

**Objective and Scope:** Internal Audit (IA) reviewed the Utah State Board's Office of Education (USBOE) use of state motor pool fleet during state fiscal year 2015. The purpose of the review was to verify compliance with relevant rules, regulations, policies and procedures and identify potential fraud, waste, and abuse within the USBOE's state motor pool practices. In addition to gaining an understanding of the state fleet processes, 74 trips of ten employees with experience on the job ranging from one to 25 years, across four sections, were reviewed in detail.

### **Concerns with State Motor Pool Fleet Usage:**

- 1) Lack of Policies and Procedures governing the use of USBOE state fleet
- 2) Inaccurate Records and Reports (multiple error rates ranging from 24% to 100%)
- 3) Inadequate Internal Controls and Segregation of Duties
- 4) Misuse of State Fleet, including
  - a. Crossing State Lines (1 of 74 trips)
  - b. Extending the Length of Time in Possession (104 of 271 days)
  - c. Personal Convenience (1 of 10 non-compliant employees)
  - d. Personal Use (3 of 10 non-compliant employees)
- 5) Non-compliance with State Rules Regarding Commute Use (agency non-compliance due to 6 of 10 commute use employees)
- 6) Incorrect Mileage Entered When Fueling (4 of 74 incorrect)
- 7) Misuse of State Funds (2 of 74 for \$42.56 in questionable reimbursements)

The report also includes several observations related to state fleet. Based on the findings above participation in the GPS program may be beneficial to USBOE to prevent future misuse of state fleet and verify appropriate usage.

### **Internal Audit Recommendations:**

Internal Audit recommends the following action:

In consideration of the findings and recommendations found within the audit, and the time and effort inevitably necessary for USBOE to comply with applicable regulations, we recommend the Utah State Board of Education (the Board) first consider conducting a cost benefit analysis (CBA) regarding the maintenance of a USBOE state motor pool program in comparison to other existing options (e.g., personal vehicle reimbursement, Enterprise car rental, and DFO daily lease program). USBOE, under the direction of the Board, has demonstrated an inability to efficiently and effectively carry out a state motor pool program compliant with applicable state and federal regulations. Therefore, a CBA could be used to determine whether or not the motor pool program is critical to the completion of USBOE's purpose and objectives and whether alternative options would be more efficient and cost effective in meeting those objectives with respect to USBOE's limited resources.

If USBE elects to maintain the on-site motor pool, Internal Audit recommends the following actions:

- 1) USBOE's office of Administration has informed Internal Audit (IA) that they are currently working on policies and procedures for state motor pool use; therefore, we recommend USBOE complete and implement comprehensive, formal policies and procedures related to the use of the state motor pool fleet consistent with Utah Administrative Code R027-003, R027-005, R027-006, and R477-009-1(2) and all other applicable rules, regulations, and policies and procedures.
- 2) We recommend developing and implementing policies and procedures aimed at preventing potential unallowable costs, reducing recording errors, verifying and validating records, clarifying and listing all destinations, retaining records appropriately, and training staff. Additional consideration should be given to making the processes listed above more efficient and effective. The Motor Pool Log is created for accounting purposes only, to allocate costs to the various sections. According to the DFO, they can provide billing services for individual sections as opposed to a single bill for all of USBOE.
- 3) We recommend USBOE consider comprehensive training for all staff on policies and procedures pertaining to the USBOE state vehicles.
- 4) We recommend USBOE establish adequate internal controls in accordance with State Finance's Accounting Policy and Procedure FIACCT 20-00.00 to:
  - a) Ensure documentation used to prepare financial billings is verified and accurate
  - b) Ensure appropriate segregation of duties
  - c) Ensure compliance with Utah Administrative Code R-27-3 Vehicle Use Standards and R27-6-9 Fuel Dispensing Program
  - d) Prevent staff from intentionally and accidentally receiving mileage reimbursements for mileage accrued using state vehicles
  - e) Ensure staff qualified for commute use are identified and operating in compliance with applicable state and federal regulations

