

**FLEET MANAGEMENT  
FOLLOW-UP**

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**Audit Report No. FM020910**

**December 21, 2009**



**MENTAL HEALTH MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY**

**Internal Audit Report**

**AUDITOR'S REPORT**

**Fleet Management  
Follow-up**

**Harris County, Texas**

**Internal Audit Report**

**December 21, 2009**

**Henry E. Webb, CFE**

**Internal Auditor**





December 21, 2009

Steven B. Schnee, Ph.D.  
Executive Director  
MHMRA of Harris County  
7011 SW Freeway  
Houston, TX 77074

RE: Audit Relative to the Authority's Management of Fleet Vehicles  
Audit Report **FM020910**

## BACKGROUND

### *Management*

The Mental Health Mental Retardation Authority of Harris County (MHMRA) had a fleet of 64 light and medium size vehicles (mostly passenger vans) as of October 7, 2009. These vehicles were either leased or owned by the Authority. The Transportation Services Department has a computer database maintenance program to record and gather vehicle fuel and repair information for reporting and management review purposes.

**Exhibit 1** presents funds expended for fuel for Fiscal Years 2006 through 2009.

**Exhibit 1**  
**MHMRA of Harris County**  
**Fuel Cost**  
**FY2006 – FY2009**

Fiscal Year 2006	\$214,305
Fiscal Year 2007	\$201,979
Fiscal Year 2008	\$190,210
Fiscal Year 2009	\$189,638
<b>TOTAL</b>	<b>\$796,132</b>

MHMRA uses the Voyager Fleet System which provides a fueling and maintenance fleet card program. The Voyager product is a "universal" fuel card with extensive fleet management features.

The Voyager product provides the following features:

- Acceptance at close to 200,000 locations
- Card assignment flexibility: Driver, Vehicle, or neither
- Purchase control limits: Product, Transactions per Day and/or Dollars per Month
- Three options for card usage control: Driver ID, Vehicle ID, or PIN
- Online real-time access to account
- Windows-based PC Program to manage data/exceptions
- Comprehensive separate exception reporting capability

The general policy of MHMRA is to assist all levels of clientele in developing the independent living skills necessary for daily living. For those individuals who cannot obtain needed services without transportation assistance, transportation in Agency vehicles may be provided for the following purposes:

- Either client cannot afford to ride public transportation or public transportation is unavailable from client's residence to center.
- Public transportation is available, but, would involve three or more transfers to reach the center.
- Client has a handicapping condition which would prevent him/her from utilizing public transportation.
- When transportation is part of a contract agreement with special programs.
- Local and out-of-county field trips associated with both residential and non-residential programming, when the purpose of such trips is for educational or social enrichment.

The Unit Director accepting the vehicle is totally responsible for the operation, maintenance, safety, and storage of the vehicle(s) assigned. These duties include at least the following:

- Keeping the Daily Record form in the unit's files.
- Maintaining a file of Monthly Vehicle Inspection Reports to aid in maintenance scheduling.
- Maintaining a copy of the Acknowledgment of Operation form signed by each driver.
- Maintaining copies of any driver traffic violations received while on MHMRA business.
- Maintaining copies of the driver's certificates attesting to the successful completion of all required driving courses.

All requests and requisitions for vehicle repairs and maintenance are required to follow the General Repairs and Maintenance procedures:

- The supervisor assigned a vehicle is totally responsible for the repair, maintenance, operation, safety, and storage of the vehicle(s) assigned.
- The Unit Supervisor is responsible to ensure that all applicable preventive maintenance, manufacturer's recommendations, and service is performed when required.

Emergency repairs:

- For emergency repairs caused by accidents or performance failures during normal business hours, the Component Director or certified driver will contact the Transportation Specialist for direction and assistance.
- For emergency repairs by accidents or performance failures after normal business hours, the Component Director or certified driver will refer to the Emergency Transportation Vendors list which is issued quarterly to each unit operating a center vehicle. Contact the appropriate vendor directly for assistance with securing the vehicle. When towing is required, center vehicles are to be stored in a secure location until a final determination of its repair has been completed by the Transportation Specialist.
- When center vehicles are towed or placed in a repair facility after normal business hours, the Transportation Specialist is to be advised of the vehicle's status by the Component Supervisor the next business day.
- It is the policy of MHMRA of Harris County to assure that all Agency vehicles are operated by qualified/certified employees in a safe and courteous manner.

## **OBJECTIVES**

The overall objectives of the audit were to determine whether the Transportation Department:

- Managed and used resources in an efficient, effective, and economical manner
- Administered funds in compliance with applicable laws, regulations, policies, and procedures
- Implemented internal controls to prevent or detect material errors and irregularities

The specific objectives in this audit were to:

- Determine the adequacy of the unit's policies and procedures for managing Agency owned/leased fleet of vehicles
- Determine if related expenses were supported, computed, approved, and reported in compliance with established policy and procedures

## **SCOPE**

The scope of the work did not constitute an evaluation of the overall internal control structure of the units. The examination was designed to evaluate and test compliance with established policy and procedures and to test the internal control over tested areas and material. The audit scope period was from December 1, 2008 through August 31, 2009.

