parts is located within the maintenance area. Because staff vehicle parts are inherently more susceptible to loss or theft, Taltran only stocks parts for transit buses and vans. Parts for staff vehicles (cars, trucks, and non-transit vans) are purchased only when needed for immediate installation on those vehicles. Taltran parts specialists and other maintenance staff appeared very knowledgeable and capable.

Our observations, inspections, and inquiries indicated that parts were properly purchased for authorized uses but were not always accurately accounted for in the City accounting system. We determined that use of the FASTER system was not adequate to ensure the accuracy and completeness of parts data. We also identified other significant internal control issues that increase the risk that purchased parts are not used for authorized purposes. Identification of fraud could be difficult due to those significant internal control issues. Furthermore, if fraud were to occur and be identified, those significant control issues could make a determination of the responsible individual difficult, if not impossible.

The issues identified in our audit are indicative of the need for a strengthened control environment. Accordingly, we recommend:

- Access to the parts room needs to be restricted to authorized staff.

- Access within the FASTER system should be adequately controlled.
- Employee system permissions within the FASTER system should be restricted to preclude performance of incompatible duties by a single employee.
- Parts and other acquisitions should be correctly recorded/coded to ensure accurate accountability of parts transactions in the City accounting system.
- The vehicles to which parts are issued should always be recorded/identified in the FASTER system.
- Parts warranties should be tracked through the FASTER system.
- Consideration should be given to tracking all vehicle lubricants in FASTER.
- Consideration should be given to not allowing the deletion of FASTER system work orders.
- An equitable method for allocating freight costs to parts should be implemented.
- Parts specialists should become familiar with City price agreements that may cover parts purchased for Taltran vehicles.
- Controls over periodic counts of parts inventory should be improved.
- Efforts should be made to reduce the errors that result in the need for inventory adjustments and to document the specific reasons for each adjustment when known.
- Management should use available FASTER system reports to manage and monitor parts and other maintenance activity.
- Internal operating procedures within the maintenance division should be documented.

*Taltran needs to strengthen its control environment in regard to parts operations.*

We would like to acknowledge the full and complete cooperation and support of the Taltran parts specialists, other Taltran maintenance staff, Taltran management, and staff of Information Systems Services during this audit.

# TALTRAN PARTS



Sam M. McCall, CPA, CGFM, CIA, CGAP  
City Auditor

Report #0519

March 4, 2005

## ***Objectives, Scope, and Methodology***

*This audit focused on parts activity occurring during the period October 1, 2001, through September 3, 2004.*

*Procedures performed included interviewing staff, analyzing and testing activity recorded in the accounting and FASTER systems, observation of parts and processes, reviewing FASTER access and employee permissions, and extensive data mining of recorded activity.*

The objectives of this audit were to determine whether: (1) Taltran vehicle parts are properly purchased for authorized uses and accurately accounted for in the City accounting system; (2) use of the FASTER system is adequate to ensure the accuracy and completeness of parts data; and (3) sound internal control practices are in place in regard to parts and related activities.

The scope of this audit 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 overall control environment, including management's participation in establishing sound internal control practices, and certain related activities, including the processing of vehicle repair and service work orders.

To address the stated audit objectives, we observed and gained an understanding of parts activities and operations performed by the Taltran maintenance division. We interviewed staff from the maintenance division and Information Systems Services (ISS) staff in regard to the FASTER system. Parts acquisitions recorded in the City accounting system, as well as parts activity and transactions shown in the FASTER system, were analyzed and data mined. We selected and tested samples of transactions from both the accounting system and the FASTER system and made direct observations of parts as necessary to accomplish our audit objectives.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as applicable.

## ***Background***

Taltran, the City's public transit system, operates a fleet comprised of the following:

- 61 general transit buses (large buses);
- 17 Dial-A-Ride vans (small buses);
- 14 staff vehicles (cars, vans, and trucks); and
- 4 miscellaneous vehicles (e.g., forklift and trailer).

*Taltran acquires approximately half a million dollars in parts each year in connection with its maintenance activities for transit and staff vehicles.*

The Taltran maintenance division services and repairs these vehicles. Parts are acquired and placed on the vehicles as part of that service. Parts for the transit buses and Dial-A-Ride vans are generally stocked in the inventory that is maintained (on hand) in the parts room within the Taltran maintenance division. Parts for staff and miscellaneous vehicles generally are not stocked (non-stocked) and only purchased when needed for immediate placement on a vehicle; i.e., no on hand supply is maintained. One of the primary purposes for not stocking parts for staff and miscellaneous vehicles is to reduce the risk of loss of those parts, as they are inherently more susceptible to theft due to their nature.

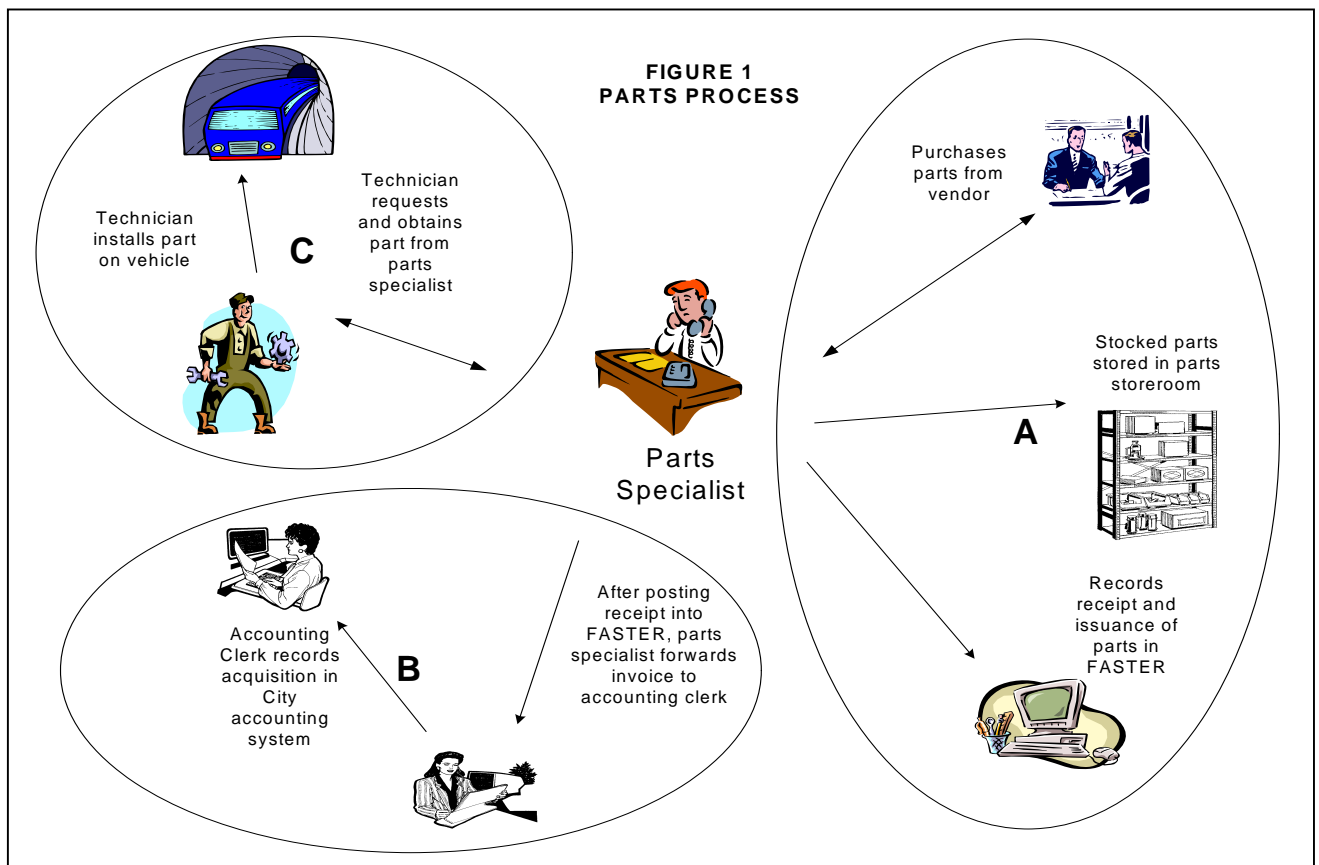
For fiscal years (FYs) 2002 and 2003, the amounts expended for vehicle parts by Taltran averaged \$495,488, and the average value of inventory on hand was approximately \$620,000. (Note: Amounts recorded in the accounting system were adjusted for known errors when determining these amounts.) Most parts purchases are made by Taltran maintenance division staff using City purchase cards. In those instances where the vendor does not accept City purchase cards, parts are purchased through the purchase requisition/order process.