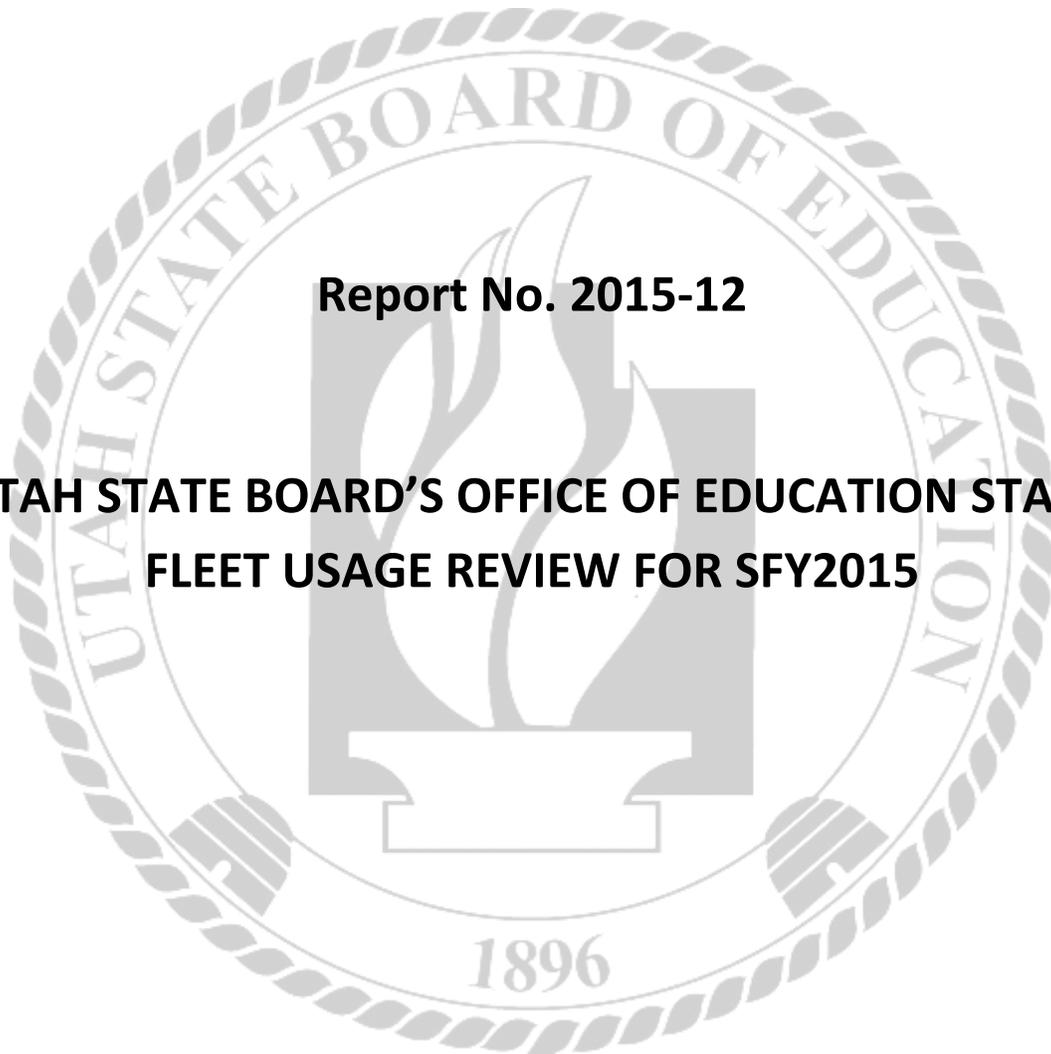
### **Finding Grade and Risk Assessment:**

The findings noted above increase risk related to compliance, finances, third party perception, legislative action, and fraud, waste, and abuse overall for the agency. The overall grade for the findings is a 3 – high impact and risk.

