



OFFICE OF
CONTROLLER

LAURA N. CHICK
CONTROLLER

200 N. MAIN STREET, RM 300
LOS ANGELES 90012
(213) 978-7200
www.lacity.org/ctr

January 22, 2009

The Honorable Antonio Villaraigosa
The Honorable Rockard J. Delgadillo
The Honorable Members of the City Council

Of the 167 audits completed since I took office as Controller, the two I release today are the most stunning testament to how the City does business in an un-businesslike way.

These audits spotlight serious issues which require immediate action. Every day, multiple conversations occur in City Hall about how to squeeze more money out of the taxpayers...more fees for parking meters, increased trash collection fees, higher DWP rates, a parcel tax for anti-gang programs. Before we ask for one more penny from the public, we must get our own house in order.

We are supposed to be leading and setting an example. This is not the example we want the public to follow.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller



OFFICE OF
CONTROLLER

LAURA N. CHICK
CONTROLLER

200 N. MAIN STREET, RM 300
LOS ANGELES 90012
(213) 978-7200
www.lacity.org/ctr

January 22, 2009

Raymond P. Ciranna
Interim City Administrative Officer

Tony M. Royster, General Manager
Department of General Services

William J. Bratton, Chief of Police
Los Angeles Police Department

Douglas L. Barry, Fire Chief
Los Angeles Fire Department

Enrique C. Zaldivar, Director
Department of Public Works
Bureau of Sanitation

Randi Levin, General Manager
Information Technology Agency

Jon Kirk Mukri, General Manager
Department of Recreation and Parks

John R. Lewis, General Manager
Los Angeles Zoo

William A. Robertson, Director
Department of Public Works
Bureau of Street Services

January 22, 2009
Page 2 of 2

Enclosed is a report of "Audit of City Passenger Vehicles and Fuel Usage." A draft of this report was provided to your departments on December 30, 2008. Comments provided by your departments at various exit meetings held between January 7, 2009 and January 13, 2009 were considered prior to finalizing this report.

Please review the final report and advise the Controller's Office by February 20, 2009, of actions taken or to be taken to implement the recommendations. If you have any questions or comments, please contact me at (213) 978-7392.

Sincerely,

A handwritten signature in black ink, appearing to read "Farid Saffar". The signature is fluid and cursive, with the first name "Farid" and last name "Saffar" clearly distinguishable.

FARID SAFFAR, CPA
Director of Auditing

Enclosure

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Karen E. Kalfayan, Interim City Clerk
Gerry F. Miller, Chief Legislative Analyst
Cynthia M. Ruiz, President, Board of Public Works
Anthony Pacheco, President, Board of Police Commissioners
Edward Maruska, President, Board of Zoo Commissioners
Barry A. Sanders, President, Board of Recreation & Parks Commissioners
Genethia Hudley-Hayes, President, Board of Fire Commissioners
Independent City Auditors



City of Los Angeles Office of the Controller

Audit of City Passenger Vehicles and Fuel Usage

January 22, 2009

Laura N. Chick
City Controller

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	2
BACKGROUND AND METHODOLOGY	12
AUDIT FINDINGS AND RECOMMENDATIONS	20
SECTION I – DEPARTMENTAL ASSIGNED PASSENGER VEHICLES	20
SECTION II – MOTOR POOL AND OTHER ISSUES	29
SECTION III - FUEL USAGE.....	37
APPENDIX.....	48
ATTACHMENT	53

AUDIT OF CITY PASSENGER VEHICLES AND FUEL USAGE

EXECUTIVE SUMMARY

BACKGROUND

VEHICLES

The City's vehicle fleet can be divided into three groups: the executive fleet, the Motor Pool and departmental fleets. The executive fleet comprises the vehicles assigned on a long-term basis (home-garaged) to elected City officials, their staff and department general managers while the Motor Pool and department fleets are generally available for employees during work hours.

This audit evaluated the Motor Pool and departmental assigned passenger vehicles (limited to sedans and light trucks with a Gross Vehicle Weight Rating of up to 10,000 lbs). The departments are assigned a total of 2,064 vehicles with an original purchase cost of approximately \$50 million, an average cost of \$24,193 per vehicle. In addition, the Motor Pool vehicles were purchased at a total cost of approximately \$5 million, an average of \$22,068 per vehicle. Los Angeles Police Department (LAPD), Los Angeles Fire Department (LAFD) and proprietary departments were excluded from this audit. The executive fleet and LAPD and LAFD home-garaged vehicles were reviewed separately under our audit of home-garaged vehicles.

FUEL

This audit also includes a review of fuel usage. This includes fuel used by all departments (including LAPD and LAFD) except the proprietary departments. The Department of General Services (GSD)'s Petroleum Products Unit (PPU) administers the City's fuel services. PPU awards contracts for fuel (e.g. diesel, unleaded gasoline, aviation fuel, liquefied and compressed natural gas, and propane) and other related petroleum products (e.g. oil and lubricants); manages the fuel ordering and payment processes for City departments; and administers the City's fuel credit card (Voyager) program.

For fiscal year 2007-08, GSD purchased 15.5 million gallons of diesel fuel, unleaded fuel, Liquefied Natural Gas (LNG), and Compressed Natural Gas (CNG) at a cost of \$45.9 million. This is an 89% increase from fiscal year 2004-05 when the total fuel purchased was \$24.3 million.

Employees can obtain fuel from 136 sites located throughout the City. There are various types of cards that can be used to obtain fuel. In addition, some vehicles are equipped with transmitters so that fuel can be obtained without using a card or entering a vehicle number or odometer reading. Some employees are also issued Voyager cards so that they can obtain fuel from a commercial site. These cards are supposed to be used only when a City site is not nearby.

OBJECTIVE, SCOPE AND METHODOLOGY

The main objective of this audit was to assess the controls over the assignment and usage of the City's passenger vehicles as well as to evaluate controls over fuel usage. The audit was performed in accordance with Generally Accepted Government Auditing Standards and covered the period from July 1, 2006 through October 31, 2008. Fieldwork was conducted between July 2008 and December 2008. With respect to the assignment and usage of vehicles, this audit did not include the LAPD, LAFD and proprietary departments, who maintain their own vehicle fleets. We also excluded special purpose parking enforcement sedans used by the Department of Transportation. However, with respect to fuel usage, our audit covered all City vehicles except those used by the three proprietary departments.

We conducted our vehicle related fieldwork primarily at the Department of General Services, the Department of Recreation and Parks (RAP), the Bureau of Sanitation, the Bureau of Street Services, the Information Technology Agency (ITA) and the Los Angeles Zoo. The six departments are assigned a total of 1,712 sedans and light trucks.

In conducting our audit, we interviewed management and staff of the six departments and reviewed applicable City policies and departmental procedures to obtain an understanding of the assignment, usage, and monitoring of their fleet. We performed physical inventories at certain locations and evaluated the utilization of vehicles assigned to the Motor Pool and those assigned to departments. Finally, we evaluated controls over fuel usage which included an analysis of fuel database transactions to identify any unusual patterns and anomalies.

SUMMARY OF AUDIT RESULTS

Our audit found that despite having a significant amount invested in fleet vehicles, the City lacks adequate monitoring controls over the acquisition and usage of the vehicles. The City's expert in fleet services, the Department of General Services (GSD), does not actively participate in monitoring usage of departmental-assigned vehicles. According to GSD management, GSD does not have oversight responsibility on how City departments use their assigned vehicles nor does it decide the number and type of vehicles that each department should have. GSD only purchases vehicles, maintains vehicles, and provides fuel to departments. Throughout our audit, it became apparent that many departments believe it is GSD's responsibility to monitor fuel usage. At a

minimum, GSD should provide usage reports to departments so that they can monitor their vehicles and track usage. GSD does not provide any regular reports to departments.

The City currently does not have a utilization standard that could be used to evaluate the need for a vehicle. We found that many pool vehicles had a low number of check-outs and may be underutilized. Establishing a utilization standard could help GSD and the departments monitor and identify underutilized vehicles that could be eliminated.

As a general rule, there are few controls over vehicle and fuel usage. For example, departments do not maintain logs to show how vehicles are used, or logs are maintained but are not reviewed by supervisors. Departments also do not monitor fuel usage. As previously discussed, GSD does not provide any regular reports to departments on fuel usage.

The following are some of the audit's key findings:

- **The City does not have an established vehicle utilization standard that can be used to assess and monitor the number of departmental passenger vehicles needed.**

The City makes a substantial investment in passenger vehicles to be used for City business and functions. The extent of the use determines the value received from the investment. An effective fleet management partly depends on utilization. In general, Fleet Managers measure utilization in miles per vehicle year (MPVY). The City does not have an established passenger vehicle utilization standard that can be used to assess the size of the Motor Pool or departmental assigned fleets. Several governmental entities have established standards for adequate vehicle utilization. For example, a minimum utilization of 12,000 miles per year is required to justify a passenger vehicle for a federal agency.

GSD's records show an average utilization of 6,268 miles per year per vehicle for the 1,712 vehicles assigned to the six departments we reviewed. Compared to the standards used by various other agencies, many City vehicles are underutilized. For example, if the City adopts a very conservative minimum utilization of 7,000 miles for a department passenger vehicle, only 1,533 vehicles would be needed to fulfill the needs of the six departments. This would suggest that 179 (1,712 minus 1,533) vehicles could be potentially targeted for reduction. Eliminating the 179 vehicles could save the City approximately \$1 million a year in depreciation, maintenance, and fuel costs.

Vehicle investment decisions should be based on expected usage. If a vehicle is expected to have a low usage, departments should be encouraged to consider alternative options such as public transportation, mileage reimbursements, monthly allowances, using the Motor Pool, or increased use of videoconferencing.

It is also important for the City to establish vehicle utilization standards so it does not purchase vehicles that will be underutilized. Once a vehicle is purchased, it may be difficult to dispose of the vehicle. City vehicles are purchased with Municipal Improvement Corporation of Los Angeles (MICLA) funds. MICLA does not allow vehicles to be sold within seven years unless the City purchases a similar asset.

- **The departments do not perform periodic needs assessments for sedans and light trucks.**

In general, departments submit justifications for new vehicle requests to the CAO through their annual budget requests. The CAO also approves all vehicles purchased by GSD based on a predetermined replacement cycle. However, departments do not perform periodic comprehensive assessments of vehicles in their operations to identify opportunities for reduction or relocation. Because a division has always had a certain number of vehicles does not necessarily mean it continues to need the same number of vehicles year after year. A periodic needs assessment should be performed to analyze current operations, changes in conditions and workload data in order to determine the number of vehicles needed.

- **Departments do not adequately monitor the use of their passenger vehicles.**

We visited several facilities to assess whether the facilities have controls to monitor vehicle usage and ensure the vehicles are only used for City business. Sedans and light trucks assigned to these facilities are used either as pool vehicles or assigned to supervisors and managers. Many of these vehicles are generally used to attend meetings and to go from field locations to headquarters.

There is no standard methodology to monitor vehicle usage. Some facilities do not use any check-out/usage logs to capture relevant trip information. Departments that do use logs do not consistently complete them and review them for anomalies. There are also many different types of check-out logs being used. The use of City vehicles should be for the benefit of the citizens of Los Angeles and public employees must be aware that citizens may perceive their use of City vehicles as abuse. Therefore, it is incumbent on all employees and supervisors to ensure that City vehicles are used appropriately. At a minimum, City officials should implement some standardized methodology for employees to track the usage of their assigned passenger vehicles and to monitor their employees to ensure they are using City vehicles only for authorized City business.

- **Opportunities exist for GSD to reduce the number of vehicles in the Motor Pool. GSD does not have established criteria to measure the utilization and efficiency of the Motor Pool.**

Similar to departmental assigned vehicles, there are no established criteria to measure the utilization and efficiency of the Motor Pool. To evaluate whether there is an appropriate number of vehicles in the Motor Pool, we physically counted the

number of available vehicles at the City Hall East location on 38 days between October 1, 2008 and December 10, 2008. We conducted the counts at noon-time because we believed the number of cars available on a particular day would be lowest around noon. GSD stated that approximately 130 vehicles are available for check-out at the City Hall location.