Staff in the Taltran maintenance division is comprised of two parts specialists, 13 technicians (mechanics) (includes two supervisors), one accounting clerk, and the division superintendent.

*Taltran uses the FASTER system to account for and manage its parts operations.*

Taltran uses the FASTER system to manage its vehicles. That system includes a module for managing the receipt, storage (inventory), and issuance of parts. The system also has a work order module that is used to record/track repairs and services performed and a reports module that generates pre-designed reports for management’s use.

Figure 1 below demonstrates the basic parts process at Taltran.



Pursuant to City Commission Internal Control Policy No. 220, guidelines were developed by the City Manager for City departments to use in the establishment of internal controls. Those “Internal Control Guidelines,” dated November 1994, are contained

in Administrative Policy and Procedure No. 630. City internal controls should promote the following objectives:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable policies, guidelines, and procedures.

*The City Manager established internal control guidelines and information system security procedures that are applicable to Taltran parts operations.*

A subset of the above three objectives is the safeguarding of assets to provide reasonable prevention of or prompt detection of unauthorized acquisition, use, or disposition of City assets.

In addition, Administrative Procedures Manual (APM) No. 809, "Information Systems Security Procedures," established by the City Manager, provides guidance on security for City information systems (e.g., FASTER system). Among other things, these procedures address:

- Controlling access privileges (system permissions) based on specific job profiles (job duties and responsibilities);
- Use and protection of user identification access codes (e.g., employees are not to share their user identification codes/passwords with other individuals); and
- Protecting system access during periods that employees are not actively using the system (e.g., overnight and other absences from employee terminals/workstations).

## ***Issues and Recommendations***

*Significant improvements are needed in the control structure and environment.*

We noted that the control structure and environment at Taltran should be improved to ensure accountability for and safeguarding of those parts. Specific issues noted during our audit are addressed in the following sections of this report relating to physical access to parts, FASTER system access, segregation of incompatible job duties, execution of transactions, inventory controls, information processing, and documentation of procedures. The identification of



fraud, should it occur, would be difficult to identify due to these significant control issues.

### PHYSICAL ACCESS TO PARTS

*Access to the parts room should be better controlled and restricted to authorized staff.*

Access to the parts storeroom and inventory should be better controlled. Taltran vehicle parts are stored in an inner room (parts storeroom) located in the center of the Taltran maintenance (garage or shop) area. This room has a primary floor (shop level) and a loft. Larger parts (bumpers, panels, etc.) are generally stored in the loft. The loft is fenced and can only be accessed by stairs from the primary floor in the parts storeroom. As described in the following paragraph, the parts storeroom can be accessed through four doors and one window counter.

Attached to the parts storeroom are two offices, one for the accounting clerk and the other for the maintenance division superintendent. The accounting clerk's office can be accessed only through the parts storeroom. The superintendent's room can be accessed either through the parts storeroom or directly from the shop floor. In addition to being accessible from the accounting clerk's and superintendent's offices, the parts storeroom can be accessed directly from the shop floor. Each of these doors can be locked. There is also a receiving bay in the rear of the parts storeroom that has a large sliding (roll up) door that opens to the outside. That door is used to receive parts deliveries and can only be opened from inside the parts storeroom. Furthermore, there is a roll up "parts window" at the parts counter which can be opened only from inside the parts storeroom. The parts counter is designed to allow shop technicians to request and receive parts from the parts specialists without entering the parts storeroom.

Our observations and inquiries disclosed that access to the parts storeroom should be better controlled and restricted to the parts specialists or designated supervisory staff. Specifically:

*Unrestricted access  
increases the risk of loss  
or theft.*

- The doors accessing the parts storeroom directly from the shop floor and the superintendent's office are left unlocked (and sometimes open) throughout the workday. Anyone accessing the Taltran maintenance area can, therefore, access the parts storeroom.
- Technicians (mechanics) and other Taltran staff (e.g., office personnel located in the facility's administrative area) are not precluded from accessing the parts storeroom. On several occasions during our fieldwork we noted various technicians entering the parts storeroom. In a few of those instances neither of the parts specialists was in the room. Taltran staff acknowledged that, to facilitate timely maintenance operations, technicians sometimes come in the parts storeroom and obtain a part that is needed for a maintenance job when the parts specialists are not present. In those instances, they indicate that the technician obtaining the part will leave documentation (e.g., handwritten note) to inform the parts specialists what part was taken.
- The accounting clerk always has access to the parts storeroom as her office can only be accessed through that room. The accounting clerk does not need access to parts to perform her assigned job duties.

This issue of uncontrolled access is somewhat mitigated by the fact that the storeroom only stocks parts for Taltran transit buses and vans which, generally, cannot be used on personal vehicles. Nonetheless, these parts are valuable assets, and the uncontrolled access increases the risk of loss or unauthorized diversion. Also, allowing technicians to access the parts storeroom and directly obtain parts increases the risk that a part removed and placed on a vehicle will not be properly recorded in the FASTER system.

Only the parts specialists and designated managerial/back-up staff should have physical access to the parts storeroom and be allowed

to issue parts to technicians. We recommend that management consider revising current procedures and practices regarding physical security so that access to parts is adequately limited and controlled.

### FASTER SYSTEM ACCESS

Access to the FASTER system should be better controlled to decrease the exposure of parts records to unauthorized additions and changes. Access to any software or records used to account for assets should be restricted to employees authorized to record activity based on their established job duties and assigned system permissions. In regard to a vehicle parts operation, improper system access could allow an individual with physical access to parts to conceal an error or unauthorized diversion.