**REPORT TO THE  
UTAH STATE BOARD OF EDUCATION**

**Report No. 2015-12**

**UTAH STATE BOARD'S OFFICE OF EDUCATION STATE  
FLEET USAGE REVIEW FOR SFY2015**



**Audit performed by:  
Utah State Board of Education Internal Auditors**

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## Report 2015-12

July 9, 2015

Utah State Board of Education  
250 East 500 South  
Salt Lake City, Utah 84114

Dear Board Members:

The Utah State Board of Education (the Board) Administrative Rule 277-116-4(E) authorizes the Board's Internal Audit section (IA) to perform audits. Pursuant to a hotline allegation, IA was directed by the Audit Committee to perform an audit of the Utah State Board's Office of Education's (USBOE) state motor pool fleet. IA obtained relevant documentation from the Utah Department of Administrative Services (DAS), Division of Fleet Operations (DFO) and USBOE's office of Administration. The purpose of this audit is to verify compliance with all applicable rules, regulations, and policies and procedures governing the USBOE's state motor pool use, and to identify existing and potential fraud, waste, and abuse within the USBOE's state motor pool practices.

In order to accomplish the above purpose, IA performed the following procedures:

1. We reviewed the rules, regulations, policies and procedures currently governing USBOE's state motor pool fleet; requesting assistance from DAS and DFO as necessary.
2. We gained an understanding of current USBOE practices for reserving, utilizing, tracking, and reporting vehicle mileage.
3. We collected all available travel records from USBOE and DFO.
4. We ran a preliminary analysis of motor pool records and identified ten individuals with travel that was considered questionable based on the policies, procedures, and regulations identified.
5. We analyzed and verified data and conducted interviews.
6. We reviewed USBOE employee authorization to operate state vehicles.

The previous procedures were limited to state motor pool vehicles for the USBOE, specifically the vehicles assigned to the USBOE general motor pool, the Child Nutrition Program and School Finance program. These procedures were more limited than would be necessary to express an audit opinion on compliance or the effectiveness of internal control or any part thereof. Accordingly we do not express such opinions. IA performs audits in accordance with current International Standards for the Professional Practice of Internal Auditing and is in process of implementing the quality assurance standards required by those standards.

We have identified the procedures we performed (see above) and the findings and recommendations resulting from those procedures (see the attached report).

This report is intended solely for the information and use of USBOE management and the Board and is not intended to be and should not be used by anyone other than these specified parties.

The emphases of this audit, and consequently this report, is exceptions, weaknesses, and problems. These emphases should not be construed to mean there are not various strengths and accomplishments as well within the USBOE state motor pool program.

If you have any questions, please contact me at (801) 538-7439.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Davis".

Deborah Davis CPA  
Internal Audit Director, Utah State Office of Education

cc. Brad Smith, State Superintendent of Public Instruction  
Dave Rodemack, Director of Human Resource Management

## **BACKGROUND, FINDINGS, AND RECOMMENDATIONS**

### **I. BACKGROUND**

#### **USBOE State Motor Pool Fleet**

The Utah State Board's Office of Education (USBOE) leases a fleet of motor pool vehicles from the Division of Fleet Operations (DFO) on a monthly basis. USBOE's motor pool is comprised of three sections within the Utah State Office of Education; the general motor pool, the Child Nutrition Program (CNP) motor pool, and the School Finance (SF) motor pool. The general motor pool consists of six compact sedans, which all employees of USBOE who are driver certified can reserve and use. The CNP motor pool consists of two vehicles, both vans. Finally, the School Finance motor pool consists of a single compact sedan.