On average, we found that GSD had 53 (31 sedans and 22 vans) vehicles or approximately 41% (53 of 130) available for check-out at a time of the day when there should be the lowest number available. The number available at noon ranged from a low of 20 vehicles to a high of 91. An analysis of the data showed that Wednesday had the least number of available vehicles. Further analyses showed a wide disparity in vehicles available between payday (every other Wednesday) and the opposite Wednesday. Specifically, for the five paydays we observed, there was an average of 27 vehicles available (eight sedans and 19 vans), but on the opposite Wednesday, the average was 52. For all days excluding paydays, there was an average of 57 vehicles available. GSD does not provide departments with Motor Pool usage reports which departments could use to review the appropriateness of vehicle usage by their staff. Such reviews could potentially result in opportunities to reduce the Motor Pool.

In summary, GSD has the potential to reduce the size of the Motor Pool. At a minimum, the Department should be able to reduce the pool by 15 vans. In addition, if departments reviewed the appropriateness of trips made by their staff (based on reports GSD could provide), the City may be able reduce the pool by at least an additional 20 sedans. Eliminating 15 vans and 20 sedans would save the City approximately \$200,000 a year.

- **GSD does not provide reports to departments so they can monitor their employees' fuel transactions for appropriateness.**

One way to minimize the potential for inappropriate transactions, such as fueling personal vehicles or gasoline cans is to provide user management with reports of fuel transactions. Ideally, these reports would be summarized in a manner that would facilitate management's review and would also include reports of unusual activity. Despite the fact that the System was first implemented approximately eight years ago, GSD has not provided departments with any regular reports of fuel transactions.

We analyzed fueling transactions contained in the Fuel Automation System for the period July 1, 2006 through October 31, 2008. The analysis included a review of duplicate, weekend, after-hour, negative mile, and bypass transactions. Our analysis shows a very high percentage of high risk circumstances as defined above. For example, for the period July 1, 2006 through August 19, 2008, 24.4% of transactions were duplicates and 14.3% of transactions were after-hours.

In addition, our analysis shows a steady decrease in the percentages since our audit began. The lack of controls over fuel usage as detailed in this report makes it easier for employees to obtain fuel inappropriately, and a high percentage of transactions in these categories could indicate potential inappropriate transactions.

During our audit, GSD established a Fuel Automation Task Force, consisting of representatives from various departments. As a result of the task force meetings, GSD has begun developing a website where departments would be able to download data and fuel usage reports.

- **There have been lax controls over can card usage. There has been a significant decrease in can card usage since GSD implemented new controls. This is an indication of poor controls prior to the changes.**

GSD's most recent records show 532 can cards assigned to departments, with 465 (87%) of these cards assigned to RAP, Street Services, and GSD. None of the sites we visited maintain any type of logs to record can card usage nor have they performed any type of analyses to determine typical expected can card usage which could be compared to actual usage to identify any unusual differences.

During our audit, GSD implemented new controls over can cards. Each can card is now limited to two fill-ups per day, with a maximum of five gallons per fill-up. The implementation of the new can card controls has resulted in a large reduction in can card usage. For the period August 1, 2008 through October 31, 2008, the number of gallons used per month averaged 15,126. This represents a 41% reduction in the number of gallons used when compared to the same period in 2007.

- **Based on inaccurate data in the Fuel Automation System database, it appears that not all system modifications were completely tested.**

Once a system has been implemented and tested, any new system modifications should also be tested. GSD began implementing the Vehicle Information Transmitter (VIT) fueling process in 2003. This involved installing transmitters in vehicles and fuel pumps. GSD did not perform adequate tests to ensure that vehicles were properly "coded". If it had, it may have been able to detect, in a timely manner, that certain vehicles were improperly coded. For example, we noted that the FAS database showed 19 fill-ups on one day for a particular vehicle. GSD explained that there was a coding problem which resulted in fill-ups for one vehicle being recorded under another vehicle.

Other findings of the audit include:

- None of the six departments we visited conduct periodic physical inventories of cars, light trucks and fuel cards.
- Some weaknesses exist in the Motor Pool dispatch procedures.

- A vendor owes the City \$2.1 million in proceeds from public auctions of City vehicles and equipment.
- The City does not have proper controls in place to ensure that it has received all the fuel it has purchased.

Since our audit began, GSD has taken several actions to help control vehicle and fuel usage. These actions are included in Attachment I.

The details of each of our findings are discussed in the audit findings and recommendations section of this report.

REVIEW OF REPORT

A draft report was provided to GSD, CAO, RAP, Sanitation, Street Services, ITA and the Zoo on December 30th and 31st of 2008. We discussed the contents of the report with the management of these departments between January 7, 2009 and January 13, 2009. The departments generally concurred with the report's findings and observations. We considered the comments provided by these departments before finalizing this report. The departments recognize the need for improvements and have begun to address many of the issues in this report. We would like to thank management and staff of GSD, CAO, RAP, Sanitation, Street Services, ITA, and the Zoo for their cooperation and assistance during the audit.

GSD disagreed with the recommendation for the Department to determine the feasibility of implementing a driver's safety program for non-commercial drivers with multiple accidents. The Department believes that each department should be responsible for this function. In addition, GSD disagreed with the recommendation to monitor Voyager card activity on a periodic basis. Again, it believes that each department should monitor its own activity. We believe that central oversight in these areas is crucial to effective and efficient operations.

TABLE OF RECOMMENDATIONS

RECOMMENDATIONS	PAGE REFERENCE
Section I. Departmental Assigned Passenger Vehicles	20
1. The Mayor and City Council should direct GSD to work with other appropriate City Officials and the various departments to establish a policy to specify appropriate minimum usage criteria for each class of City vehicles. The policy should include a justification process for retaining vehicles that do not meet established minimum criteria.	23
2. The Mayor and City Council should direct GSD and the CAO to periodically review departmental assigned underutilized vehicles for possible reallocation or reduction based on criteria established in recommendation #1.	23
3. The Mayor should instruct each department's management to perform a needs assessment of sedans and light trucks on a regular basis to identify any underutilized vehicles and to submit the analysis to the Mayor's Office and the CAO.	24
4. The CAO, during the budget process, should review departmental requests for new vehicles against the needs assessment.	24
5. The Mayor should instruct GSD to develop a standardized methodology that can be used by departments to track usage of City vehicles.	27
6. Departments should conduct regular periodic physical inventories of cars and light trucks. The inventories should be conducted on a surprise basis by someone independent of individuals responsible for the vehicles.	28
7. GSD should provide periodic listings to departments showing cards assigned to the departments.	28
8. Departments should conduct regular physical inventories of cards and reconcile their records to GSD's records.	28
Section II. Motor Pool And Other Issues	29
9. GSD management should ensure that proper approval forms are on file for vehicles out on a long-term basis or temporary home garaging. Temporary home-garaging more than two months (within a year) should be forwarded to the CAO for proper approval.	32
10. GSD management should establish appropriate criteria to measure the utilization and efficiency of the Motor Pool vehicles.	32

RECOMMENDATIONS	PAGE REFERENCE
11. GSD management should evaluate whether it could reduce the number of the vehicles in the Motor Pool.	32
12. GSD management should begin providing departments with reports showing Motor Pool usage which the departments could use to evaluate the necessity of trips incurred by their employees.	33
13. The Mayor should require departments to provide justification for Motor Pool usage by their employees.	33
14. GSD management should ensure that dispatch staff consistently follows its dispatch procedures. Dispatch staff should promptly follow up with employees (or their supervisors) who kept vehicles overnight without proper authorization.	33
15. GSD management should work with the City Attorney's Office to aggressively pursue the collection of the remaining \$2.1 million owed by the vendor. Amounts collected should include appropriate interest and/or penalties in accordance with the guidelines in the City's Administrative Code.	35
16. GSD management should follow good business practices and accept payments only in the form of cash or cashier checks from vendors that have submitted checks returned for non-sufficient funds.	35
17. The Bureau of Sanitation should monitor its pull notice policies to ensure that supervisors are timely informed of any action that may impact employees' driving privileges.	36
18. GSD should determine the feasibility of implementing a driver's safety program for non-commercial drivers with multiple accidents.	36
Section III. Fuel Usage	37
19. GSD should complete the development of its report website and consider including reports similar to those described above.	40
20. Departments should establish policies and procedures to review the reports on a regular basis to identify and follow-up on unusual instances and to look for opportunities to reduce fuel usage.	40
21. Departments, in coordination with GSD, should establish procedures related to weekend and after-hours fueling of vehicles with the goal of minimizing the risk of inappropriate transactions occurring and optimizing security and availability of fuel sites.	40
22. GSD should ask site coordinators to generate a veeder root tape immediately after the vendor has deposited the fuel into the tank. Fuel Services should use these reports to verify the quantity invoiced in cases where a Fuel Report by site is not available.	42

RECOMMENDATIONS	PAGE REFERENCE
23. RAP and Zoo management should work with GSD and the appropriate vendor(s) to resolve the discrepancy issues relating to fuel deliveries and discontinue paying more than the quantity shown on the fuel receipt report/veeder root tape.	42
24. Departments should establish procedures to track and monitor can card usage. This should include establishing benchmarks of typical usage which can be compared to actual usage to identify any anomalies.	44
25. Departments and Council offices should cancel unused cards, unless they can justify that the card is needed on a fairly regular basis.	45
26. GSD should expand its education efforts with respect to the requirement that Voyager cards only be used in emergency situations when a City pump is not readily available. This should include ensuring that each vehicle has a listing of City sites available and the hours of operation.	45
27. GSD should monitor Voyager card activity on a periodic basis to optimize the use of Voyager cards.	45
28. GSD should completely test Fuel Automated System modifications to ensure that the database accurately records transactions.	46
29. GSD should perform a periodic reconciliation of gallons purchased versus gallons dispensed by site and investigate the reasons for any significant discrepancies.	46

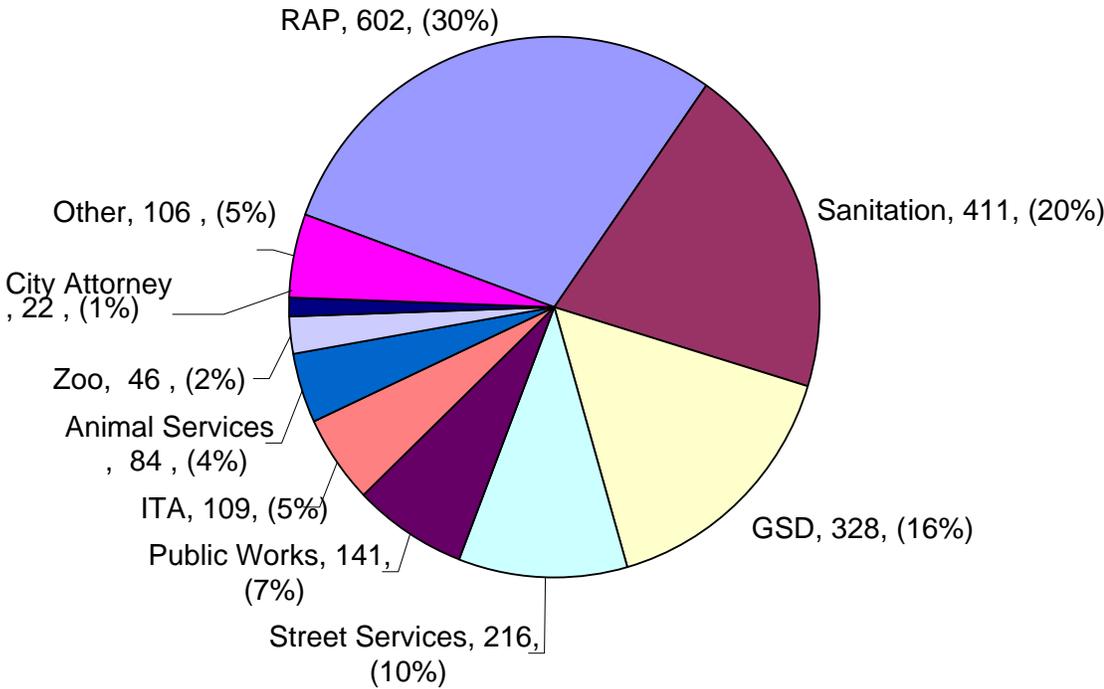
BACKGROUND AND METHODOLOGY

BACKGROUND

VEHICLES

The City's vehicle fleet can be divided into three groups: the executive fleet, the Motor Pool and departmental fleets. The executive fleet comprises the vehicles assigned on a long-term basis (home-garaged) to elected City officials, their staff and department heads while the Motor Pool and department fleets are generally available for employees during work hours. The departments are assigned a total of 2,064 vehicles with an original purchase cost of approximately \$50 million, an average cost of \$24,193 per vehicle. According to GSD records, repair and maintenance costs for these vehicles were approximately \$5.2 million for the last two fiscal years. The following chart shows the distribution of the vehicles by department.