Departmental management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policy and procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

The purpose of the audit report is to furnish management independent, objective analysis, recommendations, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements.

Although due professional care in the performance was exercised, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud will be detected. Specific areas for improvement are addressed later in this report.

Other minor findings, not included in this report, have been communicated to management and/or corrected during the audit process. Internal Audit would like to thank the management and staff for their cooperation throughout the audit.

## **METHODOLOGY**

In order to meet the objectives, Internal Audit flowcharted and evaluated controls over the repair and maintenance records, reviewed the accounting system for accuracy relating to routine and other repairs, as well as reviewed policies and procedures for compliance and completeness. Transportation Department management and staff were interviewed and audit tests and procedures were conducted as considered necessary.

The sample size and selection were statistically generated using a desired confidence level of 95%, expected error rate of 5% and a desired precision of +/-5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

## **STATEMENT OF AUDITING STANDARDS**

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that Internal Audit plan and perform the audit to afford a reasonable basis for the judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. It is believed that this audit provides a reasonable basis for the findings, conclusions, and recommendations.

## RESULTS

As a result of the audit procedures and surveys conducted, it was determined that departmental compliance with established criteria to govern the efficient use of vehicle resources generally meets the criteria of established Agency policy and procedures.

**Table 1** presents the compliance matrix categorizing the status of action still needed to be taken by management.

**Table 1**  
**Fleet Management**  
**Follow-Up to Audit No. FM0109**

AUDIT FINDING	PRIORITY RATING	RECOMMENDATION	ACTION STATUS	WORK PERFORMED
Lack of compliance with training and certification of Vehicle Drivers/Operators in regard to yearly on-line Defensive Driving course.	1	<ol style="list-style-type: none"> <li>1. All training be completed</li> <li>2. HR and Transportation provide data to bring requirements into compliance.</li> </ol>	Open	<i>“Will be completed no later than December 29, 2009”</i>
Personal Identification Number not assigned to each of the drivers of Agency vehicles.	1	<ol style="list-style-type: none"> <li>1. Individual PIN numbers should be assigned by end of January 31, 2010.</li> </ol>	Open	<i>“Will be done by January 31, 2010”</i>
Use of Agency vehicles for personal use.	1	<ol style="list-style-type: none"> <li>1. Staff should provide a satisfactory explanation for use of Agency vehicles for personal use.</li> </ol>	Open	<i>“If a satisfactory explanation is not received, a verbal warning will be given to employee and will be noted in the employee file”</i>

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Henry E. Webb, CFE, Internal Auditor

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Michele L. Johnson, MPA, Staff Internal Auditor

CC: Rose Childs, MSW, Deputy Director, Mental Health Division  
Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division  
Barbara Dawson, MSE, Deputy Director, Comprehensive Psychiatric Emergency Program Division  
Daryl Knox, MD, Medical Director, Comprehensive Psychiatric Emergency Program Division  
Sarah Flick, MD, Medical Director, Mental Retardation Services  
Sylvia Muzquiz, MD, Medical Director, Mental Health Services  
Jeanne Mayo, MS, JD, General Counsel  
Scott Strang, Ph.D., MBA, Chief Operating Officer  
Alex Lim, MBA, CPA, Chief Financial Officer  
External Audit Firm  
Audit Committee:  
Tom Hamilton, Ph.D. (Chairman)  
Jane B. Cherry  
Paige M. Cokinos  
Charles O. Buckner, CPA  
Vicki S. Raynold, CPA  
Bob Borochoff

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
**December 21, 2009**

Unit: Agency Wide Area: Fleet Management		
Inherent Risk: Low Moderate <b>High</b>	Control Environment: Well Controlled <b>Acceptable</b> Poorly Controlled	Overall Risk: Low <b>Moderate</b> High
Type of Procedures: <b>Audit</b>		
Scope: <ul style="list-style-type: none"> <li>* Using Internal Control Evaluation (ICEs) forms, documented the internal controls</li> <li>* Conducted a preliminary survey reviewing applicable policies and procedures, etc.</li> <li>* Interviewed various staff to obtain understanding of management controls</li> <li>* Examined detailed invoices/work orders, statements provided by the vendor, etc.</li> </ul>		
Priority Rating:	Audit Recommendations:	
1	Defensive driving on-line training be completed by end of December 2009.	
1	Individual PIN numbers should be assigned by end of January 2010.	
1	Use of Agency vehicles for personal use should be reviewed.	
Follow-up: As Risk Assessment Requires		

**Priority Rating**

1. Implement immediately (30 - 90 days) - Serious internal control deficiencies; or recommendations to reduce cost, maximize revenues, or improve internal controls that can be easily implemented.
2. Work towards implementing (6 - 18 months) - Less serious internal control deficiencies, or recommendations that can not be implemented immediately because of constraints imposed on the unit (i.e. Budgetary, technological constraints, etc.).
3. Implement in the future (2-3 years) - Recommendations that should be implemented, but that can not be implemented until significant and/or uncontrolled events occur (i.e. legislative changes, buy and install major systems, or require third party cooperation, etc.).