### **II. FINDINGS AND RECOMMENDATIONS**

#### **A. Lack of Policies and Procedures Governing USBOE State Fleet**

Inquiry with the USBOE office of Administration revealed a lack of current internal policies or procedures available regarding the use of state motor pool. Those currently available include policies regarding non-state employees accompanying employees in state vehicles and the use of personal vehicles while conducting state business. We find this concerning for the following reasons:

- State vehicles continue to be reserved and used; however, no consistent and clear direction is available to guide staff in their vehicle use, which may result in non-compliance with state motor pool regulations. There may also be financial implications as fleet costs are charged to programs.
- No evidence of adequate past policies or procedures exist
- When a selection of staff was questioned regarding policies or procedures, zero out of ten staff questioned had seen policies or procedures regarding state fleet use.
  - The ten staff interviewed represented four different USBOE sections
  - Staff ranged from one to 25 years of experience with USBOE
  - Staff reported learning about fleet practices through inquiry, supervisors, or co-workers.

Per State Finance's Accounting Policies and Procedures 20-00.00, policies and procedures ensure management directives are carried out; they ensure necessary actions are taken to address risks to achievement of USBOE's objectives, and they set forth the tone for a risk adverse control environment. Due to a lack of appropriate governance by the Board

and oversight by USBOE, formal policies and procedures and adequate training have not been implemented, resulting in poor record keeping (II.B), inadequate development of internal controls (II.C), and the misuse of state vehicles (see II.D).

**Recommendation:**

USBOE’s office of Administration has informed Internal Audit (IA) that they are currently working on policies and procedures for state motor pool use; therefore, we recommend USBOE complete and implement comprehensive, formal policies and procedures related to the use of the state motor pool fleet consistent with Utah Administrative Code R027-003, R027-005, R027-006, and R477-009-1(2) and all other applicable rules, regulations, and policies and procedures.

In addition, we recommend USBOE consider comprehensive training for all staff on policies and procedures pertaining to the USBOE state vehicles.

**B. Inaccurate Records and Reports**

We identified three different record types being maintained in USBOE to track state fleet travel. The first record type is the hardcopy (e.g., Motor Pool Tracking Sheet), which is completed by the driver of the vehicle. The second record type is software called Fleet Focus. The DFO maintains this record, but USBOE is required to enter our mileage per Utah Administrative Code R027-005-2(4). The third type is an excel spreadsheet (e.g., Motor Pool FY2015) maintained by the Administrative office. We reviewed a random selection of 50 records for each type where possible. We noted the following concerns:

**1. Hardcopy**

a. General Motor Pool records

14 out of 50 records (28%) reported missing or incorrect total mileage.

b. CNP Motor Pool

34 out of 50 records (68%) reported missing or incorrect beginning, ending, or total mileage.

c. SF Motor Pool

SF maintains no travel logs for their vehicle; so there is no way to review, verify, or reconcile data regarding SF motor pool use.

d. Destination

The “Destination” section of the hardcopy is so vague as to make it very difficult to review and verify fleet usage. The current USBOE practice is to use general destinations or cities, such as “local” and “SLC”, as an acceptable destination. “Local” is an undefined term and cannot be verified. “SLC” represents a general

destination, but could range from less than a mile to over 20 miles round trip, all while staying in the Salt Lake City area. A lack of clarity creates uncertainty in the record keeping. In a review of 940 travel records available for SFY15 (July-May), “local” and “SLC” were used a combined 160 times (17%). “Local” and “SLC” are provided as examples of general destinations; however, 90% of 940 travel records reviewed used a general destination, which prevented IA from corroborating the accuracy of the destination and total mileage to a round trip search using Google Maps or MapQuest.

Practice also allows drivers to list a single destination when several destinations were visited in a single trip. Again, such practices foster uncertainty and creates an environment in which fraud, waste, and abuse can occur. When entering the round trip destinations into Google Maps, 150 out of 940 trips (16%) reported on the hardcopy were not within 30 miles of the Google Maps reported round trip totals.