*Access to the FASTER system should be adequately controlled to preclude exposing parts records to unauthorized changes and additions.*

FASTER system controls required by APM 809 and good business practices which should be placed into operation to restrict access to authorized staff include: (1) assigning each user a unique user identification access code (user ID) to be used in conjunction with protected passwords; (2) prohibiting employees from sharing their passwords with others or using another employee's access to record activity; (3) requiring employees to sign out of the system or lock their terminals when temporarily away from their assigned workstations; (4) allowing employees with system access under specified permissions to only access the system through designated terminals; and (5) removing system permissions of terminated employees in a timely manner. Our review disclosed that many of these described controls were generally not in place at Taltran. Specifically:

- Some user IDs/passwords are shared among different Taltran maintenance division employees. This includes instances where employees access and record activity using a terminal that has been signed onto FASTER under another employee's user ID/password. Instances include:

- One parts specialist has a unique user ID and password. However, he is not able to use them to access FASTER through the terminal in the parts area. To perform his job, he records activity under the senior parts specialist user ID/password. Also, the accounting clerk has recorded inventory adjustments to FASTER under the user ID/password of the senior parts specialist.
  - Some of the technician user IDs/passwords are taped on the three terminals in the shop area. This could allow anyone with access to the shop area to access FASTER and record activity allowed by those technician system permissions.
  - Technicians (mechanics) are not assigned their own unique user ID and password. While users other than the technicians are appropriately assigned unique user identifications and have their own unique passwords, there are five generic user ID/passwords assigned to technicians in general. Currently, there are 13 technicians (includes two supervisors) working at Taltran that can use these generic user IDs/passwords. While each technician is required under current practices to identify any activity recorded on an open work order by selecting his/her initials from an available list within FASTER, there are no controls to preclude a technician from selecting the initials of another technician and recording activity as if he/she was that other technician. To ensure accountability in FASTER for recorded activity (e.g., labor worked on a bus), Taltran should consider assigning each technician a unique user ID and requiring them to establish their own unique protected passwords.
  - Terminals are often left signed onto FASTER under sensitive user permissions throughout the workday. Users do not lock their workstations or sign out of FASTER when they are
- Improper FASTER system access by individuals that also have physical access to parts increases the risk of undetected errors and unauthorized diversions.*

temporarily away from their workstations. This includes, for example, the terminals in the parts area and superintendent's office.

Not adequately controlling access to the system reduces accountability for transactions and activity recorded in FASTER, as well as increases the risk that unauthorized activity will be recorded and used to conceal the diversion of a vehicle part. We recommend that changes be made such that: (1) each user is assigned a unique user ID and instructed to use protected passwords with that user ID; (2) user IDs and passwords be protected and not shared; and (3) terminals be locked or employees sign out of FASTER when they are temporarily away from their assigned work areas (e.g., overnight, lunch, meetings). Policies providing for these changed processes should be established and documented. Employees using FASTER should be trained on those revised policies.

#### **SEGREGATION OF INCOMPATIBLE DUTIES – FASTER SYSTEM PERMISSIONS**

Employee permissions as established in the FASTER system should be adequately limited to preclude staff from performing incompatible functions. Performance of incompatible job duties by an employee increases the risk of improper actions and undetected errors. For any software system that is used to manage and assist in accounting for assets (e.g., vehicle parts), employee permissions should be established in accordance with sound internal control practices. Each employee granted access to the software should be provided only the permissions necessary for the employee to perform his/her assigned job responsibilities. Assignment of those job responsibilities, to the extent that resources allow, should be done in a manner that ensures no one employee performs incompatible duties.

*FASTER system permissions should be established in a manner that precludes employees from being able to perform incompatible duties.*

In regard to the vehicle parts operation at Taltran, FASTER system permissions were not always established in accordance with sound

internal control practices. In addition, in those instances where it is not practicable and efficient to segregate permissions among different employees because of resource limitations, adequate compensating controls were not always placed in operation. These circumstances are described below.

- *Recording parts activity in FASTER.* Certain maintenance division staff, including technicians and their supervisors, should not have permissions that allow them to record parts activity in FASTER, including the issue or return of parts and the addition of new parts vendors. Those permissions should be restricted to the parts specialists (and then only when appropriate compensating controls are in place). Contrary to this concept, we determined that technicians and their supervisors had system permissions allowing them to issue and/or return parts and add new vendors in FASTER.
- *Recording receipt of parts in FASTER.* In an ideal control environment, employees that have access to and control over parts inventory (parts specialists) would not be able to record the receipt of parts into FASTER. Segregating those two functions would preclude a parts specialist from receiving a part, not recording the part in FASTER, and diverting the part for unauthorized purposes without timely detection. However, in the event that segregating those functions is not cost efficient (e.g., staff size not large enough and activity does not justify hiring additional staff), compensating controls should be placed into operation that will mitigate that risk. For example, reports can be generated and reviewed by management to compare parts purchases recorded in the accounting system (e.g., through purchase card and purchase order acquisitions) and in the FASTER system. As long as the parts specialists do not have permissions allowing them to record or change data in the accounting systems, such reports and related managerial comparisons will identify instances where purchased parts were not properly recorded in FASTER. Contrary to this concept, we

noted that both parts specialists could record the receipt of parts in FASTER, and no compensating control was in place to mitigate the resulting risk.

- *Creating work orders.* Only technicians and/or their supervisors should be able to “create” work orders. Parts specialists should not have the ability to create work orders. In addition to placing control over work orders with the shop staff, this would help detect and deter, for example, a parts specialist from concealing an unauthorized diversion of a part through a fictitious work order. Contrary to this concept, we noted that parts specialists had permissions allowing them to create work orders.
- *Approving/closing work orders.* Only authorized supervisory/managerial staff should be able to “approve” and “close” work orders. To preclude undetected concealment of part diversions through issuing parts to open work orders and then approving/closing those work orders, neither parts specialists nor technicians should have the ability to approve or close open work orders. Contrary to this concept, we determined that the parts specialists had the capability to approve/close open work orders. Taltran staff indicated that this permission was assigned temporarily pending the hiring of a new maintenance division superintendent after the former superintendent retired. However, we noted that this permission still existed four months after the new superintendent started work.
- *Re-opening previously closed work orders.* Only authorized supervisory/managerial staff should be able to “re-open” and record new activity for closed work orders. However, we noted that a parts specialist had permission allowing the re-opening of closed work orders. As the parts specialist has access to parts and can issue parts in FASTER, this gives that employee the ability to re-open a closed work order and add unauthorized parts to that work order. Those circumstances could allow a

*The lack of proper FASTER system permissions pertains to the work order module as well as the parts module.*

dishonest employee to conceal the diversion of parts without timely detection.

