

The Texas A&M University System Internal Audit Department

MONTHLY AUDIT REPORT



May 15, 2018



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May 2018

TABLE OF CONTENTS

Texas A&M AgriLife Research and Texas A&M AgriLife Extension Service
Transportation and Fleet



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M AGRILIFE RESEARCH AND TEXAS A&M AGRILIFE EXTENSION SERVICE

Transportation and Fleet

May 15, 2018

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Overall Conclusion

Internal controls over transportation and fleet operations at Texas A&M AgriLife Research (AgriLife Research) and Texas A&M AgriLife Extension Service (AgriLife Extension) are operating as intended. Opportunities for improvement were noted in the following areas:

- State fuel card reconciliations
- Required vehicle documentation
- Vehicle operational guidelines
- Accident reporting

Audit Areas

- Accident reporting
- Fleet inventory
- Fleet reporting
- Operational program compliance
- State fuel cards
- Training
- Vehicle acquisitions

Management concurred with the audit recommendations and indicated that implementation will occur by the end of December 2018.

Detailed Results

1. State Fuel Card Reconciliations

State fuel card reconciliations require improvement to ensure accuracy and completeness of fleet reporting. Fuel purchases are recorded on monthly vehicle use reports and then entered into the Texas Fleet System (TxFS). A review of 27 monthly fuel card statements noted that four did not have fuel transactions entered into TxFS and another four with incomplete entries. These eight statements were for AgriLife Research departmental cards.

AgriLife Extension assigns fuel cards to individual vehicles and uploads the transactions monthly in a batch process to perform the reconciliation. AgriLife Research cards can be used for multiple vehicles, and the agency uses a manual process to enter card transactions. Procedures have not been developed requiring a reconciliation of state fuel card transactions to the reported fuel usage.

The Texas State Vehicle Fleet Management Plan requires agencies to report complete vehicle information through TxFS including all fuel purchases. Without periodically reconciling fuel transactions, inaccurate or missing data could go undetected resulting in misappropriation of funds and noncompliance with state law.

Recommendation

Develop written reconciliation procedures to address the responsible parties, timeliness, and documentation required. Ensure AgriLife Research departments follow the Texas A&M AgriLife Fleet Office procedures for state fuel card assignment, reporting, and reconciliation. Utilize the Fleet Office to centralize the state fuel card reconciliations where possible.

Management's Response

By December 1, 2018, the AgriLife Office of Property and Fleet Management will have reviewed a list of Voyager Fuel Cards for AgriLife Research units. Recommendations will be made to units to reduce the number of fuel cards where feasible in efforts to reduce the risk of fraud and loss of cards. Written procedures will be developed to address monthly fuel card reconciliations, to ensure that fuel purchases match the entries on monthly mileage reports and reporting is documented correctly. Training for noncompliance will be administered accordingly to address the responsible party's timeliness, and documentation required to ensure units follow procedures for State Fuel card assignments, reporting, and reconciliation.

Units that are noncompliant will have their data entry into the Texas Fleet System centralized into the AgriLife Office of Property and Fleet Management. This will be monitored by the AgriLife Risk & Compliance Internal Management Review Team when they conduct periodic assessments of units. They will review the reconciliations and data entry and report any findings in their final report.

2. Required Vehicle Documentation

Enhanced monitoring is needed to ensure required vehicle documentation is present in vehicles. A review of 83 vehicles noted that 16 had outdated or missing documentation for one or more of the following:

- Seven did not have a current vehicle registration
- Seven did not have a current proof of insurance letter
- Four did not have the State Attorney General's financial responsibility letter

The Texas Transportation Code requires annual registration and inspections. The AgriLife Inventory/Property Procedures Manual requires a current proof of insurance letter be stored in the vehicle. While not stated in the procedures manual, it is considered best practice to store the financial responsibility letter in the vehicle as well. Custodians and drivers were not monitoring to ensure

required documents were kept current and available in the vehicles. Having current documentation readily available facilitates efficient processing in the event of an accident or other incident.

Recommendation

Ensure fleet vehicles have current required documentation present in the vehicle. Modify procedures to include a requirement for additional documentation to be stored in the vehicle. Communicate with vehicle custodians and drivers to ensure they verify required documentation prior to issuing or driving an agency vehicle.

Management's Response

By July 1, 2018, the AgriLife Office of Property and Fleet Management will provide reinforcement communications, including quarterly reminders, to all units via E-News. By September 1, 2018 face-to-face training updates will be presented to unit business contacts covering the required vehicle documents that must be in each agency vehicle or in the vehicle packet. Also, when the AgriLife Risk & Compliance Internal Management Review Team conducts periodic assessments of departments/units, they will review the required vehicle documentation and report any findings in their final report.