We interviewed ten drivers who used the state vehicles on 74 trips identified by IA for review. After interviewing staff, all 74 trip destinations were determined to be too general on the hardcopy and did not accurately represent the locations the driver visited. Furthermore, 16 of those trips still had 30 or more unexplainable miles even after interviewing the driver for additional details; unexplainable miles are miles that we do not know where the state car was taken and for what it was used. The unexplainable miles for the 16 trips totaled 1971 miles.

e. Record Retention

We noted that the original hardcopy documentation is only maintained for a year before being destroyed. Though the information from the hardcopy is transferred to the General Motor Pool Spreadsheet, the record retention practice does not seem reasonable because of the error rates noted above and in section II.B.3 below.

The result of the concerns with hardcopy documentation noted above is that necessary data is not being collected, data that is collected has inaccuracies. This may contribute to fraud, waste, abuse, and non-compliance. The record retention issue also creates a challenge to audit state fleet usage in prior years.

## **2. Fleet Focus**

a. General Motor Pool records

12 out of 50 records reported incorrect beginning mileage, ending mileage, and/or total mileage for an error rate of 24%. Zero Fleet Focus records had a destination entered. According to DFO, USBOE has chosen not to enter destination data into Fleet Focus.

b. CNP Motor Pool

Zero out of 50 records were reported to Fleet Focus.

c. SF Motor Pool

Zero records were reported to Fleet Focus.

The concerns with Fleet Focus documentation as noted above are USBOE is either not reporting required travel data or the data that is reported has a high level of inaccuracy. This may contribute to fraud, waste, abuse, and non-compliance.

### **3. Motor Pool FY2015**

The Motor Pool spreadsheet has been created to assist USBOE's Internal Accounting Section (IAS) and is used to identify and bill USBOE sections based on their use of the general motor pool fleet. Currently, neither CNP nor SF participate in this process.

a. General Motor Pool spreadsheet

Nineteen out of 50 records (38%) reported incorrect destinations when compared to what was reported on the hardcopy. In one out of 50 records (2%) the hardcopy had been split by IAS in order to get the motor pool spreadsheet to match the fleet focus records. As already expressed, we are concerned with the accuracy of the "destination" and "mileage" fields in the hardcopy; however, USBOE should consider not altering destinations and mileage reported, inaccurate or not, from one record to another without noting and justifying change.

Furthermore, one out of 50 records reviewed contained an error in total mileage. The error resulted in an inappropriate charge of \$0.36 to a federal award since the mileage was incurred by a state program.

The result of the concerns with General Motor Pool Spreadsheet noted above include:

- Unverified records are being used to determine section costs; see II.C below.
- The spreadsheet does not always reflect the original hardcopy documentation and the original hardcopy documentation is not being retained appropriately, see II.B.1.e above.
- Unallowable federal costs as defined in 2 CFR 200.474 were identified.

Due to a lack of adequate policies and procedures as mentioned above in II.A, and insufficient training with respects to Utah Administrative Code R27-5-2(4), which states "each agency shall be responsible for entering and maintaining accurate data about each motor vehicle that it owns, operates, or otherwise controls, into DFO's fleet information system;" USBOE has demonstrated inaccurate and

ineffective record maintenance both internally and in its responsibility to report to DFO. All of the above may contribute to fraud, waste, abuse, and non-compliance.

**Recommendation:**

We recommend USBOE develop and implement policies and procedures aimed at preventing potential unallowable costs, reducing recording errors, verifying and validating records, clarifying and listing all destinations, retaining records appropriately, and training staff.

Additional consideration should be given to making the processes listed above more efficient and effective. The Motor Pool Log is created for accounting purposes only, to allocate costs to the various sections. According to the DFO, they can provide billing services for individual sections as opposed to a single bill for all of USBOE.

**C. Inadequate Internal Controls**

During our review of the general motor pool spreadsheets, we found that the mileage records being used to allocate charges for USBOE section motor pool use are not verified. This is due to a misunderstanding between the staff preparing the records and IAS. Neither CNP nor SF use a mileage verification process prior to paying DFO bills.