- *Deleting work orders or activity on a work order.* In FASTER, when work orders are deleted no history is retained in regard to any labor or parts that were charged/issued or the equipment for which the work order was established. Accordingly, permissions that allow the deletion of work orders (or deleting labor or parts from a work order) should be restricted to authorized managerial staff (e.g., technician supervisor and/or division superintendent). Contrary to these preferred practices, we determined that the parts specialists and technicians had permissions allowing them to delete work orders (including deleting labor or parts from a work order).
- *Adjusting inventory quantities.* Only authorized supervisory/managerial staff should be able to “adjust” parts inventory quantities in FASTER. Technicians and their supervisors should not be able to make these adjustments. Preferably, the parts specialists also would not be allowed to make these adjustments, unless the adjustments are reviewed by appropriate supervisory staff (e.g., division superintendent) for reasonableness and propriety. Contrary to sound control practices, we determined that technicians had permissions allowing them to adjust inventory quantities in FASTER. In addition, parts specialists had those permissions and made adjustments. However, there was no independent managerial review of those adjustments.
- *System administrator capabilities.* This permission allows a user to establish access and permissions for all system users. A person with this permission can establish user ID access codes and passwords, and establish and revise permissions for any user. Accordingly, good control practices provide that an employee not assigned to the user working area (i.e., Taltran garage operations) be assigned as the system administrator.

*The ability to perform special system administrator functions should be limited to appropriate staff.*



Contrary to this preferred control practice, we noted that a parts specialist and the division superintendent were assigned system administrator capabilities.

Our review of FASTER permissions for Taltran also disclosed that assigned Information Systems Services (ISS) applications staff within the Department of Management and Administration (DMA) were (1) serving as system administrators and (2) had the ability to change data entered in FASTER by Taltran staff. Under preferred control practices, the system administrator capability would be assigned to a knowledgeable employee within Taltran that does not work in the garage operations. For example, it would be appropriate for an employee in the Taltran administrative area, who has the proper technical and software skills, to serve as the system administrator for the Taltran FASTER operations. In addition, the system administrator should not assign himself/herself the ability to access live production data (i.e., it is proper to have inquiry capabilities but not the ability to change data). Inquiries with the ISS and Taltran staffs indicated that Taltran currently does not have an employee with the expertise to perform system administrator functions. As a result, ISS staff is performing that function.

The above circumstances regarding inappropriate system permissions are summarized by employee position/function in the following table:

<b>INAPPROPRIATE FASTER SYSTEM PERMISSIONS BY POSITION</b>					
<b>PERMISSION</b>	<b>POSITION</b>	<b>Parts Specialist</b>	<b>Technician</b>	<b>Technician Supervisor</b>	<b>Division Sup't</b>
Recording parts activity			X	X	
Recording receipts of parts without compensating controls		X			
Creating work orders		X			
Approving/closing work orders		X			
Re-opening closed work orders		X			
Deleting work orders or activity on a work order		X	X		
Adjusting inventory quantities without independent review and approval		X	X		
System Administrator capabilities		X			X
NOTE: "X" denotes position has inappropriate permission					

In addition to the above issues that impact parts activity, we noted that FASTER permissions relating to non-parts functions (e.g., equipment records, history records, and system settings) were also not always restricted to the appropriate staff in accordance with sound control practices.

*Improper assignment of system permissions is attributable to lack of system expertise, lack of understanding of good control practices, and efforts to compensate for a temporary staff vacancy.*

As described above, FASTER permissions at Taltran have not been adequately established and restricted. As a result, some employees in the maintenance division have capabilities to perform functions that are incompatible with their assigned jobs and good control practices. These permissions, as currently assigned, in conjunction with the other control issues identified in this report regarding access to parts and lack of managerial review and monitoring,

significantly increase the risk that parts could be acquired and then diverted for unauthorized purposes without timely detection. The inappropriate assignment of system permissions is attributable to Taltran staff's lack of expertise in the FASTER system, lack of understanding of good control practices, and efforts to compensate for the temporary vacancy in the maintenance division superintendent position. In regard to the latter, some permissions formerly assigned to that position were "temporarily" reassigned to other staff to allow continuity of operations while that position was vacant. However, those temporary permissions had not been eliminated several months after the new superintendent was hired.

We recommend that Taltran, with the assistance of ISS, re-evaluate all FASTER system employee permissions. After considering other issues and recommendations in this report (e.g., controlling access to parts, generating FASTER activity reports, and managerial review and monitoring), those permissions should be revised to ensure good controls while allowing employees to continue performing their assigned duties. In addition, applicable management and operational staff, including the maintenance superintendent, should receive appropriate training in the FASTER system. If possible, system administrator capabilities should be assigned to a knowledgeable Taltran position that is not assigned to maintenance operations.

### **EXECUTION OF TRANSACTIONS**

Under current practices, parts acquisitions cannot be accurately identified in the City accounting system. An account code was established in the City accounting system to budget for and capture the costs of procuring vehicle parts for Taltran buses and staff vehicles. If that account code was used exclusively for Taltran vehicle parts, management could effectively: (1) monitor funds spent for parts and (2) compare acquisitions recorded in the accounting system to receipts entered in the FASTER system by parts specialists working in the maintenance division. The latter would serve as a control to ensure that purchased parts are properly

*Errors in recording/coding transactions preclude an accurate determination of parts acquisitions.*

accounted for in FASTER and not diverted for unauthorized purposes. However, as noted in the following, our tests and analyses disclosed instances where the vehicle parts account code has been used for non-parts activity.

During the audit period there were recorded 3,399 parts acquisitions totaling \$1,284,059. In addition, during that period there were 702 acquisitions, totaling \$53,262, charged to the “unclassified supplies” account code. Our tests of 102 charges (totaling \$60,116) to the parts account code and 21 charges (totaling \$4,690) to the “unclassified supplies” account code disclosed the following practices and errors:

- Certain repair services provided by vendors instead of Taltran technicians were incorrectly charged to the parts account code. While the charges sometimes include payment for parts used by the vendor in the repair job, these do not represent parts acquired by Taltran staff. These repair services are not recorded in FASTER as parts acquisitions; instead, they are recorded in FASTER as “sublets.” Other charges recorded in FASTER as sublets were not charged to the parts account code (e.g., charged as “unclassified contractual services”). These variations in how activity is recorded in the accounting system and in FASTER preclude a meaningful comparison of parts acquisitions in the accounting system to parts acquisitions in FASTER.
- Five instances were noted where miscellaneous non-parts items (various nuts, bolts, washers, shop tools, repairs of shop ice machine and pressure washer, uniform cleaning, and leased tires) acquired by maintenance division staff were incorrectly charged to the parts account code. Those purchases should have been charged to other account codes. Our analyses also disclosed that, during the 2002 and 2003 fiscal years, monthly payments to a private vendor for nighttime bus cleaning services were sometimes incorrectly charged to the parts

account code. (Those payments were properly charged as “unclassified contractual services” in the 2004 fiscal year.)

*Some non-parts purchases were charged to the parts account code, and some parts purchases were charged as unclassified supplies.*

- Six instances were noted where non-parts items (janitorial supplies, refuse container rental, sprinkler system fittings for the Taltran yard, etc.) were purchased by administrative division staff and charged to the parts account code. Although these six charges were to the general transit division and not the maintenance division budget, we noted that parts purchases made by parts specialists for staff vehicles are also charged to that parts account code in the general transit division. As a result, vehicle parts acquisitions applicable to the general transit division cannot be ascertained from the accounting records.
- Two instances were noted where acquisition of parts (vehicle seat springs and a fuel system plug) were incorrectly charged in the accounting system as “unclassified supplies.” The acquisitions should have been charged to the parts account code.