Cars and Light Trucks by Department



Fleet vehicle acquisition and replacements are generally financed with proceeds from certificates of participation issued by the Municipal Improvement Corporation of Los Angeles (MICLA). The MICLA was formed to assist the City in securing financing for the acquisition of properties and equipment (including the construction of buildings and other improvements) through the issuance of certificates of participation and revenue bonds. MICLA payments are guaranteed by the City's General Fund. Approximately \$30 million in MICLA funding is budgeted in FY 2008-09 for acquiring and replacing City vehicles used by departments, excluding LAPD and LAFD. This includes over 100 sedans. In addition, LAPD and LAFD had \$40 million budgeted for FY 2008-09, which includes over 200 sedans for LAPD and over 50 sedans for LAFD. Vehicles purchased with MICLA funds cannot be sold within seven years of purchase unless the proceeds are used to purchase a similar asset.

Table 1 on the next page shows the number of passenger vehicles (sedans and light trucks) belonging to the various departments, their original purchase costs and average costs. Some departments may show a higher than average cost due to specialized customization of the vehicles (e.g., a crew truck).

Table 1			
Breakdown of Departmental Assigned Passenger Vehicles As of July 2008			
Department	No. of Vehicles	Total Purchase Cost	Average Cost
Recreation and Parks	602	\$ 14,760,736	\$ 24,519
Bureau of Sanitation	411	\$ 9,030,275	\$ 21,971
General Services	328	\$ 7,485,943	\$ 22,823
Bureau of Street Services	216	\$ 5,503,399	\$ 25,479
Public Works -other bureaus	141	\$ 3,727,914	\$ 26,439
Information Technology Agency	109	\$ 2,686,803	\$ 24,650
Animal Services	84	\$ 3,101,093	\$ 36,918
Zoo	46	\$ 909,358	\$ 19,769
City Attorney	22	\$ 454,087	\$ 20,640
Community Development	16	\$ 352,708	\$ 22,044
Library	15	\$ 333,616	\$ 22,241
Personnel	14	\$ 309,022	\$ 22,073
Aging	13	\$ 274,899	\$ 21,146
Housing Department	12	\$ 271,106	\$ 22,592
Building & Safety	8	\$ 189,727	\$ 23,716
Convention Center	8	\$ 159,193	\$ 19,899
Environmental Affairs	4	\$ 91,006	\$ 22,752
Planning	3	\$ 45,680	\$ 15,227
Printing	3	\$ 61,321	\$ 20,440
Fire & Police Pensions	2	\$ 35,934	\$ 17,967
Office Of Finance	2	\$ 46,329	\$ 23,165
Retirement System	2	\$ 45,351	\$ 22,676
Cultural Affairs	1	\$ 22,949	\$ 22,949
El Pueblo	1	\$ 15,277	\$ 15,277
Neighborhood Empowerment	1	\$ 21,028	\$ 21,028
Total	2,064	\$ 49,934,754	\$ 24,193

Source: GSD's Records

According to the Department of General Services' (GSD) management, GSD does not decide how many vehicles each department needs and is not responsible for monitoring departments' usage. GSD stated it only buys and maintains vehicles. Responsibilities for vehicle monitoring are fully decentralized. However, GSD still plays a significant role in fleet acquisition, fueling, maintenance, and the salvage process. The Department also operates the Motor Pool for employees to use to conduct daily City business. The following are the divisions within GSD that are involved in fleet acquisitions, operations and management.

Fleet Technical Services

Fleet Technical Services (FTS) provides fleet equipment purchase support to City department customers and Vehicle Management System (VMS) technical support to fleet repair shops. Service to City departments is provided through technical specification development, procurement of fleet equipment, and research into alternative fuel and new fleet technology. Support for repair shops includes VMS administration and coordinating computer hardware and software support.

FTS also handles the acquisition of new vehicles. Once a budget is approved, a detail listing, by department, of the number and type of vehicles to be purchased is forwarded to FTS for processing. Departments cannot call GSD to change the type or the number approved through the budget process. Any subsequent changes in the number and type of vehicles to be purchased would have to be approved by the City Administrative Officer (CAO). For vehicle disposal, FTS prepares a request for sale. The vehicles go to Salvage and are sold by auction.

Fleet Services Division

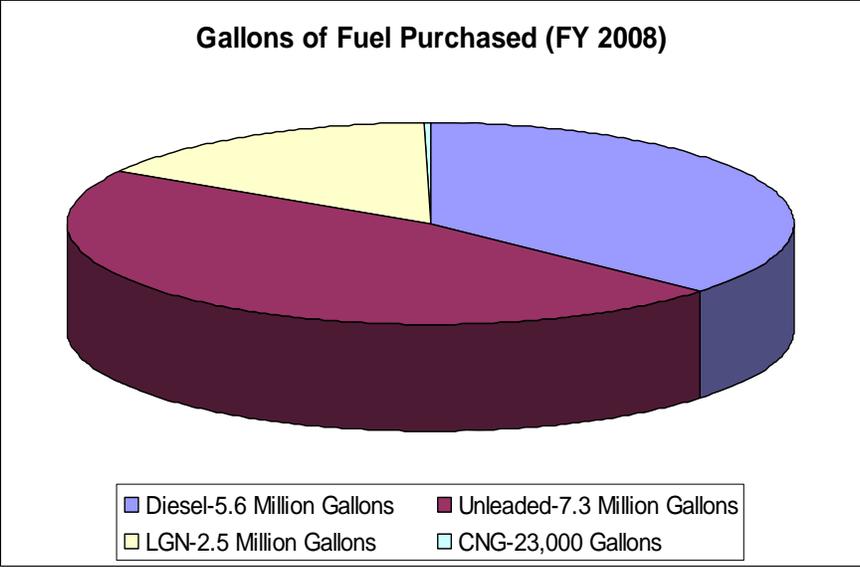
Fleet Services Division operates 29 repair facilities located throughout the Metropolitan area, San Fernando Valley, and San Pedro. These facilities are responsible for repairing and maintaining a wide variety of vehicles and pieces of equipment owned by departments. VMS is used to track vehicle information, assignments and maintenance. At the time of service, the mileage of vehicles is entered into VMS. This database also tracks repair costs for each vehicle. GSD schedules preventive maintenance for each vehicle on a six-month cycle. Fleet Services also operates the Motor Pool.

FUEL

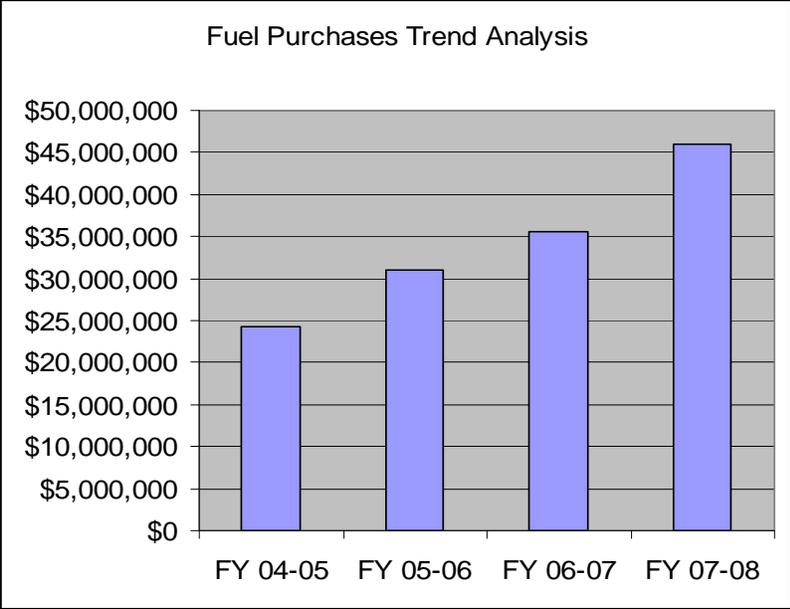
Fuel Purchases

GSD's Petroleum Products Unit (PPU) administers and oversees the City's fuel services for non-proprietary departments. The PPU awards contracts for fuel purchases (e.g., diesel, unleaded gasoline, aviation fuel, liquefied and compressed natural gas, and propane) and for other related petroleum products (e.g., oil and lubricants); manages the fuel order and payment processes; administers the City's fuel credit card (Voyager) program; and issues the various fuel cards.

For Fiscal Year 2007-08, GSD purchased 15.5 million gallons of diesel fuel, unleaded fuel, Liquefied Natural Gas (LNG), and Compressed Natural Gas (CNG) at a cost of approximately \$45 million. A breakdown of the gallons purchased is as follows:



Over the last four fiscal years, the total fuel purchases (unleaded fuel, diesel fuel, LNG, and CNG) has increased 89% from \$24.3 million in FY 2004-05 to \$45.9 million in FY 2007-08. This is depicted in the graph below:



Methods for Dispensing Fuel

City employees can obtain fuel at 136 fuel pump sites located throughout the City. The majority of these sites, 63%, are located at police (19 sites) and fire stations (66 sites). Employees can obtain fuel in a variety of ways, as follows:

- Fuel Card – Every vehicle is assigned a fuel card. Fuel can be dispensed by sliding the card through a card reader and entering the vehicle number and the odometer reading. The vehicle number that is entered must correspond to the card used. The City has approximately 16,000 active cards.
- Can Card – Can cards are utilized to fill-up gasoline cans (e.g., a five gallon can) so that small equipment and tools can be filled. There are approximately 530 active cards. No information needs to be entered into the Fuel Automation System. However, the System automatically records the site name and the department that has been assigned the card. The departments with the most cards are Recreation and Parks (315 cards) and Sanitation (115 cards). These two departments account for over 80% of the cards issued.
- Master Card – Each fuel site is assigned at least one master card. These cards should only be used in emergencies, such as when the System is unable to read an individual's fuel card. Use of a master card still requires a vehicle number and odometer readings to be entered. There are approximately 260 active cards.
- VIT – GSD refers to VIT (Vehicle Information Transmitter) fueling as the passive fueling system because a user is not required to enter any information into the System. In order for fuel to be dispensed in this manner, both the vehicle and the fuel pump must be properly equipped with transmitters. One advantage to this System is that the odometer readings recorded in the Fuel Automation System should be accurate.

Most vehicles with a 2003 model year or later are VIT equipped. Currently, there are approximately 20 LAPD sites plus an additional 30 sites that have VIT equipped fuel pumps. The use of VIT fueling continues to increase. In FY 2006-07, 33% of fueling transactions were through the VIT process. This percentage increased to 48% in FY 2007-08 and to 51% in FY 2008-09 (through October 31, 2008).

- Voyager Cards – GSD issues Voyager cards so purchases can be made at commercial gas stations. These cards have a monthly limit of \$1,500 in purchases. There are 223 active Voyager cards. City employees purchased 303,000 gallons of unleaded and diesel fuel at a cost of \$820,000 in FY 2006-07. In FY 2007-08, 308,000 gallons were purchased at a cost of \$956,000.
- Override Feature – All LAPD sites have an override feature so that emergency personnel can obtain fuel in the event that a card does not work or is not available. Use of the override feature still requires a vehicle number and odometer reading to be input.
- Bypass Feature – All sites have a bypass feature so that fuel can be obtained in the event that a card does not work or is not available. The bypass feature does

not require a vehicle number or odometer reading to be input. The bypass feature is activated by opening the fuel control terminal.

Fuel Automation System

With the exception of Voyager transactions, the Fuel Automation System (FAS) records all fuel dispensing transactions. The FAS records the following information:

- date and time of fill-up
- vehicle number
- the department name associated with the vehicle
- vehicle's odometer reading
- mile change in odometer reading since the last fill-up
- the site where the vehicle was filled
- the pump number at the site
- method used to obtain fuel (e.g., can card, master card, etc.)

As previously discussed, there are certain transactions where not all of the information is recorded. For example, on bypass transactions, the vehicle number and odometer reading are not captured.

GSD receives monthly electronic files of Voyager transactions from a vendor, U.S. Voyager Fleet System. The files do not include LAPD and LAFD transactions. However, these departments receive files of transactions directly from the vendor.

