

INTERNAL AUDIT REPORT

2016-03

Work Orders Follow-up

Fleet Maintenance Section
Maintenance and Operations Department

June 21, 2016

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

June 21, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-03, Work Orders Follow-up, Fleet Maintenance Section, Maintenance and Operations Department**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed a follow-up audit of the work orders at the Fleet Maintenance Section of the Maintenance and Operations Department. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by Fleet Maintenance on the deficiencies contained in Internal Audit Report 2014-04. To accomplish this objective, we tested 105 selected work orders and scanned the remaining work orders from January 2015 through May 1, 2016. In addition, we performed other procedures to evaluate accountability for parts issued to Street Maintenance; appropriateness of cost capitalization, correctness of job codes, and reasonableness of labor hours in capital work orders; sufficiency of work order repair notes; cancelation of work orders with no charges; timeliness of closing work orders; and adequacy of segregation of duties in the work order process.

Our follow-up audit revealed that actions taken by Fleet Maintenance management corrected all ten of the deficiencies identified in Internal Audit Report 2014-04.

Michael Chadwick, CICA
Acting Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

June 21, 2016

**Internal Audit Report 2016-03
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Fleet Maintenance Section
Maintenance and Operations Department**

Introduction. In 2014, we performed an audit of work orders at the Fleet Maintenance Section (Fleet Maintenance) and issued Internal Audit Report 2014-04 on April 29, 2014. To assess the effectiveness of corrective action, we have performed a follow-up audit. This report contains the results of our follow-up audit.

Fleet Maintenance of the Maintenance and Operations Department is responsible for the acquisition, management, maintenance, and disposal of about 1,000 vehicles and equipment units in the Municipality of Anchorage (Municipality). The majority of these vehicles fall into three categories: general government (under 1 ton), heavy duty (over 1 ton), and Anchorage Police Department vehicles. The entire range of maintenance services, from preventative to complete rebuild, is tracked using work orders in FleetFocus M5 (work order system). Fleet Maintenance operations are governed by Policy and Procedure (P&P) 76-4, *Fleet Services*. In addition, recently implemented *Fleet Maintenance Policies & Procedures* provide guidance on the work order process.

Objective and Scope. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by Fleet Maintenance on the deficiencies contained in Internal Audit Report 2014-04. To accomplish this objective, we tested 105 selected work orders and scanned the remaining work orders from January 2015 through May 1, 2016. In addition, we performed other procedures to evaluate accountability for parts issued to Street Maintenance; appropriateness of cost capitalization, correctness of job codes, and reasonableness of labor hours in capital work orders; sufficiency of work order repair notes; cancelation of work orders with no charges; timeliness of closing work orders; and adequacy of segregation of duties in the work order process.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during May 2016.

Overall Evaluation. Our follow-up audit revealed that actions taken by Fleet Maintenance management corrected all ten of the deficiencies identified in Internal Audit Report 2014-04.

FINDINGS AND RECOMMENDATIONS

1. Prior Finding: Lack of Accountability for Parts Issued to Street Maintenance.

- a. Corrective Action.** Fleet Maintenance management had implemented controls to improve accountability for parts issued to Street Maintenance. Specifically, the names of Street Maintenance employees requesting parts to be used for Street Maintenance vehicle/equipment repairs and the names of employees picking up the parts were recorded in the work orders. In addition, the parts issued to Street Maintenance were properly recorded at Location 3 (Street Maintenance) within Fleet Maintenance's work order system. Finally, the corresponding repair notes in the work orders indicated time spent on the repairs, specific jobs done, and the names of Street Maintenance employees who performed the repairs.
- b. Evaluation of Corrective Action.** Effective.
- c. Recommendation.** Not Required.
- d. Management Comments.** Not Required.

- e. **Evaluation of Management Comments.** Not Required.

2. **Prior Finding: Parts Prematurely Removed from Inventory Records.**

- a. **Corrective Action.** Fleet Maintenance management transferred its accounting and accountability for cutting edges to Street Maintenance. Since cutting edges are used in Street Maintenance operations rather than for vehicle and equipment repairs, issuance of cutting edges was no longer recorded in the work order system of Fleet Maintenance. Accordingly, work orders and vehicle/equipment master records in the work order system were no longer distorted. As appropriate, Street Maintenance now keeps its own records of receiving, issuance, and the remaining inventory of cutting edges. Moreover, a locked fence around the supply of cutting edges stored in the back yard of Street Maintenance was built.

- b. **Evaluation of Corrective Action.** Effective.

- c. **Recommendation.** Not Required.