Unless a unique account code is established and used solely to account for parts acquisitions in the City accounting system, management will not be able to effectively and efficiently monitor parts acquisitions. In addition, comparison of parts purchases recorded in the accounting system to parts receipts recorded in FASTER cannot be used by management to compensate for the incompatible duties performed by parts specialists due to resource limitations. We recommend that a unique account code be established and used exclusively to account for all vehicle parts acquisitions. That account code should only be used for parts acquisitions that are recorded in FASTER as parts received.

*The vehicles to which parts are installed should always be identified in FASTER.*

The vehicles to which parts were issued and installed were not always identified in FASTER. Each vehicle at Taltran (general transit buses, Dial-A-Ride vans, and staff vehicles) is assigned a unique identifying number in FASTER. FASTER requires each recorded part issuance to be coded to a vehicle using the vehicle’s

identification number. This facilitates accountability and enables management to monitor parts issuances by vehicle.

Our review showed that Taltran has circumvented this mechanism in certain instances. Specifically, Taltran has created a generic vehicle code (“FLEET”) in FASTER to which certain parts issuances are charged in the following circumstances:

- The part is not intended for a certain vehicle, such as a part for equipment at the fueling station.
- The part is issued to a technician to be installed on a vehicle component that is currently not attached to a particular vehicle (e.g., parts for unattached body panels or brake shoes for unattached brake drums).
- A single work order is created when the same part item is installed as a group to all vehicles at the same time. For example, on a Saturday morning certain filters (e.g., for air conditioning) may be replaced on all available vehicles. To preclude having to create separate work orders for each vehicle, a single work order is created, and all filters installed during the collective change are charged to that one work order. Since only one vehicle number can be used, the generic FLEET code is used.
- Parts are issued to technicians for quick repair jobs that have occurred or are expected to occur in the near future. For example, replacement mirrors or bulbs have been charged to the generic FLEET code when issued for installation on buses that are currently in service (i.e., road calls).

Charging parts to the generic FLEET code may be appropriate in the first instance where parts are issued to the fuel island equipment. However, charging that generic code in the other circumstances results in the part never being assigned to a specific

vehicle within the FASTER system. That, in turn, limits management's ability to ensure accountability for parts and to accurately assess the costs and efficiencies for individual Taltran vehicles. During the period October 1, 2001, through September 3, 2004, there were 549 issuances to the FLEET code. The value of the parts on those issuances totaled \$49,778. This represents 3.5% of the total value (\$1,400,534) of all parts issued during that period.

In addition to charging a generic FLEET code for collective changes as described above, we also identified instances where a single vehicle was charged for all parts issued in some group changes. As similarly noted above, that practice results in the recording of incorrect parts and vehicle activity in FASTER and limits management's ability to use that information for monitoring and oversight purposes.

We recommend that the practice of charging parts to a generic FLEET code be limited to legitimate parts issuances for non-vehicle use only (e.g., the fuel island equipment). For those instances where a part is issued to an unattached vehicle component, measures should be taken to assign that part (in FASTER) to the vehicle to which the component is eventually attached. In addition, we recommend that the practice of sometimes charging a single vehicle for all parts issued to multiple vehicles during group changes be stopped and each vehicle properly charged for the parts issued.

*Available FASTER features should be implemented to further enhance Taltran operations.*

Additional FASTER system features available to Taltran for tracking transactions and activity should be implemented. The FASTER system has several features that are designed to assist management in executing transactions and tracking parts activity. While Taltran has effectively used the FASTER system, implementation and use of additional available features should enhance Taltran operations. Specifically:

- *Parts warranties should be tracked in FASTER.* FASTER has a feature that allows parts warranties to be recorded and, thereby, identify parts that are still under warranty when replaced during a maintenance job. If used, this feature serves to help ensure that warranties are applied and credit or a new part is provided by the vendor/manufacturer for defective or faulty parts. Our inquiries and observations show that Taltran does not use that feature but instead relies on the collective memory of the maintenance division staff as to whether a replaced part is covered by a warranty. To ensure that all defective/faulty parts under warranty are identified, we recommend that warranty information be tracked in FASTER.
- *Consideration should be given to tracking vehicle lubricants in FASTER.* Lubricants, including engine oil, transmission fluid, gear oil, antifreeze, etc., are added to Taltran vehicles at various times. They may be added each night as vehicles are checked and prepared for the next day's operation, during preventative/scheduled maintenance, or during other times when vehicles are checked. Most lubricants (excluding those added during the nightly preparation of vehicles) are not recorded and tracked in FASTER. While the amount of lubricants issued during preventative/scheduled maintenance may be calculated based on the recording of that activity in FASTER (e.g., standard amount distributed based on type vehicle and maintenance), there is no tracking in FASTER of lubricants added during other times that vehicles are checked. To allow management a means to review and monitor lubricants issued by vehicle, Taltran should consider using FASTER to track all lubricants issued. That practice would also allow management to monitor the reasonableness of quantities purchased compared to quantities used.

Considerations should be given to prohibiting the deletion of work orders. FASTER allows the deletion of work orders. To delete a work order any parts issued to the work order must first be removed



*Consideration should be given to not allowing the deletion of work orders in the FASTER system.*

(i.e., returned to the FASTER inventory), and any labor must be deleted. After a work order is deleted, all activity (vehicle number, history of parts issued, labor charged, etc.) associated with that work order is also eliminated from FASTER. During the period October 1, 2001, through September 3, 2004, we determined that 287 work orders were deleted from FASTER. Our discussions with Taltran staff indicated that some of those work orders were deleted when technicians mistakenly created duplicate work orders for the same maintenance work after a FASTER update was installed (i.e., before technicians learned the correct steps after the update was completed).

Taltran should consider establishing a procedure to preclude deletion of work orders in FASTER. Instead of deleting work orders (and all associated history), a practice could be adopted where incorrect/erroneous work orders are “closed” with a unique code and/or with applicable notes added to the work order explaining why it is not considered valid. If adopted, that practice will retain any historical activity associated with a deleted work order and serve as a deterrent to deleting work orders for inappropriate reasons.

*An equitable method for allocating freight costs should be implemented.*

An equitable method for allocating freight costs should be implemented. Many parts purchased for Taltran vehicles are shipped by the vendors. Freight charges are often applied and paid for those deliveries. In instances where a single parts item is ordered, the freight charge is added to the invoiced parts cost for determining the purchase cost to record in FASTER. However, when multiple parts items are received with a single freight charge applied, Taltran does not have a procedure to equitably allocate the freight costs to all received parts. In our tests of 102 purchases, we noted eight instances where the allocation of freight costs was arbitrary and not equitable. For example, the entire freight costs were often allocated to a single part, generally the most expensive item.

While freight costs are generally a relatively low portion of total costs, an equitable allocation will ensure that accurate costs are represented in FASTER. An accurate representation of costs will, in turn, help management in reviewing cost and efficiency activity relating to vehicle parts. We recommend that Taltran develop and implement an equitable process for allocating freight costs. To the extent it is capable, FASTER should be used to make the equitable allocations.