3. Vehicle Operational Guidelines

Certain vehicle operational guidelines have not been formally documented.

The Texas State Comptroller's Office requires state agencies that purchase vehicles with state funds to comply with the Texas State Vehicle Fleet Management Plan. The plan lists 20 specific items that must be addressed in written guidelines for operating fleet vehicles. A review of the agencies' procedures noted 13 of these items were not addressed formally in procedure documentation. Management was not aware of the requirement to formally document the vehicle operational guidelines. Noncompliance with the plan could lead to loss of vehicle purchasing authority.

Recommendation

Develop written vehicle operational guidelines to ensure specific areas of the Texas State Vehicle Fleet Management Plan are addressed. Communicate these guidelines to custodians and drivers to ensure duties and responsibilities comply with the plan.

Management's Response

By November 30, 2018, the AgriLife Office of Property and Fleet Management will develop and implement a vehicle operations manual. It will address the requirements of the Texas State Vehicle Fleet Management Plan, system rules and regulations, and agency procedures. This manual will be distributed to all AgriLife Research and Extension Service departments and units via E-News and posted on the Administrative Services' website, agrilifeas.tamu.edu.

4. Accident Reporting

Accident reports were not consistently submitted in a timely manner to the Texas A&M AgriLife Fleet Office and A&M System Risk Management. Seven of twelve reports reviewed were not submitted to the Fleet Office within 24 hours after the accident as required by AgriLife Vehicle Accident Procedures. Three of these reports were not submitted to System Risk Management within 48 hours after the accident as required by the A&M System Motor Vehicle Accident Report form. Drivers and supervisors were unaware of the submission requirement. Accidents should be reported in accordance with procedures to facilitate timely resolution.

Recommendation

Provide training to drivers and supervisors on accident reporting procedures and timely submission of accident reports.

Management's Response

By July 1, 2018, the AgriLife Office of Property and Fleet Management will provide reinforcement communications and training emphasizing timely report submission to all AgriLife Research and AgriLife Extension units via E-News. By September 1, 2018, face-to-face training will also be provided to unit contacts on the correct procedures for reporting an accident to the AgriLife Office of Property and Fleet Management. The AgriLife Office of Property and Fleet Management will develop a reference document to be placed in vehicles that will provide step-by-step instructions for drivers who are involved in an accident. This document will be distributed to all units and be placed on the AgriLife Administrative Services' website. In addition, the AgriLife Risk & Compliance Internal Management Review Team conducts periodic assessments of units and will review all accident reports and report any findings in their final report.

Basis of Review

Objective and Scope

The objective of this audit was to determine whether internal controls over transportation and fleet operations at Texas A&M AgriLife Research and Texas A&M AgriLife Extension Service are effective, efficient, and in compliance with laws, policies, and procedures.

The audit focused on the following:

- Accident reporting
- Fleet inventory
- Fleet reporting
- Operational program compliance
- State fuel cards
- Training
- Vehicle acquisitions

The audit period was primarily September 2016 to August 2017. Fieldwork was conducted from January 2018 to March 2018.

Methodology

Our audit methodology included interviews, observation of processes, review of documentation, and testing of data using sampling as follows:

- To test compliance with accident reporting procedures, auditors randomly selected a nonstatistical sample of 12 accident reports.
- To determine whether vehicle inventory is accurate and in compliance with laws and procedures, auditors judgmentally selected a nonstatistical sample of 46 vehicles across three locations. An additional 37 vehicles were selected randomly at the three locations to determine completeness of the vehicle inventory.
- To determine accuracy and completeness of vehicle use data in the Texas Fleet System, auditors judgmentally selected a nonstatistical sample of 60 monthly usage reports comprised of two months per 30 vehicles.
- To test compliance with acquisition procedures, auditors judgmentally selected a nonstatistical sample of ten vehicle acquisitions.

- To determine if state fuel card transactions are reconciled to fuel entries on vehicle use reports, auditors judgmentally selected a nonstatistical sample of 27 monthly statements. The 27 statements were comprised of two months per 20 state fuel cards. Not all monthly statements selected had activity to review.

Criteria

Our audit was based upon standards as set forth in the following:

- Texas A&M University System Policies and Regulations
- Texas A&M AgriLife Research Procedures
- Texas A&M AgriLife Extension Service Procedures
- Texas Transportation Code
- Texas State Vehicle Fleet Management Plan
- Other sound administrative practices

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the 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.

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