GSD purchased the FAS from E.J. Ward in 1999. Under the terms of the City's current contract, E.J. Ward is responsible for System maintenance, which also includes assisting the City in bringing fuel sites on-line. According to the City's Financial Management Information System, GSD paid E.J. Ward a total of \$2 million between FY 2004-05 and FY 2007-08 for its services. GSD stated that the FAS is still being developed.

OBJECTIVES, SCOPE AND METHODOLOGY

The main objective of this audit was to assess the controls over the assignment and usage of the City's passenger vehicles as well as to evaluate controls over fuel usage. The audit was performed in accordance with Generally Accepted Government Auditing Standards and covered the period from July 1, 2006 through October 31, 2008. Fieldwork was conducted between July 2008 and December 2008. With respect to the assignment and usage of vehicles, this audit did not include the LAPD, LAFD and proprietary departments, who maintain their own vehicle fleets. We also excluded special purpose parking enforcement sedans used by the Department of Transportation. However, with respect to fuel usage, our audit covered all City vehicles except those used by the three proprietary departments.

We conducted our vehicle related fieldwork primarily at the Department of General Services, the Department of Recreation and Parks, the Bureau of Sanitation, the Bureau of Street Services, the Information Technology Agency and the Los Angeles Zoo. The six departments are assigned a total of 1,712 sedans and light trucks.

In conducting our audit, we interviewed management and staff of the six departments and reviewed applicable City policies and departmental procedures to obtain an understanding of the assignment, usage and monitoring of their fleets. We performed physical inventories at certain locations and evaluated the utilization of vehicles assigned to the Motor Pool and those assigned to departments. Finally, we evaluated controls over fuel usage which included an analysis of fuel database transactions to identify any unusual patterns and anomalies.

The remainder of this report details our findings, comments and recommendations.

AUDIT FINDINGS AND RECOMMENDATIONS

SECTION I. DEPARTMENTAL ASSIGNED PASSENGER VEHICLES

Departments are responsible for monitoring the use of their assigned vehicles. We limited our review of department fleets to sedans and light trucks because these are the vehicles that are most susceptible to abuse. Vehicles are garaged at departments' facilities and employees must get authorization to take them home, if necessary. Based on the number of sedans and light trucks assigned to the departments, we selected six departments for review. These departments have a total of 1,712 of the 2,064 vehicles assigned to departments. The Zoo was selected because we also wanted to include a small department as part of our audit.

The Bureau of Sanitation

The Bureau of Sanitation collects and recycles solid and liquid waste generated by residential, commercial and industrial users in the City and surrounding communities. Sanitation has 411 vehicles that fall under our scope. These vehicles are assigned to 17 divisions at 35 different locations. Most of the bureau's vehicles are located at the Public Works Building (Broadway & 12th), Media Center and Hyperion Plant.

The Information Technology Agency (ITA)

ITA is assigned 109 sedans and light trucks. Vehicles assigned to ITA are utilized by employees engaged in installing, maintaining and repairing communications equipment, mainly for public safety operations for the City. A good portion of the communications equipment is located at remote sites, including mountaintop sites accessible only by use of a vehicle, or is installed in specialized vehicles (fire trucks, rescue ambulances, airport crash trucks, etc). The remote sites and specialized vehicles are spread throughout the City. Vehicles are typically assigned to crews.

The Department of Recreation and Parks (RAP)

The Department of Recreation and Parks (RAP) maintains and operates more than 400 sites for recreational use including public parks, swimming pools, public golf courses, recreation centers, museums, childcare centers, youth camps and tennis courts. The Department has 602 vehicles that fall under our scope. The vehicles are assigned to its various regions and districts. RAP has an Equipment Division responsible for tracking and monitoring its equipment inventory, including vehicles.

The General Services Department (GSD), Building Maintenance Division

The Building Maintenance Division has 75 vehicles assigned to its four geographic locations or districts. The vehicles are used by maintenance crews - electrical, plumbing, air-conditioning, painting, etc. Equipment and tools used by the various crews are installed in the vehicles. The vehicles are assigned to individuals, but they are not allowed to take the vehicles home.

The Bureau of Street Services

This Bureau maintains and cleans streets, bridges, tunnels, sidewalks, pedestrian subways and all related structures. Street Services is assigned 216 sedans and light trucks to carry out its duties throughout the City. A high percentage of this Bureau's light trucks are also assigned to crews.

The Los Angeles Zoo (Zoo)

Zoo is assigned 46 sedans and light trucks. The vehicles are primarily used and garaged on Zoo premises. The Zoo has its own in-house asset management database called ZooAms and uses it to track and maintain its fleet inventory with corresponding fuel cards.

Finding #1: The City does not have an established vehicle utilization standard that can be used to assess and monitor the number of departmental passenger vehicles needed.

The City makes a substantial investment in passenger vehicles to be used for City business and functions. The extent of the use determines the value received from the investment. A fully utilized vehicle results in a lower cost per mile because fixed maintenance costs are spread over a higher number of miles. Conversely, an underutilized vehicle results in a higher cost per mile. Therefore, effective fleet management partly depends on utilization. In general, Fleet Managers measure utilization in miles per vehicle year (MPVY). Looking for and identifying opportunities for utilization improvement is critical because it represents a significant opportunity for cost avoidance and fleet right-sizing. Tracking and monitoring utilization can also help identify possible misuse or abuse of a vehicle. Key to use of this performance measure is assigning utilization targets to all vehicles to identify normal and abnormal variations in utilization.

The City does not have an established passenger vehicle utilization standard that can be used to assess the size of the Motor Pool or departmental assigned fleets. Various governmental entities have established standards for adequate vehicle utilization. For example, a minimum utilization of 12,000 miles per year is required to justify a passenger vehicle for a federal agency. The California Department of General Services also uses 12,000 miles as a minimum utilization standard for a passenger vehicle. State agencies are also required to drive their passenger vehicles or light trucks for operation at least 80% of available work days. The City of San Jose uses 9,000 miles as its minimum utilization standard to justify a passenger vehicle. These agencies annually identify underutilized vehicles (the proportion of their vehicles driven below

utilization standards) and relocate or dispose of the vehicles. These approaches have enabled these municipalities to aggressively reduce the size and costs of their fleet.

Based on mileage data in GSD's records, the following is the average annual utilization for the vehicles belonging to the six departments we reviewed:

Annual Utilization for Six Departments			
Department	Total Annual Miles	No. of Vehicles	Average Annual Miles Per Vehicle
GSD	2,082,756	328	6,350
ITA	544,824	109	4,998
Zoo	137,435	46	2,988
RAP	3,891,498	602	6,464
Sanitation	2,232,905	411	5,433
Street Services	1,840,677	216	8,522
Total	10,730,094	1,712	6,268

Source: GSD's Records

Table 2 shows an average utilization of 6,268 miles per year per vehicle. Using the standards used by the agencies cited above, many City vehicles appear to be underutilized. For example, if the City adopts a very conservative minimum utilization of 7,000 miles (a much lower utilization standard when compared to the agencies cited above) for a department passenger vehicle, only 1,533 vehicles would be needed to fulfill the needs of these departments. This would suggest that 179 (1,712 minus 1,533) vehicles could be potentially targeted for reduction, resulting in potential savings of approximately \$1 million a year in depreciation, maintenance, and fuel costs.

We understand that some vehicles may have low mileage (Zoo) because they are only used locally. Others may be used infrequently or seasonally but serve a critical function. If mileage driven is not a reasonable measure of utilization for these types of vehicles, a separate evaluation and standard for measuring a minimum usage level should be established. Vehicle investment decisions should be based on expected usage. If a vehicle is expected to have a low usage, departments should be encouraged to consider alternative options such as public transportation, mileage reimbursements, monthly allowances, using the Motor Pool, or increased use of videoconferencing. Maintaining underutilized vehicles is very expensive for the City. For example, in FY 2007-08, the City incurred about \$14 million in depreciation, maintenance, and fuel costs for the departmental and Motor Pool fleets.

It is also important for the City to have appropriate minimum usage criteria so that it does not purchase vehicles that will be underutilized. Once a vehicle is purchased, it may be difficult to dispose of the vehicle. As previously indicated, vehicles purchased with Municipal Improvement Corporation of Los Angeles funds cannot be sold within seven years of purchase unless the proceeds are used to purchase a similar asset.

Recommendations

The Mayor and City Council should:

- 1. Direct GSD to work with other appropriate City Officials and the various departments to establish a policy to specify appropriate minimum usage criteria for each class of City vehicles. The policy should include a justification process for retaining vehicles that do not meet established minimum criteria.**
- 2. Direct GSD and the CAO to periodically review departmental assigned underutilized vehicles for possible reallocation or reduction based on criteria established in recommendation #1.**

Finding #2: The departments do not perform periodic needs assessments for sedans and light trucks.

A contributing factor to the high number of departmental vehicles is a lack of periodic needs assessments. In general, departments submit justifications for new vehicle requests to the CAO through their annual budget requests. The CAO also approves all vehicles purchased by GSD based on a predetermined replacement cycle. However, departments do not perform periodic comprehensive assessments of vehicles in their operations to identify opportunities for reduction or relocation. Because a division has always had a certain number of vehicles does not necessarily mean it continues to need the same number of vehicles year after year. A periodic needs assessment should be performed to analyze current operations, changes in conditions and workload data in order to determine the resources needed (i.e., number of vehicles). We noted several opportunities where a reassessment could have helped identify excess vehicles that could be reallocated or reduced.

For example, the Bureau of Sanitation has 21 pool vehicles with eight vehicles assigned to its headquarters office in the Public Works Building. GSD has a Motor Pool location with 35 sedans available to serve the employees located in this building. The Bureau stated that the vehicles were assigned before GSD established its Motor Pool location in the building. The Bureau should have reassessed the needs for the eight vehicles in light of GSD's Motor Pool availability. The eight vehicles do not appear to be fully utilized. For example, in reviewing the check-out records for September 2008, we noted that two vehicles were not checked-out 10 of the 22 available days and one vehicle was not checked-out 17 of the 22 available days. This type of situation presents an opportunity for reassessment and possible reduction in the number of vehicles.

Another example where an opportunity may exist for vehicle reduction is at GSD. GSD's Building Maintenance Division assigns a vehicle to each employee that works a day or night shift. If the Division arranges day and night shifts so that the shifts do not overlap, two employees could share one vehicle. This would allow the Department to cut the number of vehicles assigned to this group in half. This change should be relatively easy to make since the shifts only overlap by two and one half hours. When we discussed this issue with the Superintendent of Building Maintenance, we were told that a union issue could prevent such arrangement.

It should be noted that, as recommended by GSD, the Mayor sent a memo in February 2008, asking all departments for a 10% vehicle fleet reduction as a cost cutting measure. The departments are currently working with GSD to implement the fleet reduction requested by the Mayor. However, departments should be looking for opportunities to reduce their fleet size and reduce costs on a continuous basis. We believe there are still a number of passenger vehicles that may be underutilized and could be targeted for further reduction. A periodic analysis of departments' vehicle needs and uses is necessary to continuously identify opportunities to reduce the costs associated with underutilized vehicles.

Recommendations

- 3. The Mayor should instruct each department's management to perform a needs assessment of sedans and light trucks on a regular basis to identify any underutilized vehicles and to submit the analysis to the Mayor's Office and the CAO.**
- 4. The CAO, during the budget process, should review departmental requests for new vehicles against the needs assessment.**

Finding #3: Departments do not adequately monitor the use of their passenger vehicles.

Section 63.106 of the City's Municipal Code makes it unlawful to use or operate a City vehicle "for any purpose other than for official business of the City of Los Angeles." Our office has received several anonymous calls from employees and citizens on our Fraud, Waste and Abuse hotline on employees potentially abusing City vehicles by using them for personal business during and after work hours. Examples of some of the complaints we have received include employees seen picking up family members, transporting children to and from day care, allowing family members to drive a City vehicle, using a City vehicle to run personal errands during work hours, etc.

We visited several facilities to assess whether they have controls to monitor usage and ensure the vehicles are only used for City business. Sedans and light trucks assigned to these facilities are used either as pool vehicles or assigned to supervisors and

managers. Many of these vehicles are generally used to attend meetings and to go from field locations to headquarters.

