

# FOLLOW-UP REPORT

# Salt Lake County Fleet Management

FEBRUARY 2023



Chris Harding, CPA, CFE, CIA  
County Auditor

Office of the Auditor  
Salt Lake County

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# Salt Lake County Auditor



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County Auditor

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## AUDITOR'S LETTER

We conducted a follow-up audit of the Salt Lake County Fleet Management Department related to our initial audit issued in June 2022. During this follow-up audit, we evaluated the progress made by the Fleet Management in implementing our recommendations from the prior audit. Fleet Management made significant changes, fully implementing the recommendations from 15 of our 30 recommendations. We encourage them to fully implement the remainder of our recommendations before we complete our final follow-up audit.

This audit is authorized pursuant to Utah Code Ann. 17-19a-204 "Auditing Services." We conducted this audit in accordance with generally accepted government auditing standards (GAGAS), except for the requirement in GAGAS 3.18, which states, "In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity." GAGAS states in 3.21, "Independence comprises the following:

- a. Independence of mind: The state of mind that permits the conduct of an engagement without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
- b. Independence in appearance: The absence of circumstances that would cause a reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the engagement team had been compromised.

Our state statute, 17-19a-206 Performance audit services, reads:

- (1) A county auditor shall, under the direction and supervision of the county legislative body or county executive and subject to Subsections (1)(b) and (2), provide performance audit services for a county office, department, division, or other county entity. A county auditor may not conduct a performance audit of the auditor's own office.
- (2) The county legislative body or county executive shall establish the goals and nature of a performance audit and related services.

Although this audit is not a performance audit, GAGAS 3.19 states: "auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work."

A reasonable and informed third party is defined by GAGAS: "As evaluated by a hypothetical person, a person who possesses skills, knowledge, and experience to objectively evaluate the appropriateness of the auditor's judgments and conclusions. This evaluation entails weighing all the relevant facts and circumstances, including any safeguards applied, that the auditor knows, or could reasonably be expected to know, at the time that the evaluation is made."

Although we are working with the State Legislature, County Council and Mayor, Utah Association of Counties, Utah Association of CPAs, to change this statute, we currently have no control or ability to change this statute. As such there is a risk that readers of our report would conclude that we are not capable of exercising objective and impartial judgment on the audit subject matter.

GAGAS 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. Except for the independence issues above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.”

We appreciate the leaders and team members at the various agencies and departments who shared their time and knowledge with us during the audit.

Please contact me at 385-468-7200 with any questions.

A handwritten signature in black ink that reads "Chris Harding". The signature is written in a cursive, flowing style.

Chris Harding, CPA, CFE, CIA  
Salt Lake County Auditor

February 2023

# Action Since Audit Report

## Salt Lake County Fleet Management

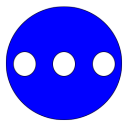
**12** findings with 30 recommendations found in June 2022.

Fleet Management has fully implemented 15 of the recommendations, 5 were closed because of changes made by management as a response to the audit, 8 are in progress, and 2 were not implemented.



**FULLY  
IMPLEMENTED**

**15**



**IMPLEMENTATION IN  
PROGRESS**

**8**



**NOT  
IMPLEMENTED**

**2**



**CLOSED**

**5**

## Remaining Risks

The Salt Lake County Auditor's Office will conduct an additional follow-up around July.

## FINDING 1. FUEL DELIVERY AND AMOUNT NOT VERIFIED PRIOR TO VENDOR PAYMENT.



**Recommendation 1.1** - We recommend that Fleet require bulk fuel suppliers provide a bill of lading or drop ticket for all fuel deliveries, regardless of the quantity of fuel delivered to the fueling stations. Fleet should save copies of all bills of lading or drop tickets and attach them to the corresponding invoice to ensure that fuel quantities delivered can be easily traced to charges on each invoice.

Agency Action - Management informed us that there has been significant delays in the payment process by requiring bills of lading and concluded to accept the risk. Therefore, the recommendation has been closed, and no follow-up is needed.



**Recommendation 1.2** - We recommend that Fleet use the bill of lading or drop ticket to verify the amount of fuel delivered prior to approving and paying fuel supplier invoices.

Agency Action - Management informed us that there has been significant delays in the payment process by requiring bills of lading and concluded to accept the risk. Therefore, the recommendation has been closed, and no follow-up is needed.

## FINDING 2. FUEL CARD PROGRAM LACKED WRITTEN POLICIES AND PROCEDURES ESTABLISHING OVERSIGHT RESPONSIBILITIES.



**Recommendation 2.1** - We recommend that Fleet develop written policies and procedures for the proper use of County fuel cards. The policies and procedures should establish proper agency oversight of employee fuel card usage, including that fuel cards are used for the assigned vehicle only, that an accurate odometer reading must be entered when fueling a County vehicle, and that personal fuel purchases are strictly prohibited.