*Staff should take additional measures to ensure that the lowest and best prices are paid for parts.*

Taltran staff should ensure that the amounts paid for applicable parts are equal to or better than parts prices available on City price agreements established for the Fleet Division. The City has executed several price agreements with local vendors for vehicle parts. These price agreements were executed primarily on behalf of the City's Fleet Division but also may cover applicable parts acquired by Taltran (e.g., parts for staff vehicles – cars, pickup trucks, and vans). Many of these agreements provide for discounts off standard price schedules for parts purchased by the City. Taltran does buy some parts from these vendors.

Nothing came to our attention during our tests of 102 purchase transactions and overall analyses of purchases to indicate that Taltran was not generally obtaining and paying fair prices for parts. However, Taltran staff indicated that they were not familiar with the various City price agreements used by the Fleet Division. To ensure that the best prices are obtained and paid for parts covered by these contracts, we recommend that the Taltran staff buying parts familiarize themselves with the City price agreements to ensure that prices paid to vendors for covered parts are at least as good as the prices pursuant to the agreements.

### **INVENTORY CONTROLS**

*Controls over inventory counts should be improved.*

Controls over annual inventory counts should be improved. Periodic counts of parts, comparison of count results to inventory records, and reconciliation of any differences is an important control to ensure the accuracy of FASTER records. In addition,

when done by staff independent of the inventory function those counts, comparisons, and reconciliations serve to help detect loss or theft of parts. We noted that counts are performed annually, the results are compared to FASTER, and adjustments are made based on identified differences. However, contrary to good control practices, the count process and reconciliations are under the control of the senior parts specialist. Specifically, while the senior parts specialist did not conduct the initial count, he did perform the following:

- Compared the counts to the quantities in FASTER;
- Performed unassisted recounts when the initial count was different than the quantities in FASTER; and
- Identified and marked changes to be made to quantities recorded in FASTER based on the counts.

In addition, count results and resulting adjustments made under the control of the senior parts specialists were not provided to and/or reviewed and approved by management.

Because of their knowledge and the technical nature of vehicle parts, it is beneficial for the parts specialists to actively participate in the annual counts. However, to obtain the desired benefits, the counts should not be under their control. We recommend that someone independent of the inventory function control the count, comparison, and reconciliation process. Consideration should be given to active participation and oversight by Accounting Services staff within the Department of Management and Administration. (NOTE: Administrative Procedure Manual 613, "Inventory Control Policy," provides that the Accounting Services will assist City departments in establishing inventory controls and procedures. Such assistance would include participating in and overseeing annual counts and reconciliations.) Furthermore, we recommend that the results of the counts and related reconciliations/adjustments be reported to and approved by Taltran management.

*Efforts should be made to reduce errors resulting in the need for inventory adjustments.*

Efforts should be made to reduce errors that are resulting in the need for recording inventory adjustments and, when known, to document the specific reasons for those adjustments. For the period October 1, 2001, through September 3, 2004, there were 1,877 adjustments made by parts specialists to parts inventory quantities recorded in FASTER. Of those 1,877 adjustments:

- 1,110 were positive adjustments (increased recorded quantities) for a total value of \$110,235.
- 748 were negative adjustments (decreased recorded quantities) for a total value of \$69,245.
- 19 were adjustments that did not result in a change to the recorded dollar value.

The cumulative dollar effect of those adjustments was an increase to recorded inventory of \$40,989. Based on the dates that annual inventory counts were performed in each of the three applicable years, 1,477 (or 79%) of the 1,877 adjustments were due to the annual count and reconciliation process.

*When known, the specific reasons for adjustments should be documented.*

None of the 1,339 adjustments made prior to December 2003 were explained in FASTER. The 538 adjustments made after December 2003 often had explanatory notes in FASTER. However, as shown below, those notes generally were not adequate to identify the reason for the quantity adjustments.

<b>QUANTITY ADJUSTMENTS AFTER DECEMBER 2003</b>	
<b>Number of adjustments</b>	<b>Was reason explained/documented?</b>
85	NO – There was no explanation in FASTER to explain adjustment.
436	NO – Attributable to annual inventory count but reason for the difference not documented.
17	YES – Adjustment adequately explained.
538	TOTAL ADJUSTMENTS

Our inquiries and tests showed that the 1,877 adjustments likely can be attributed to:

- Parts issued to technicians (mechanics) but not recorded in FASTER (e.g., due to oversight by parts specialists).
- Parts issued to technicians that were initially incorrectly recorded in FASTER (e.g., under wrong part number or in wrong quantities).
- Parts scrapped or discarded when determined to be obsolete or deteriorated (e.g., rotted paper air filters for vehicles no longer in service).
- Parts not recorded as issued in FASTER that were taken from parts storeroom by technicians.
- Incorrect inventory counts when items are on hand but not located and counted during the count process.

We recommend that efforts be made to reduce errors that result in the need for inventory quantity adjustments. In addition, when the specific reasons for adjustments are known (e.g., parts scrapped, parts obsolete and discarded, incorrect counts that were subsequently identified and corrected), they should be explained in FASTER.

### **INFORMATION PROCESSING – MANAGERIAL OVERSIGHT**

Taltran management should take advantage of available FASTER reports to review and monitor activity (including parts) pertaining to the department's vehicles and maintenance efforts. The FASTER system contains a report module that can be used to generate numerous reports. Many of these reports provide information that can be useful to management in assessing

*Management should use available FASTER reports to review and monitor parts operations.*

performance. In addition, management can use some of these reports to detect any significant errors or suspicious, unexpected, or abnormal activity. In that regard, these reports, if generated and used, can serve to compensate for certain control circumstances such as the inability to segregate certain functions among different employees because of resource limitations.

Examples of some of these reports that have not been generated, but would be useful, include:

- *Reports that show parts purchases by vendor.* Purchase activity on those reports could be compared to parts purchases by vendor (made by City purchase card or by purchase order) as recorded in the City accounting system. That comparison would help detect any significant instances where parts are acquired but not properly recorded in FASTER (either in error or intentionally). Such comparisons are especially critical at Taltran as the parts specialists have system permissions that allow them to acquire parts and also record those purchases in FASTER. The performance of those incompatible duties (access to the parts and accounting for the parts in FASTER) by the parts specialists has been deemed necessary at Taltran due to resource limitations.
- *Reports that show parts issued for a specified date range by part, equipment (vehicle), work order, or other parameter.* The review of parts issuance activity can assist management in determining reasonableness and efficiencies in regard to maintenance and vehicle operations. For example, these reports can be used to determine how many times a specific part was issued to a specific vehicle over a designated period. Instances where the same part is issued multiple times to the same vehicle may indicate efficiency or control issues that need to be addressed. Similarly, these reports can be used to ensure that parts issued to a vehicle are reasonable based on the

repair/maintenance services indicated by the applicable work order.