There is no standard methodology to monitor vehicle usage. Some facilities do not use any check-out/usage logs to capture relevant trip information. Departments that do use logs do not consistently complete them and review them for anomalies. There are many different types of check-out logs being used. Several of the vehicles also appear to be underutilized. We observed the following:

The Bureau of Sanitation

- The Wastewater Collection System Division (WCS) has five sedans, and it maintains check-out logs for these vehicles. However, employees do not fill out trip cards, and there is no evidence of supervisory approval of the check-out logs. This division also has many light trucks. Each truck assigned to individual maintenance crewmembers is equipped with Field Automation for Sanitation Trucks Systems (FAST) – an application to manage sewer maintenance work orders, associated facilities data and deployment. The computer application includes a graphical-map interface that enables supervisors to keep track of their crew at anytime throughout the day. Based on our survey of other municipalities, this is considered a best practice to increase efficiencies and monitor for unauthorized usage.
- The Industrial Waste Management Division (IWMD) has six vehicles, and it maintains logs and trip cards for them.
- The Watershed Protection Division (WPD) has three vehicles and it maintains a log for them, but on the day of our visit the log did not reflect one of the three trucks that were being used.
- The Lopez Canyon facility has two pool vehicles. There are no logs for them and staff at the facility indicated the vehicles are rarely used.
- The Hyperion Plant has four pool vehicles, and they maintain logs and trip cards for usage. All relevant information is captured, but there is no evidence of review. These vehicles also have low usage.

The Bureau of Street Services

- The Executive Division has seven vehicles, five directly assigned to supervisors and two used as pool vehicles. Based on the log provided to us, pool vehicles were checked-out an average of five times per month. However, the Bureau indicated that the log is only used when employees of other divisions check-out the vehicles.

Information Technology Agency (ITA)

- Administration has two vehicles. One staff person uses one vehicle primarily to run mail services. Check-outs for the other vehicle are recorded on a monthly calendar. This calendar format lacks necessary information usually collected on a trip card such as the name of the driver/employee, location/destination(s) traveled, beginning and ending mileage incurred, etc. There is no indication that management reviews the vehicle logs to verify whether vehicle and/or fuel usage is reasonable and justified.
- ITA's Special Bond-Funded Projects Division has three pool vehicles. Vehicle logs are used but the log lacks evidence of supervisory approval, and there is no indication that the manager reviews them.
- The Public Safety Dispatch Division has four vehicles that serve as pool vehicles. Vehicle logs are used but did not include relevant information such as mileage and/or destinations.

The Department of Recreation and Parks

- We visited eight Recreation and Parks locations; a supervisor at each location is assigned either a station wagon sedan or a light truck. Only one, CLASS Park Section, keeps logs to record usage of vehicles.
- The Zoo also does not use any logs to record usage.

We recognize the difficulties in monitoring employees' use of vehicles, especially when many of the smaller trucks are assigned to employees who travel to different work sites individually during work hours. However, the use of City vehicles should be for the benefit of the citizens of Los Angeles. Public employees must be aware that citizens are vigilant and may perceive their use of City vehicles as abuse. Therefore, it is incumbent on all employees and supervisors to ensure that City vehicles are used appropriately. At a minimum, City officials should implement some standardized methodology for employees to track the usage of their assigned passenger vehicles and to monitor their employees to ensure they are using City vehicles only for authorized City business.

As an example of a best practice, the City of Chicago installed a global positioning system (GPS) on several City vehicles to increase efficiencies and to monitor for unauthorized usage. While using GPS technology may be the best option to prevent unauthorized usage, it could be very expensive. Therefore, it may not be a viable option for the City of Los Angeles at this time because of the high number of City vehicles. However, vehicle usage should be properly monitored to ensure appropriate usage.

Recommendation

5. The Mayor should instruct GSD to develop a standardized methodology that can be used by departments to track usage of City vehicles.

Finding #4: None of the six departments we visited conduct periodic surprise physical inventories of cars, light trucks and fuel cards.

Vehicles

Without periodic surprise physical inventories of vehicles, a department cannot be sure that vehicles are located where they are supposed to be and used for the purpose they are intended. GSD has a maintenance program where those responsible for vehicles are contacted to bring in their vehicles for regular maintenance every four months. Many departments believe this is sufficient to verify existence of the vehicle. While this would help confirm the vehicle has not been stolen, it would not identify employees who have taken a vehicle home without proper authorization. For example, a vehicle could be taken for personal use by an employee, yet be produced for maintenance and other work requirements.

Some departments also stated that they conducted an inventory of vehicles as part of the 10% fleet reduction goal. However, these inventories would not have disclosed inappropriate personal use because they were not conducted on a surprise basis or by individuals independent of those responsible for the vehicles. Furthermore, none of the six departments had policies in place to conduct physical inventories on a regular basis.

Fuel Cards

Departments should conduct regular periodic inventories of its various fuel cards (regular fuel cards, master cards, Voyager cards, and can cards) to ensure that they have all the cards reflected in GSD's records. Periodic inventories could identify instances of missing/lost cards or instances of errors in their own or GSD's records.

Our audit found that there is a lack of oversight over fuel cards. None of the six departments we visited conducted regular periodic inventories of fuel cards to its own records. Also, GSD does not provide departments with periodic listings showing the cards it should have according to GSD's records. Consequently, there have been no reconciliations of departmental records to GSD's records.

At RAP, Sanitation, and ITA, we found several vehicles that did not have corresponding fuel cards (there should be a fuel card for each vehicle). As a result, some vehicles were being filled with incorrect fuel cards. This results in inaccurate database records because a vehicle will show that it has received a fill-up when it did not.

At the Zoo and RAP we attempted to reconcile departmental records to GSD's records and noted several discrepancies.

- For the Zoo, GSD's records still reflect fuel card numbers for vehicles already salvaged. In addition, the Zoo has fuel cards for new vehicles, but GSD's fuel records did not include these card numbers.
- RAP has 226 fuel card records that are not in GSD's records and 175 items in GSD's records are not reflected in RAP's records. Subsequent to our fieldwork, GSD informed us that many of the discrepancies have been resolved.

Recommendations

- 6. Departments should conduct regular periodic physical inventories of cars and light trucks. The inventories should be conducted on a surprise basis by someone independent of individuals responsible for the vehicles.**
- 7. GSD should provide periodic listings to departments showing cards assigned to the departments.**
- 8. Departments should conduct regular physical inventories of cards and reconcile their records to GSD's records.**

SECTION II. MOTOR POOL AND OTHER ISSUES

MOTOR POOL

Excluding vehicles assigned to individual departments and vehicles that are part of the executive pool, GSD has 241 vehicles (186 sedans and 55 vans/pick-ups) in the Motor Pool. 90% of the sedans are hybrid vehicles. Other than the main facility at City Hall East, there is a second garage at the Public Works Building at 12th and Broadway where 35 vehicles are available. The Motor Pool vehicles were purchased at a total cost of approximately \$5 million, an average of \$22,068 per vehicle.

According to GSD management, the Motor Pool maintains a list of managers for each department who can authorize their staff to check-out pool vehicles. Each employee who wants to check-out a City vehicle fills out a trip card with their department, division, destination, and the last four digits of the social security number. The employee and someone on the authorized list for their department signs the card. Each department is supposed to update the list of authorized signers each year.

Finding #5: Opportunities exist for GSD to reduce the number of vehicles in the Motor Pool. GSD does not have established criteria to measure the utilization and efficiency of the Motor Pool.

Similar to the departmental assigned vehicles, there are no established criteria to measure the utilization and efficiency of the Motor Pool. GSD stated that its unwritten goal is to fulfill 100% of requests for vehicles. Consequently, GSD believes that the number of vehicles is not too many since it sometimes runs out of vehicles on paydays. A 100% goal may not be realistic because it comes at the cost of maintaining additional vehicles when the demand for vehicles is not at its peak.

Over the last five years, GSD has performed an analysis to assess the appropriate size of the Motor Pool only one time. This analysis, performed for a three week period in January 2008, measured the number of unique vehicles checked-out each day (some vehicles could be checked-out multiple times within the same day). These figures were then compared to the number of vehicles available for check-out. Since there were some days where all available cars were checked-out at least once during the day, GSD determined that there were no excess cars in the Motor Pool.

GSD's analysis may not be the best methodology to determine the appropriate size of the Motor Pool because some cars could be checked-out multiple times on the same day. Therefore, the fact that on some days all cars were used does not necessarily mean that GSD had no available cars at some point during those days. A better way to assess the size might be to count the number of cars available at certain times during each day. Another way to assess the size would be to determine a percentage of

vehicle requests that GSD is unable to fill. Currently, GSD does not maintain this type of data.

One reason why it may appear to GSD that there are not excess vehicles is that many of the vehicles assigned to the Motor Pool are being used exclusively by divisions within GSD and by other departments. During our inventory count on September 16, 2008, we noted 64 (26% of the 241) vehicles were not available for Motor Pool usage because they were either out on a long-term assignment to departments or being used as temporary home-garaged vehicles. GSD did not have approval forms on file for 21 of these vehicles.

To evaluate whether there is an appropriate number of vehicles in the Motor Pool, using the mileage data obtained from GSD, we calculated annual average mileage of 7,787 for Motor Pool vehicles with a range from 1,000 to 21,606.

Table 3		
Average Annual Miles for Vehicles in the Motor Pool		
Vehicle General Type	No. of Vehicles	Average Annual Mileage
Sedan/Station Wagon	186	8,759
Vans	41	3,176
Pick up truck	14	5,299
Average for the Motor Pool	241	7,787

Source: GSD's Records

It is not surprising that the 7,787 average mileage for Motor Pool vehicles is better than the average of 6,268 (table 2 on page 22) for departmental vehicles. Vehicles in a pool tend to be more consistently used than those that are individually or departmentally assigned because they are effectively rotated among users, balancing out usage.

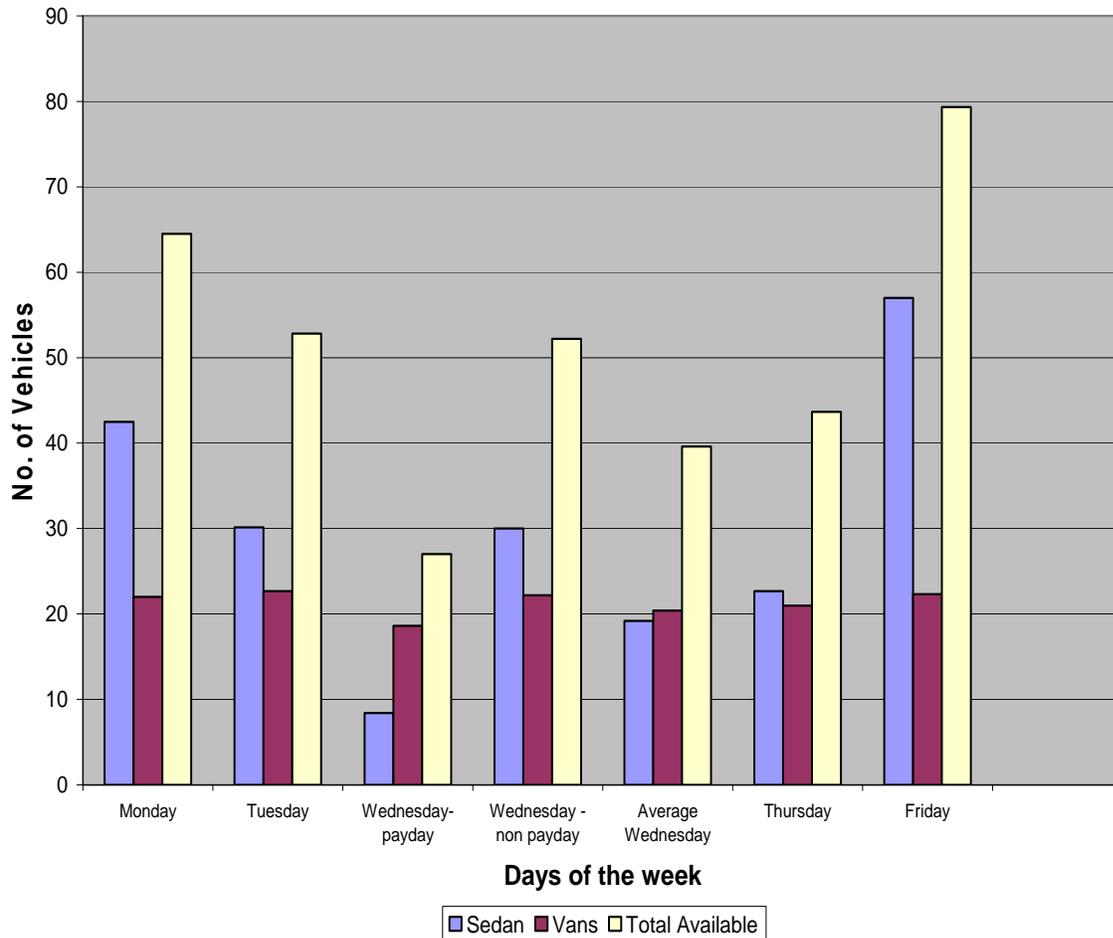
However, the 7,787 miles is still low compared to the mileage standards used by the State, federal government and many local municipalities for their passenger vehicles. Low mileage is an indication the City may have too many vehicles in the Motor Pool. For example, if a minimum requirement of 10,000 miles per vehicle were used, approximately 190 vehicles would be needed to satisfy the demand. This would indicate that the Motor Pool has an excess of as many as 51 vehicles (241 minus 190). A possible reason for low mileage could be because employees use Motor Pool vehicles for shorter trips since many City offices are within the downtown area.