- d. **Management Comments.** Not Required.

- e. **Evaluation of Management Comments.** Not Required.

3. **Prior Finding: Capital Work Not Always Capitalized.**

- a. **Corrective Action.** Capitalizable part and labor charges that we tested were properly recorded in all of the capital work orders. In addition, all capitalizable labor charges were properly captured in the capital work orders by the system because correct repair reasons were used. Fleet Maintenance management clarified capitalization criteria and

provided additional training on the work order system for Fleet Maintenance employees.

- b. **Evaluation of Corrective Action.** Effective.
- c. **Recommendation.** Not Required.
- d. **Management Comments.** Not Required.
- e. **Evaluation of Management Comments.** Not Required.

4. **Prior Finding: Correct Job Codes Not Always Used in Capital Work Orders.**

- a. **Corrective Action.** All capital work orders that we tested contained correct job codes.
- b. **Evaluation of Corrective Action.** Effective.
- c. **Recommendation.** Not Required.
- d. **Management Comments.** Not Required.
- e. **Evaluation of Management Comments.** Not Required.

5. **Prior Finding: Excessive Labor Hours Charged to Some Capital Work Orders.**

- a. **Corrective Action.** Job codes in all capital work orders that we tested corresponded to reasonable labor hours charged. Fleet Maintenance management enforced the requirement to utilize separate job codes for each specific task rather than group labor

charges in broad job codes. They also enforced the requirement to write repair notes for each separate job code.

- b. **Evaluation of Corrective Action.** Effective.
 - c. **Recommendation.** Not Required.
 - d. **Management Comments.** Not Required.
 - e. **Evaluation of Management Comments.** Not Required.
6. **Prior Finding: Repair Notes in Work Orders Not Always Completed.**
- a. **Corrective Action.** All work orders that we tested contained repair notes. Fleet Maintenance management enforced the requirement for work orders to contain repair notes for each separate job code. They also enforced the requirement for work orders to contain the 3C's (Complaint, Cause, and Correction) in the repair notes.
 - b. **Evaluation of Corrective Action.** Effective.
 - c. **Recommendation.** Not Required.
 - d. **Management Comments.** Not Required.
 - e. **Evaluation of Management Comments.** Not Required.

7. Prior Finding: Work Orders with No Charges Closed Instead of Cancelled.

- a. **Corrective Action.** Our review found that all “empty” work orders, with no specific purpose and with no labor and part charges, were properly cancelled. Fleet Maintenance management implemented a new requirement to cancel, rather than close, work orders that were opened by mistake and contained no charges.
- b. **Evaluation of Corrective Action.** Effective.
- c. **Recommendation.** Not Required.
- d. **Management Comments.** Not Required.
- e. **Evaluation of Management Comments.** Not Required.

8. Prior Finding: Capital Work Orders Not Closed in a Timely Manner.

- a. **Corrective Action.** All capital work orders that we tested were closed in a timely manner. Fleet Maintenance management implemented a new requirement to have capital work orders (which record additions/improvements on new vehicles) already closed before other (operational) work orders could be opened.
- b. **Evaluation of Corrective Action.** Effective.
- c. **Recommendation.** Not Required.
- d. **Management Comments.** Not Required.

- e. **Evaluation of Management Comments.** Not Required.

9. **Prior Finding: Lack of Segregation of Duties.**

- a. **Corrective Action.** Fleet Maintenance management adequately segregated duties in the Fleet Maintenance Parts Department given its limited resources. Based on the work orders that we tested, the new requirement to have work orders already opened by location supervisors or leads, before the Parts Department employees could issue the parts, was implemented. Fleet Maintenance management enforced the requirement to add repair notes for each separate job code before closing the work orders. These requirements precluded the Parts Department employees from singlehandedly opening work orders, charging out the parts, and closing the work orders without labor charges.

- b. **Evaluation of Corrective Action.** Effective.

- c. **Recommendation.** Not Required.

- d. **Management Comments.** Not Required.

- e. **Evaluation of Management Comments.** Not Required.

10. **Prior Finding: No Formal Written Policies/Procedures.**

- a. **Corrective Action.** Fleet Maintenance management drafted and implemented *Fleet Maintenance Policies & Procedures* in March 2014. This internal document provided detailed guidance on the work order process and helped in the resolution of the audit findings in Internal Audit Report 2014-04.

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- b. **Evaluation of Corrective Action.** Effective.

- c. **Recommendation.** Not Required.

- d. **Management Comments.** Not Required.

- e. **Evaluation of Management Comments.** Not Required.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on June 3, 2016.

Audit Staff:
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