**Recommendation 2.2** - We recommend that the written policies and procedures require that a County agency notify Fleet immediately when a County fuel card is lost or missing.



**Recommendation 2.3** - We recommend that the written policies and procedures require that all County agencies that participate in the fuel card program perform a monthly review and approval of employee fuel card usage, completed vehicle service work orders, and that they notify Fleet immediately of any discrepancies or irregularities.



**Recommendation 2.4** - We recommend that all County agency fuel card users and their supervisors sign an acceptable use agreement and acknowledgement of the fuel card program policies and procedures prior to being issued a fuel card.

## FINDING 3. INADEQUATE SEGREGATION OF DUTIES OVER THE PROCESS OF WORK ORDER TO INVOICE APPROVAL.



Recommendation 3.1 - Management should take steps to verify that there is at least two people involved in the creation and/or closing of work orders and payment approval process.

## FINDING 4. SEGREGATION OF DUTIES AND PROPER AUTHORITY WERE NOT ALWAYS PRESENT IN THE WORK ORDER PROCESS.



Recommendation 4.1 - We recommend that management clearly define user rights in written policies and procedures. Management should ensure that work order software is correctly configured to enforce the written policy. Exceptions should be clearly documented and approved.

Agency Actions - Management implemented written policies and procedures defining user rights. During the follow up audit kick off meeting, Management stated software (Assetworks) is unable to setup enforcement of segregation of duties. They contacted the software vendor to try and resolve it but were not able to enable enforcement of it. Software is unable to enforce work order rules.



Recommendation 4.2 - We recommend that management should ensure that duties are appropriately segregated, or that mitigating controls are implemented within the work order process so that no one person can perform all steps without independent review.

Agency Actions - During preliminary follow up audit testing, proper segregation of duties was implemented for external work orders. For internal work orders documenting \$0, subrogation or new vehicle set-ups, management accepts the risk for these work orders not having segregation of duties. Therefore, recommendation closed.

## FINDING 5. DOCUMENTATION OF SERVICE AUTHORIZATION WAS NOT ADEQUATE.



Recommendation 5.1 - We recommend that Fleet create a clear policy regarding maintenance authorizations. This policy should indicate methods of requesting and documenting vehicle maintenance and ongoing document retention.

Agency Actions - Management disagreed with the recommendation, therefore did not implement changes. Recommendation not implemented.



Recommendation 5.2 - We recommend that documentation be retained to substantiate requests where questions arise, and for audit purposes. Forms could also be scanned and attached or linked to the work order.

Agency Actions - Management disagreed with the recommendation, therefore did not implement changes. Recommendation not implemented.

## FINDING 6. CASH BALANCE OF THE IMPREST CHECKING ACCOUNT WAS UNDERSTATED BY \$20,247.



Recommendation 6.1 - We recommend that the Custodian of the Imprest Account identify outstanding check balances in the "outstanding voucher" line item and the actual ending bank balance with a reconciliation to the authorized amount.



Recommendation 6.2 - We recommend that payments which do not clear within one year be documented and resolved with the vendor.

Agency Action - During preliminary follow up audit testing, no outstanding balances were identified while reviewing the bank statements nor any outstanding checks over one year needing to be remitted to the Treasurer's Office and the Utah State Unclaimed Property Division. This corroborates Fleet Management's response to our follow up document request for outstanding checks and balances that there have been no outstanding balances.

## FINDING 7. EVIDENCE OF MANAGEMENT'S AUTHORIZATION FOR EMPLOYEE FUEL CARD USE NOT ALWAYS ON FILE.



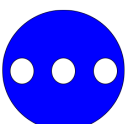
Recommendation 7.1 - We recommend that all requests for fuel access require an authorization form to be filled out and signed.

Agency Action - Implemented our recommendation.



Recommendation 7.2 - We recommend that evidence of agency authorization be retained on file for all active fuel users.

Agency Action - Implemented our recommendation.



Recommendation 7.3 - We recommend that policies and procedures be developed regarding the authorization form as well as the process of requesting agencies to review authorized fuel users on a periodic basis.

Agency Action - Management implemented the update to Policy 1350 but is pending agency review of authorized employees. That will be performed in the last quarter of 2022, therefore in progress as of the preliminary follow up audit. Second follow up required.



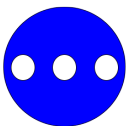
## FINDING 8. POLICIES AND PROCEDURES FOR ADDING AND REMOVING USERS FROM FUEL SYSTEMS WERE NOT DOCUMENTED.



Recommendation 8.1 - We recommend that Fleet removes access to fuel for retired and terminated employees.