*There are various reports available to monitor parts activities.*

- *Reports that show parts issued using the “independent issue” function.* FASTER allows for parts to be issued in one of two manners. First, the parts can be issued to a work order established for a certain piece of equipment (e.g., bus). Work orders usually involve shop technician labor as well as part issuances. Secondly, a part can be issued through an “independent issue.” The intended purpose of the independent issue function is to issue a part to a piece of equipment when no labor from a shop technician is needed. One significant difference between the work order and the independent issue is that a work order must be reviewed, approved, and closed by management while there is no required managerial review, approval, or closing of independent issues (i.e., parts can be issued by the parts specialist on an independent issue without required approval by management). Taltran’s practice is to use only work orders to issue parts. Independent issues have not been used to date. However, to ensure that parts specialists are not issuing parts through the independent issue function (or to ensure that any such issuances are proper if that function is used in the future), FASTER reports showing all independent issues (or the lack thereof) should be periodically generated and reviewed by management.
- *Reports that show parts returned to vendors and to inventory.* The periodic generation and review of a report that reflects parts returned to vendors or to inventory would allow management to ensure that recorded returns are valid and proper, and/or to identify potential issues/concerns with a particular part or vendor.
- *Reports that show inventory movement and information.* The periodic generation and review of reports that show movement (activity) by parts type would allow management to identify, for

example, obsolete parts and/or instances where excessive inventory levels are maintained.

- *Reports that show adjustments (quantity and costs) to recorded parts inventory.* As noted in a separate section of this report, it is preferable from a control perspective that adjustments to recorded inventory quantities are made only by authorized managerial staff (e.g., the maintenance division superintendent). Staff that has access to parts should normally not have system permissions that allow the adjustment of recorded quantities. However, in the event that it is necessary for the parts specialists to have those permissions and make adjustments due to resource limitations, a strong compensating control would be the periodic generation and review by management of FASTER reports showing all adjustments made by the parts specialists.
- *Reports that show deleted work orders.* The periodic generation and managerial review of a report that reflects work orders that have been deleted would serve to ensure that work orders are not being improperly deleted, either intentionally or in error.
- *Reports that show an audit trail of changes of work order status.* These reports can be used to review changes in status of work orders for reasonableness and errors. It will reflect, for example, work orders that are closed and subsequently re-opened.

*There are various reports available to monitor work order activities.*

In addition to the above, there are numerous other FASTER reports that can be generated for managerial review purposes. These include reports, for example, that show:

- Parts activity, such as quantities received by part or group of parts and costs of those parts;
- Equipment activity, such as amount of downtime;



- Work order activity, such as amount of labor expended for certain repairs;
- User permissions, which can be used to monitor the status of employee system permissions.

*Reviews of available FASTER activity reports will help management to ensure efficient and effective operations and to compensate for certain control issues.*

Management within Taltran has not used available FASTER reports to actively monitor and oversee Taltran maintenance activities (including parts). Management at Taltran for this issue includes, but is not limited to, the positions of the director, assistant director, and maintenance division superintendent. We determined that the director and assistant director position did not have FASTER installed on their terminal or system permissions that would allow them to independently generate and review FASTER reports. The maintenance division superintendent has not yet obtained a sufficient understanding of FASTER to generate and use the reports.

Without reviews of available FASTER reports, management is restricted in their ability to effectively and efficiently monitor maintenance activities. In addition, because management's use of FASTER reports also serves as a control mechanism, there is no compensation for certain critical control deficiencies that exist due to resource limitations. This precludes adequate segregation of certain duties among different employees. We recommend that management generate and review applicable FASTER reports on a periodic basis. Reviews should assess performance, effectiveness, and efficiency and also serve to compensate for deficiencies noted in this report that are attributable to inadequate segregation of employee duties.

## INFORMATION PROCESSING – FASTER OPERATING ENVIRONMENT

*Consideration should be given to combining the FASTER operating environments at Taltran and the Fleet Division.*

The City should consider combining the FASTER operating environments at Taltran and the Fleet Division. The City currently operates two separate hardware and software environments for the FASTER system, one for Taltran and the other for the Fleet Division within the Public Works Department. It may be advantageous to the City if these are combined into one overall hardware and software environment. Possible advantages include:

- Decreased support time and efforts required by Information Systems Services (ISS) staff.
- Decreased hardware costs.
- Decreased system upgrade costs and requirements.
- Some standardization in the manner in which the FASTER software is used.

We recommend that ISS, in conjunction with Taltran, the Fleet Division, and City management, explore this alternative. If determined cost-beneficial, efforts should be made to combine the two environments.

## DOCUMENTATION – WRITTEN PROCEDURES

*Taltran should document the internal procedures for administering parts and related activities.*

Internal operating procedures should be documented. While FASTER system manuals are available to assist staff in understanding and operating that software, Taltran's internal operating procedures for administering vehicle parts were not documented. Documented operating procedures provide direction and guidance to staff and are especially beneficial when there is employee turnover in key positions (e.g., parts specialist or maintenance division superintendent). We recommend that Taltran

document their internal procedures and processes for the parts function. Activities that should be addressed include, but are not limited to, ordering, receiving, issuing, recording transactions in FASTER, inventorying, safeguarding, controlling access to parts and the FASTER system, and establishing FASTER permissions. Other specific areas noted in this report should also be addressed in those documented procedures. Those areas include warranties, allocating freight costs, using available price agreements, conducting periodic inventory counts and documenting reasons for inventory adjustments, and managerial oversight through review of FASTER reports. Procedures relating to FASTER work orders should be documented as well.

## Conclusion

We identified several significant control issues that, when considered collectively, were indicative of the need to strengthen the control environment. These issues increase the risk that fraud or misuse will occur without likelihood of timely detection. Identified issues included:

- Access to vehicle parts should be adequately restricted.
- Access within the FASTER system should be adequately controlled.
- Employee permissions as established in the FASTER system should be adequately limited to preclude performance of incompatible duties by a single employee.
- Parts acquisitions and other purchases should be correctly recorded to allow an accurate determination of parts activity in the City accounting system.
- The vehicles to which parts are issued should always be identified in the FASTER system.
- Parts warranties should be tracked through the FASTER system.
- All vehicle lubricants should be tracked in the FASTER system.
- Consideration should be given to not allowing the deletion of work orders.
- Freight costs should be equitably allocated to parts.

*Issues were identified that indicate the need for Taltran to strengthen the control environment in regard to vehicle parts operations.*

- Taltran staff should become familiar with all City price agreements that may be applicable to certain parts acquired by Taltran for staff vehicles.
- Controls over annual inventory counts should be improved.
- Errors resulting in inventory adjustments should be reduced, and, when known, reasons for adjustments should be documented.
- Management should use available FASTER reports to monitor parts and other activity.
- Internal operating procedures should be documented.

These issues, if addressed and corrected, should greatly enhance the control structure and environment, and reduce the risk of unauthorized acquisitions or uses of vehicle parts without likelihood of timely detection. Recommendations are made in this report to address each of the identified issues.

We would like to acknowledge the full and complete cooperation and support during this audit of Taltran parts specialists, other Taltran maintenance division staff, Taltran management, and staff of Information Systems Services.

***Response from  
Appointed  
Official***

**City Manager Response:**

I appreciate the review of Taltran parts by the City Auditor's Office and I am pleased with Taltran's high level of cooperation and responsiveness during the review. Taltran will continue to work on the recommendations provided in the action plan to improve and strengthen the internal control practices and related activities.

Copies of this audit report #0519 (project #0409) may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request 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](mailto:auditors@talgov.com)).