In addition, we physically counted the number of available vehicles at the City Hall East location on 38 days between October 1, 2008 and December 10, 2008. We conducted the counts at noon-time because we believed the number of cars available on a

particular day would be lowest around noon (on some days we conducted as many as four physical counts, and the number of vehicles available was generally the smallest during our noon-time count). GSD stated that approximately 130 vehicles are available for check-out at the City Hall location.

On average, we found that GSD had 53 (31 sedans and 22 vans) vehicles or approximately 41% (53 of 130) available for check-out at a time of the day when there should be the least number of vehicles available. The number available during noon, ranged from a low of 20 vehicles to a high of 91. The average number of vehicles available each day is depicted in the chart below.

Average No. of Motor Pool Vehicles Available for Checkouts



An analysis of the data showed that Wednesday had the least number of available vehicles. Further analyses showed a wide disparity in vehicles available between payday (every other Wednesday) and the opposite Wednesday. Specifically, for the five paydays we observed, there was an average of 27 vehicles available (eight sedans

and 19 vans), but on the opposite Wednesday, the average was 52. For all days excluding paydays, there was an average of 57 vehicles available.

GSD does not provide departments with Motor Pool usage reports which departments could use to review the appropriateness of vehicle usage by their staff. Such reviews could potentially result in opportunities to reduce the Motor Pool.

In summary, GSD has the potential to reduce the size of the Motor Pool. At a minimum, the Department should be able to reduce the pool by 15 vans. In addition, if departments reviewed the appropriateness of trips made by their staff (based on reports that GSD could provide), the City may be able reduce the pool by at least an additional 20 sedans. GSD agrees that it is feasible to reduce the number of vans in the Motor Pool. Eliminating 15 vans and 20 sedans would save the City approximately \$200,000 a year.

Other than a standard for utilization, we encourage GSD to also track other performance measures such as:

- Average number of available pool vehicles per number of check-outs per day to indicate the use of Motor Pool.
- Ratio of Motor Pool vehicles to total number of organization employees to compare the size of the Motor Pool to the number of employees to be served.
- Number of requests that could not be filled to determine the adequacy of the size.

These types of measures combined with annual mileage driven should provide GSD with adequate data that can be used to improve utilization and the efficiency of the Motor Pool operation. It would also allow the Department to fully support the size of its Motor Pool.

Recommendations

GSD management should:

- 9. Ensure that proper approval forms are on file for vehicles out on a long-term basis or temporary home garaging. Temporary home-garaging more than two months (within a year) should be forwarded to the CAO for proper approval.**
- 10. Establish appropriate criteria to measure the utilization and efficiency of the Motor Pool vehicles.**
- 11. Evaluate whether it could reduce the number of the vehicles in the Motor Pool.**

- 12. Begin providing departments with reports showing Motor Pool usage which the departments could use to evaluate the necessity of trips incurred by their employees.**

The Mayor should:

- 13. Require departments to provide justification for Motor Pool usage by their employees.**

Finding #6: Our observations disclosed weaknesses in Motor Pool dispatch procedures.

A Motor Pool operation could be an attractive, cost effective alternative to departments having their own vehicles. As discussed earlier, pool vehicles tend to result in a lower cost per mile while allowing City departments to meet their short-term transportation needs.

To check-out a Motor Pool vehicle, the completed trip card provided by the employee is time-stamped. The employee swipes his driver license and an employee record is called up on the screen. This is to verify that the person is a bona fide City employee and that the driver's license is current. Dispatch staff then assigns a Motor Pool vehicle and gives the employee the key. Dispatch staff temporarily files the trip card in a rack, and as cars are turned in, the card is removed from the rack, time-stamped again with return time and date, and filed.

On September 16, 2008, we reviewed the check-out procedures at the City Hall East location. During our visit, we noted the following weaknesses in dispatch procedures:

- Staff did not always check for the authenticity of the authorized signer as long as there was a signature on the trip card.
- Staff did not always check for proper trip card completion.
- Staff did not always follow up aggressively with the employees or their supervisors when vehicles were kept overnight without authorization.

Subsequent to our visit, GSD has taken several actions to strengthen controls over the dispatch procedures. For example, GSD sent out a memo to all departments reminding them that Motor Pool vehicles are intended for temporary use. It also changed its trip card format to require that the authorized signer print his or her name so staff can verify it.

Recommendation

- 14. GSD management should ensure that dispatch staff consistently follows its dispatch procedures. Dispatch staff should promptly follow**

up with employees (or their supervisors) who kept vehicles overnight without proper authorization.

OTHER ISSUES

Finding #7: A vendor owes the City \$2.1 million in proceeds from public auctions of City vehicles and equipment.

Good business practice dictates that City departments not accept checks (other than a cashier check) from individuals that have submitted previous Non-Sufficient Fund (NSF) checks. In addition, Section 1.7.6 of the City's Administrative Code requires that if payment is not received from the maker of a dishonored check, then the dishonored check should be referred to the City Attorney or a collection agency for collection.

During our audit, we noted that GSD continued to accept checks from a vendor that had unresolved NSF checks. In addition, the case was not referred to the City Attorney's Office until more than six months after GSD received the first NSF check.

According to GSD, the problem with the vendor began in September 2007. The following is the chronology of the problem with the vendor that conducts public auctions of City vehicles and equipment.

- In September 2007, the vendor issued two checks to the City for auctions conducted in the summer of 2007, one for \$1.3 million and the other for \$344,509. The bank returned both checks unpaid. The vendor re-issued both checks and they were returned again for insufficient funds.
- GSD did not suspend the contract with this vendor until January 2008. The vendor conducted six additional auctions for an approximate total of \$1 million between September 2007 and January 2008. During this four-month period, several additional bad checks were tendered by the vendor.
- By the time GSD suspended the contract with the vendor in January 2008, the vendor had accumulated an outstanding amount of approximately \$2.8 million in auction revenue owed to the City.
- GSD entered into an agreement with the vendor to make periodic payments of \$200,000 in the form of cashier checks every two weeks. Three payments of \$200,000 were received on January 18, 2008, February 14, 2008, and March 6, 2008. The last two checks were regular checks (not cashier checks). The outstanding amount is now approximately \$2.1 million. GSD indicated that it referred the case to the City Attorney's Office in April 2008.

The City Attorney's office informed us that they have been working with the vendor and will be issuing a final warning letter to the vendor asking for payment immediately or the

City would proceed to litigation. We were not provided any correspondence of actions taken between April 2008 and the time of our inquiry in November 2008.

Recommendations

GSD management should:

- 15. Work with the City Attorney's Office to aggressively pursue the collection of the remaining \$2.1 million owed by the vendor. Amounts collected should include appropriate interest and/or penalties in accordance with the guidelines in the City's Administrative Code.**
- 16. Follow good business practices and accept payments only in the form of cash or cashier checks from vendors that have submitted checks returned for non-sufficient funds.**

Finding #8: For the Bureau of Sanitation, Department of Motor Vehicle Pull Notice reports are not forwarded to supervisors timely.

The California Department of Motor Vehicles (DMV)'s Employer Pull Notice (EPN) Program was established to provide employers and regulatory agencies with a means of promoting driver safety through the ongoing review of driver records. Employers enrolled in the EPN program are assigned a requester code. The requester code is added to an employee's driver license record. When an employee's license record is updated to record an action/activity, an electronic check is made to determine if a pull notice is on file. If the action/activity is one that is specified to be reported under the EPN program, a driver record is generated and mailed to that employer. A pull notice is generated when a driver's record is updated with a conviction, failures to appear, an accident, a suspension, a revocation or any other actions taken against his or her driving privilege.

Several departments have employees who are required to maintain a valid driver license because they drive City vehicles as part of their job responsibilities. Like many other City departments, the Bureau of Sanitation (Bureau or Sanitation) is enrolled in DMV's Pull Notice program. This program is intended to ensure that employees are not driving City vehicles with a suspended driver license.

At Sanitation, the Personnel Division receives the DMV "pull notice" and forwards it to the affected division. Personnel staff enters the information into their pull notice database and sends a memo to the appropriate supervisor. This is all done through interoffice mail. The notices are reviewed for license expiration, medical expiration, suspension or class change. When the pull notice is resolved, it is signed by the employee and supervisor and returned to the Personnel Division.

We found that Personnel staff takes an average of over a month to relay information received from the DMV to supervisors. Between April and August of 2008, Sanitation

Personnel received six DMV pull notices that involved employees' licenses being suspended, revoked or cancelled. The average timeline from when a pull notice was received from DMV to when the employee supervisor was notified was 31 days. Although we did not find any employee driving with a suspended license, it is critical for the supervisors to be informed immediately of driving violations so that they can prevent employees with suspended licenses from driving a City vehicle.

Sanitation management agrees that the notices are taking too long to reach supervisors and that there is a risk of employees driving City vehicles with expired licenses. Personnel staff stated that they will start e-mailing supervisors and division managers a copy of the DMV pull notice on the same day they receive it from DMV.

Recommendation

- 17. The Bureau of Sanitation should monitor its pull notice policies to ensure that supervisors are timely informed of any action that may impact employees' driving privileges.**

Finding #9: GSD does not monitor accidents and drivers who have multiple accidents so that driver's training can be provided to these individuals.

In general, individual departments track, investigate and record accidents involving their commercial license drivers. Problem commercial drivers are handled by departments by taking the employee off assignments that involve driving City vehicles. In addition, several departments have extensive training programs for drivers of large trucks, commercial and specialized vehicles. However, there is no Citywide tracking of accidents involving non-commercial drivers of sedans and light trucks.

Although we did not identify any employees driving non-commercial vehicles that had multiple accidents, we believe that the City should have a system in place to identify drivers that may need driver education and safety training. Since GSD knows when a driver has been involved in an accident, we believe they would be the best department to track these drivers.

Recommendation

- 18. GSD should determine the feasibility of implementing a driver's safety program for non-commercial drivers with multiple accidents.**

SECTION III. FUEL USAGE

Finding #10: GSD does not provide reports to departments so they can monitor their employees' fuel transactions for appropriateness.

One way to minimize the potential for inappropriate transactions, such as fueling personal vehicles or gasoline cans is to provide user management with reports of fuel transactions. Ideally, these reports would be summarized in a manner that would facilitate management's review and would also include reports of unusual activity. Despite the fact that the Fuel Automation System was first implemented approximately eight years ago, GSD has not provided departments with any regular reports of fuel transactions.

Analysis of Database

Using our audit software, we analyzed fueling transactions contained in the Fuel Automation System for the period July 1, 2006 through October 31, 2008. The analysis included a review of duplicate, weekend, after-hour, negative mile, and bypass transactions. These terms are described below:

- Duplicate Transactions – We defined a duplicate transaction as any situation where a vehicle had more than one fill-up on the same day. Multiple fill-ups on the same day for the same vehicle would be an indication of potential inappropriate transactions. Duplicate transactions could also be an indication of employees sharing fuel cards or employees using one card to fill-up different vehicles.
- Weekend Transactions – This includes any fill-ups on a Saturday or Sunday. An individual attempting to fill-up a personal vehicle or gasoline can may be more likely to do so on a weekend when there may be fewer employees in the vicinity of the pump.
- After-hour Transactions – This includes fill-ups between 8:00 p.m. and 5:00 a.m. An individual attempting to fill-up a personal vehicle or gasoline can may be more likely to do so on after normal working hours when there may be fewer employees in the vicinity of the pump.
- Negative Mile Transactions – Each time an employee uses a fuel card, s(he) is required to enter the odometer reading from the vehicle. An employee who uses a fuel card inappropriately might have to enter an inaccurate odometer reading. If the employee always enters the correct odometer readings, then the odometer reading shown in the database would be higher than the actual odometer reading on the vehicle.