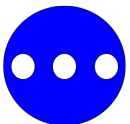


Recommendation 8.2 - We recommend that Fleet implements policies and procedures that addresses fuel system authorization changes, including department responsibility for notifying Fleet of changes in employee departments or positions. All documentation, such as e-mail notifications, should be saved and archived for reference.



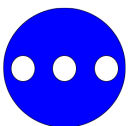
Recommendation 8.3 - We recommend that a log or system report of individuals added to the fueling system be reviewed and reconciled to signed authorization forms by an independent party on a periodic basis.

Agency Action - As of the start of the preliminary follow up audit, this is part of a year end review that has not taken place and will not be complete during the preliminary follow up. Second Follow up needed.



Recommendation 8.4 - We recommend that a log or system report of individuals removed from the fueling systems be reviewed and reconciled to termination notices by an independent party on a periodic basis.

Agency Action - As of the start of the preliminary follow up audit, this is part of a year end review that has not taken place and will not be complete during the preliminary follow up. Second Follow up needed.



Recommendation 8.5 - We recommend that reviews be documented and retained on file, along with supporting documentation.

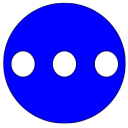
Agency Action - As of the start of the preliminary follow up audit, this is part of a year end review that has not taken place and will not be complete during the preliminary follow up. Second Follow up needed.

## FINDING 9. INADEQUATE SEGREGATION OF DUTIES IN THE ADMINISTRATION OF FUEL CARDS.



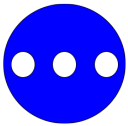
Recommendation 9.1 - We recommend that the fuel card log be used for all cards, including new and replacement cards and the individuals who ordered the card and why, as well as who received, activated, and distributed the card. At each step of the process, there should be employee initials and a date to document who was responsible for the card. Additionally, the log should include the last four digits of the card or other unique identifier.

Agency Action - Implemented our recommendation.



Recommendation 9.2 - We recommend strengthening the segregation of duties around the management of ordering, distributing, and monitoring the fuel cards.

Agency Action - Per Management response, they hired a new staff member to help strengthen segregation of duties and are currently working on job assignments. They will review and ensure proper user rights to staff involved with fuel card management. As of preliminary follow up, updates to user rights were partially implemented, therefore second follow up required.



Recommendation 9.3 - We recommend restricting user rights to the Accounting Specialist to enforce separation of duties.

Agency Action - Tested during the preliminary follow up audit, adequate segregation of duties partially implemented, second follow up required.

## FINDING 10. WRITTEN AUTHORIZED APPROVAL TO PAY WAS NOT EVIDENT ON ALL INVOICES.



Recommendation 10.1 - We recommend that management develop and document policies and procedures identifying individuals authorized to approve an invoice for payment.

Agency Action - Implemented our recommendation.



Recommendation 10.2 - We recommend that the Accounting Specialist verify that there is written authorized approval on or attached to all invoices before submitting the invoice for payment.

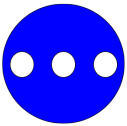
Agency Action - Fleet Management accepted risk of not having prior approvals for invoice payments and implemented a new procedure: "The Accounting Specialist will ensure that all payments are authorized. When possible, written authorization will be verified prior to payment. Approval signatures will be dated." Based on the preliminary follow up testing, it was noted that approval prior to invoice payment was not consistent and at times, approved after the transactions occurred. Management concluded it was not possible to get authorization prior to all payments, therefore, updated Management's Response and closed the finding.

## FINDING 11. THE FUEL CARD FOR THREE VEHICLES REMAINED ACTIVE AFTER THE VEHICLE DISPOSAL.



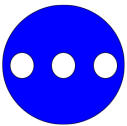
Recommendation 11.1 - We recommend that policies be implemented that outline the Fleet Manager's responsibility for deactivating fuel cards after disposal and how timely they need to be deactivated.

Agency Action - Implemented our recommendation.



Recommendation 11.2 - We recommend that a log be used to document the card number, account, vehicle ID, vehicle disposal date, with a signature line for the initials of the Fleet employee that deactivated the card and date of deactivation.

Agency Action - During the preliminary follow up audit testing, the disposal Log was implemented, which functions as their checklist. However, exceptions noted of not having timely deactivation of fuel cards, therefore, second follow up needed.



Recommendation 11.3 - We recommend that management periodically review all fuel cards associated with disposed vehicles to confirm they have been deactivated and that the card has not been used.

Agency Action - As of the preliminary follow up audit, the annual review at end of each year not yet performed, second follow up needed.

## FINDING 12. MAINTENANCE SERVICES WERE PAID FOR WITH COUNTY PURCHASING CARDS INSTEAD OF A COUNTY FUEL CARD OR THROUGH FLEET.



Recommendation 12.1 - We recommend that County employees be required to sign an acknowledgement that all fuel and vehicle maintenance services must be paid for using the Fuel Card.

Agency Action - Implemented our recommendations.