Audit conducted by:  
Bert Fletcher, CPA, Audit Manager  
Beth Breier, CPA, CISA, Audit Manager  
Sam M. McCall, CPA, CGFM, CIA, CGAP, City Auditor

## *Appendix A – Action Plan*

Action Steps	Responsible Employee	Target Date
<b>A. Objective: To restrict access to the parts room.</b>		
1. Doors accessing the parts room will be locked when the parts room is unattended by parts specialists or other authorized staff.	Ralph Wilder Night Supervisor	9/30/2005
2. 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.	Bill Stegall Albert Godwin	9/30/2005
3. 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.	Ralph Wilder	9/30/2005
4. Access to the accounting clerk's office will be changed so that the office is accessed directly from the shop and not from the parts room.	Ralph Wilder	3/31/2006
<b>B. Objective: To control access to the FASTER system.</b>		
1. Employees will no longer be allowed to use the system permissions of other employees to record data or access FASTER.	Ralph Wilder	9/30/2005
2. Each user will be assigned a unique user identification (ID) and instructed to use a protected password with that user ID.	Ralph Wilder	3/31/2006
3. User IDs and passwords will be protected and not shared among employees.	Ralph Wilder	3/31/2006
4. Terminals for accessing FASTER will be locked or employees required to sign out of FASTER when employees are temporarily away from their workstations.	Ralph Wilder	3/31/2006

<p>5. Policies providing for these changed procedures will be established and documented. Employees will be trained on these policies.</p>	<p>Ralph Wilder</p>	<p>3/31/2006</p>
<p><b>C. Objective: To restrict employee permissions to those needed to perform job duties assigned in accordance with sound control practices.</b></p>		
<p>1. FASTER system permissions will be established in accordance with sound control practices. Specifically, this will include, but not be limited to: (1) limiting recording of parts activity to the parts specialists and their designated back-ups; (2) not allowing parts specialists to create work orders; (3) allowing only designated supervisory/managerial staff to approve, close, and re-open previously closed work orders; (4) allowing only designated managerial staff to delete work orders; (5) limiting the ability to record inventory adjustments to designated managerial staff; (6) limiting system administrator capabilities to a knowledgeable employee outside of the maintenance division; and (7) not allowing system administrators to assign themselves permissions allowing add or update capability to live FASTER data (i.e., production data).</p>	<p>Ralph Wilder System Administrator</p>	<p>3/31/2006</p>
<p>2. Staff, including the maintenance division superintendent, will be provided appropriate FASTER system training.</p>	<p>Ralph Wilder</p>	<p>3/31/2006</p>
<p>3. In those instances where FASTER system permissions cannot be restricted to preclude employees from performing incompatible job duties due to resource limitations, compensating controls (e.g., generation and review of FASTER activity reports by management) will be placed into operation.</p>	<p>Ralph Wilder</p>	<p>3/31/2006</p>
<p><b>D. Objective: To ensure proper execution of transactions.</b></p>		
<p>1. 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.</p>	<p>Marlon Brown</p>	<p>9/30/2005</p>
<p>2. Staff will be instructed to charge acquisitions of parts and other items to the correct account codes.</p>	<p>Marlon Brown</p>	<p>9/30/2005</p>

<p>3. Each parts issuance will be charged in FASTER to the vehicle or component on which the part is installed. Specifically: (1) for parts issued during group change outs, the independent issue function will be used to charge each part to the vehicle on which it is installed; (2) for parts installed on an unattached vehicle component, the part will be billed to that component using a FASTER “rebuild” work order. The component will be accepted into FASTER inventory when the job is completed. When that component is installed on a specific vehicle, the value of the parts initially installed on the component will automatically be charged to that vehicle.</p>	Bill Stegall	3/31/2006
<p>4. Parts warranties will be tracked in FASTER. That information will be used to ensure that faulty or broken parts under warranty are identified and credit (replacement parts or credit for parts) is obtained from the applicable vendor/manufacturer.</p>	Bill Stegall	9/30/2005
<p>5. All lubricants issued to vehicles will be tracked in FASTER.</p>	Bill Stegall	3/31/2006
<p>6. 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.</p>	Ralph Wilder	9/30/2005
<p>7. An equitable method for allocating freight costs to parts acquisitions will be implemented.</p>	Bill Stegall	9/30/2005
<p>8. 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.</p>	Bill Stegall	9/30/2005

<b>E. Objective: To strengthen controls over periodic inventory counts.</b>		
1. Employees other than the parts specialists will control the periodic inventory counts. The parts specialists will no longer control the counting (including re-counting) process, compare the counts to recorded quantities in FASTER, or identify and mark changes to be made to recorded quantities.	Ralph Wilder	3/31/2006
2. Accounting Services staff will participate in and oversee the annual inventory counts and related reconciliations.	Dianna Williams	9/30/2005
3. The results of periodic inventory counts and related reconciliations/adjustments to the recorded quantities will be reviewed and approved by Taltran management.	Ralph Wilder	3/31/2006
4. Efforts will be made to reduce the number of errors that result in the need to record inventory adjustments in FASTER. This will include number informing parts specialists of the type errors described in the report that should not occur.	Bill Stegall	9/30/2005
5. When they are known, specific reasons for each inventory adjustment will be documented in FASTER.	Bill Stegall	9/30/2005
6. In connection with step C.1, FASTER system permissions allowing inventory adjustments will be restricted to the division superintendent.	Ralph Wilder	3/31/2006
<b>F. Objective: To enhance managerial monitoring and oversight.</b>		
1. Taltran management, to include the maintenance division superintendent as well as managerial staff designated by the director, will generate and review available FASTER reports on a continuing basis to assess vehicle and maintenance division efficiency and effectiveness.	Ralph Wilder	3/31/2006



<p>2. In addition, to assessing efficiency and effectiveness as noted in step F.1, management will use available FASTER reports to compensate for control issues existing due to limited staff resources. This includes, but is not limited to, comparing parts acquisitions recorded in the City accounting system to parts added to the FASTER system and obtaining explanations for noted differences.</p>	<p>Ralph Wilder</p>	<p>3/31/2006</p>
<p><b>G. Objective: To enhance the FASTER operating environment.</b></p>		
<p>1. ISS staff, in conjunction with Taltran and the Public Works Fleet Division, will explore the combination of the Taltran and Fleet Division operating environments and make a recommendation to management.</p>	<p>Michael Wright</p>	<p>3/31/2006</p>
<p><b>H. Objective: To facilitate operations.</b></p>		
<p>1. Internal operating procedures and processes for the parts operations will be documented. The areas addressed in those procedures will include, but not be limited to: (1) ordering, receiving, and issuing parts; (2) recording transactions and activity in FASTER; (3) inventorying, safeguarding, and controlling access to parts; (4) establishing FASTER system permissions; (5) tracking warranties; (6) allocating freight costs; (7) using available price agreements; (8) conducting periodic inventory counts and documenting reasons for inventory adjustments; and (9) managerial oversight through review of FASTER reports and use of those reports as compensating controls when duties cannot be segregated among different employees due to resource limitations.</p>	<p>Ralph Wilder</p>	<p>3/31/2006</p>
<p>2. Internal operating procedures and processes relating to work orders will be documented. The areas addressed will include, but not be limited to, the creation, processing, approving, closing, and re-opening of work orders.</p>	<p>Ralph Wilder</p>	<p>3/31/2006</p>