- Bypass Transactions – This function is supposed to be used when a fuel card does not work properly or when the employee does not have his or her fuel card and a master card is not available. A high number of bypass transactions could be indicative of inappropriate activity.

We are not suggesting that all transactions in these categories are inappropriate. For example, certain departments such as LAFD and the Bureau of Sanitation may incur a high percentage of fuel transactions after hours or on weekends. However, the lack of controls over fuel usage as detailed in our audit findings makes it easier for employees to obtain fuel inappropriately, and a high percentage of transactions in these categories could indicate potential inappropriate transactions.

Summary of Analyses

Our analysis shows a very high percentage of transactions for high risk circumstances as defined above. For example, for the period July 1, 2006 through August 19, 2008, 24.4% of transactions were duplicates and 14.3% of transactions were after-hours. The table below summarizes our analyses. It should be noted that a transaction could be included in multiple categories. For example, a duplicate transaction could occur on a late weekend night.

SUMMARY OF FUEL TRANSACTIONS							
Transaction	7/1/06 - 8/19/08	10/1/08 - 10/31/08	% Difference	July-08	August-08	September-08	October-08
Duplicate	24.4%	21.5%	11.9%	23.9%	22.8%	21.9%	21.4%
After Hour	14.3%	12.5%	12.6%	15.3%	14.7%	13.3%	12.5%
Weekend	13.5%	10.7%	20.7%	11.3%	15.0%	12.6%	10.7%
Negative	11.5%	8.5%	26.1%	10.2%	9.6%	9.6%	8.5%
Bypass	5.5%	5.4%	1.8%	NA	NA	NA	NA

Source: GSD's Fuel Database

The analysis shows fairly significant decreases in the percentages between July 1, 2006 and August 19, 2008 when compared to October 2008. Also, there have been steady decreases in the percentages since our audit began. These decreases could have occurred as a result of closer monitoring by GSD and other departments since our audit began and/or the fact that employees became aware that our office was conducting an audit of fuel usage.

Duplicate Transactions

We examined duplicate transactions in more detail and noted the following:

- There were 393 instances where a vehicle filled-up at least ten times in one day. The total gallons dispensed was 142,658 gallons. For example, in one case, a vehicle received 30 fill-ups in the same day.
- There were 3,012 instances where a vehicle filled-up at least five times in one day. The total gallons dispensed was 359,680 gallons.

We provided GSD with the vehicle number for a vehicle that showed 19 fill-ups on one day (April 4, 2008). GSD explained that there was a problem with the VIT device coded into the vehicle. This problem is discussed further in another finding.

Suggestions For Reports

As previously discussed, fuel usage reports should be provided to managers so that they can monitor their department's fuel usage. Following are some suggested reports for GSD to begin generating. The need for some of these reports is discussed further in other findings in this audit report.

- Trend analyses showing month by month gallons used by each Department for each type of card (fuel card, can card, etc.).
- Summary and detailed reports of duplicate transactions.
- Summary and detailed reports of weekend and after-hour transactions.
- Summary and detailed reports of bypass transactions.
- Summary and detailed reports of negative mile transactions.
- Unused Voyager cards.
- Voyager card activity report.
- Listing of fuel cards, master cards, can cards, and Voyager cards assigned to departments.
- Vehicle usage reports showing the number of miles driven by each vehicle over a specified time period.
- Motor Pool usage reports showing frequency of vehicles checked-out by individual employees and number of vehicles checked-out by day.

During our audit, GSD established a Fuel Automation Task Force, consisting of representatives from various departments. As a result of the task force meetings, GSD has begun developing a website where departments would be able to download data and fuel usage reports.

Recommendations

- 19. GSD should complete the development of its report website and consider including reports similar to those described above.**
- 20. Departments should establish policies and procedures to review the reports on a regular basis to identify and follow-up on unusual instances and to look for opportunities to reduce fuel usage.**

Finding #11: In general, fuel sites are available to employees 24 hours a day, seven days a week to obtain fuel.

To the degree feasible, fuel site hours should be restricted to normal business hours. Allowing employees access to pumps late at night, early in the morning, or on weekends increases the likelihood of inappropriate transactions occurring. This is particularly true when there are few employees in the vicinity of the pump during these hours. There are some departments that may have a business need for frequent weekend or after-hour fill-ups. However, in other situations, it would seem that with proper planning, most employees could fill up their vehicles during normal business hours.

Our analyses of Fuel Automation System transactions disclosed that all but one site had some weekend and after-hour (between 8:00 p.m. and 5:00 a.m.) transactions. In addition, discussions with various sites revealed that fuel can be pumped 24 hours a day, seven days a week.

During our audit, GSD began providing fuel pump locks to Departments to help restrict employees' access to fuel. Our analyses of the Fuel Automation System transactions indicate that there has been a decrease in weekend and after-hour transactions. Specifically, for the period July 1, 2006 through August 19, 2008, these transactions comprised 27.8% of all fuel transactions. However, for October 2008 the percentage was 23.2%, which represents a 17% reduction.

Recommendation

- 21. Departments, in coordination with GSD, should establish procedures related to weekend and after-hours fueling of vehicles with the goal of minimizing the risk of inappropriate transactions occurring and optimizing security and availability of fuel sites.**

Finding #12: The City does not have proper controls in place to ensure that it has received all the fuel it has purchased.

Each fuel site coordinator is responsible for monitoring fuel levels in the tanks to determine when to order fuel. The coordinator contacts Fuel Services to place an order. According to Fuel Services staff, the coordinator is supposed to fax a “veeder root” tape to Fuel Services which shows the current amount of fuel in the tank as determined by the Tank Monitoring. The Tank Monitoring System uses sensors to measure fuel levels in the tank.

Fuel Services places an order with the vendor, who then makes the delivery within 24 hours. When the vendor has completed “depositing” the fuel into the tank, FAS automatically prints a Fuel Receipt by Site Report on one of Fuel Services’ printers. The report indicates the fuel level before the deposit, the quantity deposited, and the fuel level after the deposit. The vendor then has the site sign a copy of the delivery ticket showing the volume of fuel received. The vendors submit a copy of the delivery ticket with their invoice.

Upon receipt of the invoice, Fuel Services compares the fuel quantity on the invoice to the quantity on the Fuel Receipt by Site report and the delivery ticket. If the invoiced quantity is not within 10% of the quantity reflected on the Fuel Site report, Fuel Services requests the Tank Maintenance Unit (which is part of the Fuel Services Division) to verify that the sensors in the tank are properly adjusted. For RAP sites, this adjustment is done by a contractor.

We selected a sample of 60 transactions to determine if the invoiced quantity was within 10% of the quantity on the Fuel Receipt by Site Report. We noted that for 13 of the 60 transactions, there was not a Fuel Receipt by Site Report on file. In addition, for the remaining 47 transactions, there were seven (15%) instances where there was more than a 10% variance between the invoiced quantity and the quantity shown on the Fuel Receipt by Site Report. These problems are discussed below:

Lack of Fuel Receipt by Site Reports

Fuel Services stated that sometimes FAS does not automatically generate a Fuel Receipt by Site Report. In these instances, staff uses the delivery ticket to determine the quantity deposited into the tank. However, it should be noted that based on interviews with various departments, the individual signing the delivery ticket frequently does not attempt to verify the quantity delivered. One way to perform this verification would be to generate a veeder root tape after the fuel has been deposited and to compare this tape to the one generated before the vendor delivered the fuel.

It should also be noted that of the 13 transactions with a missing Fuel Receipt by Site Report, two also did not have a signed delivery ticket by City personnel. In these cases, Fuel Services pays the vendor based on the invoice plus the unsigned delivery ticket.

Discrepancies Greater than 10%

Of the seven instances where there was more than a 10% difference between the invoiced quantity and the quantity shown on the Fuel Report by Site, five were shortages (the invoiced quantity was higher). Four of these shortages, which totaled 412 gallons, were related to Recreation and Parks sites. The remaining discrepancy was for the Los Angeles Zoo fuel site. The earliest discrepancy we noted was in January 11, 2008 and the latest discrepancy was in May 30, 2008.

RAP stated that discrepancies have been ongoing problem since early 2008. However, as of November 2008, the situation has yet to be resolved. After GSD notified RAP of this problem in March 2008, RAP asked its contractor in May 2008, to perform a calibration of the sensors in its tanks. Despite the contractor calibration reports showing little or no deviation in the accuracy of the tanks' readings, the discrepancy continues to occur and GSD continues to pay the invoices. RAP stated that it will take additional steps to attempt to resolve the problem with the discrepancies between quantities purchased and delivered. A detailed review of fuel purchases is being conducted under a separate audit assignment.

Recommendations

- 22. GSD should ask site coordinators to generate a veeder root tape immediately after the vendor has deposited the fuel into the tank. Fuel Services should use these reports to verify the quantity invoiced in cases where a Fuel Report by site is not available.**
- 23. RAP and Zoo management should work with GSD and the appropriate vendor(s) to resolve the discrepancy issues relating to fuel deliveries and discontinue paying more than the quantity shown on the fuel receipt report/veeder root tape.**

Finding #13: There have been lax controls over can card usage. There has been a significant decrease in can card usage since GSD implemented new controls. This is an indication of poor controls prior to the changes.

GSD's records as of June 30, 2008 show 532 can cards assigned to departments. As show in the table below, three departments, RAP, Street Services, and GSD have 465 (87%) of these cards.

Table 5	
Departments With Most Assigned Can Cards	
Department	# of Cards
Recreation and Parks	315
Street Services	115
General Services	35

Source: GSD's Records

None of the sites we visited maintain any type of logs to record can card usage nor have they performed any type of analyses to determine typical expected can card usage which could be compared to actual usage to identify any unusual differences. Also, GSD does not provide any reports of can card usage to departments which could be reviewed to determine any unusual activity.

We acknowledge that it may not be cost effective in all instances to record all can card usage in an activity log. However, use of such a log could be used to assist departments in performing analyses of typical usage. This activity could then be used as a benchmark to identify any unusual can card usage. Currently, none of the three departments listed above could provide estimates of the number of gallons they would expect their departments to use over a given period of time using can cards.

During our audit, GSD implemented new controls over can cards. Each can card is now limited to two fill-ups per day, with a maximum of five gallons per fill-up. Before, the maximum number of gallons per fill-up was dictated by the card, and there was no limit on the number of times a card could be used on one day.

The implementation of the new can card controls has resulted in a large reduction in can card usage. For the period August 1, 2008 through October 31, 2008, the number of gallons used per month averaged 15,126. This represents a 41% reduction in the number of gallons used when compared to the same period in 2007. Specifically, there were seven departments that used at least 500 gallons between August 1, 2007 and October 31, 2007. Four of these departments showed a decrease of at least 80% for the period August 1, 2008 through October 31, 2008.

The large decreases are indication that can cards could have been used for personal reasons. Other reasons why there could be a decrease include:

- The database of can card transactions contains inaccurate data.
- Employees were using can cards to fill City vehicles when fuel cards should have been used.
- Operational changes resulted in less gallons being needed.

Recommendation

24. Departments should establish procedures to track and monitor can card usage. This should include establishing benchmarks of typical usage which can be compared to actual usage to identify any anomalies.

Finding #14: Of the 223 Voyager cards that have been issued, 95 (43%) had no usage during Fiscal Year 2007-08. This is an indication that many cards may not be needed.

GSD issues Voyager cards to individuals who need to purchase fuel when there is not a City pump nearby. Department head approval is required to obtain a card. As of June 30, 2008, the City had assigned 223 Voyager cards.

GSD receives Voyager card activity data from the vendor on a periodic basis. Each month, GSD reviews the reports for unusual or unauthorized transactions, such as non-gas purchases or out-of-state purchases. However, GSD does not review the data to identify unused cards or purchases made in the Los Angeles area when it is likely that a City pump would be nearby.

We noted that of the 223 assigned Voyager cards, 95 (43%) had no usage during Fiscal Year 2007-08. The following table provides a breakdown of the unused cards:

	No. of Cards Assigned	No. of Unused Cards	Unused Percentage
Council Offices	42	13	31%
City departments, excluding LAPD and LAFD	181	82	45%
Totals	223	95	43%

Source: GSD's Records

On a positive note, the fact that 43% of cards showed no usage shows that employees are only using cards in emergency situations. However, we noted that a high percentage of Voyager card fuel purchases were made in the Los Angeles area when there was a good chance that a City pump was nearby. Specifically, 846 (66%) of the 1,279 purchases of unleaded gasoline in Fiscal Year 2007-08 were made in the Los Angeles area, including 322 (25%) made in the City of Los Angeles. Of the 322 purchases, 181 (56%) were made by Council offices. The high number of purchases

made in the Los Angeles area is an indication that some cards may not be used for their intended purpose. It should be noted that seven of the 15 Council offices have zero or one Voyager card while two others have seven and nine, respectively. The wide disparity in the number of cards assigned to Council offices may be an indication that some have too many cards.

Having an excessive number of Voyager cards, makes it more difficult to control the cards and manage card activity. Therefore, GSD should cancel unused cards, unless the Council offices/departments can justify that the card is needed on a fairly regular basis. For occasional uses, employees could request a temporary Voyager card from GSD or they could request reimbursement for their fuel purchases.

Recommendations

- 25. Departments and Council offices should cancel unused cards, unless they can justify that the card is needed on a fairly regular basis.**
- 26. GSD should expand its education efforts with respect to the requirement that Voyager cards only be used in emergency situations when a City pump is not readily available. This should include ensuring that each vehicle has a listing of City sites available and the hours of operation.**
- 27. GSD should monitor Voyager card activity on a periodic basis to optimize the use of Voyager cards.**

Finding #15: Based on inaccurate data in the Fuel Automation System database, it appears that not all system modifications were completely tested.

Once a system has been implemented and tested, any new system modifications should also be tested. GSD began implementing the VIT fueling process in 2003. As previously discussed, this involved installing transmitters in vehicles and fuel pumps. GSD did not perform adequate tests to ensure that vehicles were properly "coded". If it had, it may have been able to detect, in a timely manner, that certain vehicles were improperly coded. For example, we noted that the FAS database showed 19 fill-ups on one day (April 4, 2008) for a particular vehicle. GSD explained that there was a coding problem which resulted in fill-ups for one vehicle being recorded under another vehicle.

In addition to performing tests when system modifications are made, there should also be procedures in place to conduct periodic tests to ensure the accuracy of data in the System. One test could be to reconcile, on a site by site basis, the amount of fuel purchased to the amount of fuel dispensed into vehicles. Over a short period of time there could be some significant differences due to timing differences. However, over a period of one year or longer, most differences should be small. GSD has never performed such a reconciliation.

Large differences between the amount of fuel purchased and the amount of fuel dispensed into vehicles could indicate a problem such as inaccuracies in the FAS data, problems with the accuracy of fuel dispensing equipment, or shortages of fuel dropped into fuel tanks by vendors. If GSD had performed such a reconciliation, it could have identified that four separate transactions of 42,950 gallons were recorded in the database on the same date for one site. GSD discovered this problem after we had provided the Department with a list of several large discrepancies between quantities purchased and quantities dispensed.

Recommendations

- 28. GSD should completely test Fuel Automated System modifications to ensure that the database accurately records transactions.**
- 29. GSD should perform a periodic reconciliation of gallons purchased versus gallons dispensed by site and investigate the reasons for any significant discrepancies.**

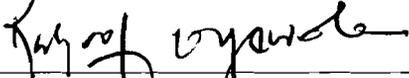
Respectfully submitted,



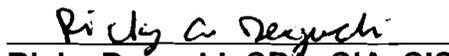
Erendira Sanchez, CPA
Internal Auditor I

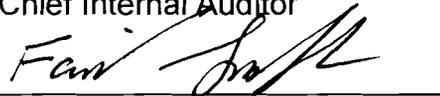


David James, CPA, CIA, CISA
Internal Auditor III

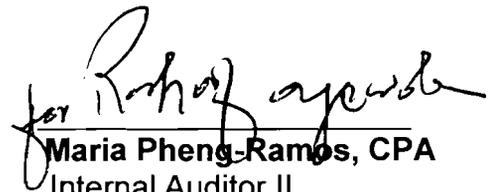


Rahoof Oyewole, CPA, CIA, CISA
Internal Auditor IV


Ricky Deguchi, CPA, CIA, CISA
Chief Internal Auditor



Farid Saffar, CPA
Director of Auditing



Maria Pheng-Ramos, CPA
Internal Auditor II



Gloria Niega
Internal Auditor III

December 19, 2008

**APPENDIX I
OFFICE OF THE CONTROLLER**

AUDIT OF CITY PASSENGER VEHICLES AND FUEL USAGE

Ranking of Recommendations

Finding Number	Description of Finding	Ranking Code	Recommendations
	Section I. Departmental Assigned Passenger Vehicles		
1	The City does not have an established vehicle utilization standard that can be used to assess and monitor the number of departmental passenger vehicles needed.	U	1. The Mayor and City Council should direct GSD to work with other appropriate City Officials and the various departments to establish a policy to specify appropriate minimum usage criteria for each class of City vehicles. The policy should include a justification process for retaining vehicles that do not meet established minimum criteria.
		U	2. The Mayor and City Council should direct GSD and the CAO to periodically review departmental assigned underutilized vehicles for possible reallocation or reduction based on criteria established in recommendation #1.
2	The departments do not perform periodic needs assessments for sedans and light trucks.	U	3. The Mayor should instruct each department's management to perform a needs assessment of sedans and light trucks on a regular basis to identify any underutilized vehicles and to submit the analysis to the Mayor's Office and the CAO.
		N	4. The CAO, during the budget process, should review departmental requests for new vehicles against the needs assessment.
3	Departments do not adequately monitor the use of their passenger vehicles.	N	5. The Mayor should instruct GSD to develop a standardized methodology that can be used by departments to track usage of City

			vehicles.
4	None of the six departments we visited conduct periodic surprise physical inventories of cars, light trucks and fuel cards.	N	6. Departments should conduct regular periodic physical inventories of cars and light trucks. The inventories should be conducted on a surprise basis by someone independent of individuals responsible for the vehicles.
		N	7. GSD should provide periodic listings to departments showing cards assigned to the departments.
		N	8. Departments should conduct regular physical inventories of cards and reconcile their records to GSD's records.
	Section II. Motor Pool And Other Issues		
5	Opportunities exist for GSD to reduce the number of vehicles in the Motor Pool. GSD does not have established criteria to measure the utilization and efficiency of the Motor Pool.	N	9. GSD management should ensure that proper approval forms are on file for vehicles out on a long-term basis or temporary home garaging. Temporary home-garaging more than two months (within a year) should be forwarded to the CAO for proper approval.
		N	10. GSD management should establish appropriate criteria to measure the utilization and efficiency of the Motor Pool vehicles.
		U	11. GSD management should evaluate whether it could reduce the number of the vehicles in the Motor Pool.
		N	12. GSD management should begin providing departments with reports showing Motor Pool usage which the departments could use to evaluate the necessity of trips incurred by their employees.
		N	13. The Mayor should require departments to provide justification for Motor Pool usage by their employees.

6	Our observations disclosed weaknesses in Motor Pool dispatch procedures.	N	14. GSD management should ensure that dispatch staff consistently follows its dispatch procedures. Dispatch staff should promptly follow up with employees (or their supervisors) who kept vehicles overnight without proper authorization.
7	A vendor owes the City \$2.1 million in proceeds from public auctions of City vehicles and equipment.	U	15. GSD management should work with the City Attorney's Office to aggressively pursue the collection of the remaining \$2.1 million owed by the vendor. Amounts collected should include appropriate interest and/or penalties in accordance with the guidelines in the City's Administrative Code.
		N	16. GSD management should follow good business practices and accept payments only in the form of cash or cashier checks from vendors that have submitted checks returned for non-sufficient funds.
8	For the Bureau of Sanitation, Department of Motor Vehicle Pull Notice reports are not forwarded to supervisors timely.	D	17. The Bureau of Sanitation should monitor its pull notice policies to ensure that supervisors are timely informed of any action that may impact employees' driving privileges.
9	GSD does not monitor accidents and drivers who have multiple accidents so that driver's training can be provided to these individuals.	D	18. GSD should determine the feasibility of implementing a driver's safety program for non-commercial drivers with multiple accidents.
	Section III. Fuel Usage		
10	GSD does not provide reports to departments so they can monitor their employees' fuel transactions for appropriateness.	U	19. GSD should complete the development of its report website and consider including reports similar to those described above.
		U	20. Departments should establish policies and procedures to review the reports on a regular basis to identify and follow-up on unusual instances and to look for opportunities to reduce fuel usage.

11	In general, fuel sites are available to employees 24 hours a day, seven days a week to obtain fuel.	N	21. Departments, in coordination with GSD, should establish procedures related to weekend and after-hours fueling of vehicles with the goal of minimizing the risk of inappropriate transactions occurring and optimizing security and availability of fuel sites.
12	The City does not have proper controls in place to ensure that it has received all the fuel it has purchased.	U	22. GSD should ask site coordinators to generate a veeder root tape immediately after the vendor has deposited the fuel into the tank. Fuel Services should use these reports to verify the quantity invoiced in cases where a Fuel Report by site is not available.
		U	23. RAP and Zoo management should work with GSD and the appropriate vendor(s) to resolve the discrepancy issues relating to fuel deliveries and discontinue paying more than the quantity shown on the fuel receipt report/veeder root tape.
13	There have been lax controls over can card usage. There has been a significant decrease in can card usage since GSD implemented new controls. This is an indication of poor controls prior to the changes.	N	24. Departments should establish procedures to track and monitor can card usage. This should include establishing benchmarks of typical usage which can be compared to actual usage to identify any anomalies.
14	Of the 223 Voyager cards that have been issued, 95 (43%) had no usage during Fiscal Year 2007-08. This is an indication that many cards may not be needed.	D	25. Departments and Council offices should cancel unused cards, unless they can justify that the card is needed on a fairly regular basis.
		N	26. GSD should expand its education efforts with respect to the requirement that Voyager cards only be used in emergency situations when a City pump is not readily available. This should include ensuring that each vehicle has a listing of City sites available and the hours of operation.

		U	27. GSD should monitor Voyager card activity on a periodic basis to optimize the use of Voyager cards.
15	Based on inaccurate data in the Fuel Automation System database, it appears that not all system modifications were completely tested.	N	28. GSD should completely test Fuel Automated System modifications to ensure that the database accurately records transactions.
			29. GSD should perform a periodic reconciliation of gallons purchased versus gallons dispensed by site and investigate the reasons for any significant discrepancies.

Description of Recommendation Ranking Codes

U- Urgent-The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

N- Necessary- The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. The recommendation should be implemented within six months.

D- Desirable- The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

N/A- Not Applicable

ATTACHMENT

ACTIONS TAKEN BY GSD SINCE THE BEGINNING OF THE AUDIT

1. Established a Fuel Automation Task Force, consisting of representatives from various departments, to discuss fuel conservation and fuel management issues, begin developing reports, and establish departmental benchmarks.
2. Instituted a limit of two swipes a day on fuel cards.
3. Instituted a limit of two swipes per day on can cards with a five gallon limit per swipe.
4. Provided departments with locks so that fuel pumps can be locked after normal working hours or on weekends.
5. Changed the Motor Pool trip cards to require the printed name of the authorized signer. This makes it easier to decipher the authorized signer's name if (s)he needs to be contacted.
6. Began requiring Motor Pool trip cards to have an authorized signer each time a vehicle is checked-out. Prior to this, authorized signers could check-out vehicles without another authorized signer approving the trip.
7. Started aggressive follow-up on vehicles kept out overnight without authorization.
8. Began implementing the strict odometer program. This will help prevent users from entering incorrect odometer readings. The Fuel Automation System will evaluate the reasonableness of odometer readings entered by users based on the last odometer reading entered and estimated miles per gallon for the vehicle. GSD estimates that the strict odometer program will be fully implemented by September 2009.
9. At the Department of Recreation and Parks' (RAP) request, GSD asked the vendor to provide RAP with a three hour window for when a particular delivery will be made. This will help ensure that a RAP employee is present when the fuel is delivered to the fuel site.