State Finance’s Accounting Policy and Procedure FIACCT 20-00.00 requires agencies to establish and maintain sound internal controls including control activities such as approvals, verifications, reconciliations, and segregation of duties. Since USBOE has not instituted sound internal controls or adequate policies, unverified records are being used to allocate costs resulting in incorrect allocations; see II.B.3.a.

**Recommendation:**

We recommend USBOE establish adequate internal controls in accordance with State Finance’s Accounting Policy and Procedure FIACCT 20-00.00 to ensure documentation used to prepare financial billings is verified and accurate.

**1. Insufficient Segregation of Duties**

State Finance’s Accounting Policy and Procedure FIACCT 20-00.00 states “agencies must establish and maintain proper segregation of duties;” however, USBOE has not implemented policies or procedures in conjunction with the proper internal controls to ensure that USBOE is complying with the stated policy.

USBOE has designated a single staff to manage the daily operation of the general motor pool program. This single staff is responsible for authorizing the use of the six state vehicles, the custody of the vehicle keys, custody of the fuel cards, maintaining original hardcopy and secondary electronic travel records associated with the vehicles use, reporting fleet use to the Division of Fleet Operations, reporting mileage to Internal Accounting to determine section expenditures, and final disposal of the original records.

Likewise, the CNP motor pool exhibits many of the same inadequacies in segregation of duties. CNP has a single staff member responsible for maintaining records, and securing keys and gas cards.

The SF motor pool does not have identified and assigned duties to prevent misuse of their fleet car. Therefore, whoever is in possession of a key is inevitably in charge of the only duty related to the SF motor pool, which could constitute an inadequate segregation of duties.

When performed by a single individual and without appropriate alternative controls, the duties listed above put the individual in a position to both perpetuate and conceal an error or fraud. This could further subject USBOE to significant risk of loss, misuse, noncompliance, potential public embarrassment, and repercussions.

**Recommendation:**

We recommend USBOE institute sufficient internal controls over fleet operations to prevent an individual or small group of individuals to be in a position to (per FIACCT 20-00.00):

1. Manage both the operation of and record keeping for the same activity.
2. Manage custodial activities and record keeping for the same assets.
3. Authorize transactions and manage the custody or disposal of the related assets or records.

**D. Misuse of State Fleet Vehicles**

We identified and reviewed 74 trip logs for a total 271 days. All 74 trip logs were taken from the general motor pool records or the CNP motor pool records; again, SF has no records to review. The review included USBOE motor pool records, motor pool tracking sheets, fuel history reports, personal calendars, timesheets, interviews with staff, and interviews with staff's Directors.

## **1. Crossing State Lines**

Utah Administrative Code R27-3-5 states, “except in cases where it is customary to travel out of state in order to perform an employee's regular employment duties and responsibilities, the use of a state vehicle outside the State of Utah shall require the approval of the director of the department that employs the individual.”

In 74 trips, we identified one trip which crossed over state lines with no justification based on recorded trip destination, mileage report, driver agenda, and driver interview. Furthermore, director approval was not obtained prior to crossing over state lines.

## **2. Extending the Length of Time in Possession**

State vehicles were not being used to complete official state business, but were being kept in the driver’s possession 104 of the 271 days (38%) in review. Forty-six separate reservations occurred during those 104 days. Throughout the 46 occurrences where the employee had a motor pool vehicle in their possession, there were:

- three where the employee was using annual leave,
- three where the employee use was over a holiday,
- 19 over the weekend where the employee didn’t work at all, and
- five over a weekend where the employee claimed to have worked either Saturday or Sunday, but not both.

Utah Administrative Code R27-3-4 outlines authorized and unauthorized use of state vehicles. According to Utah Administrative Code R27-3-4(4)(d) “extending the length of time that the state vehicle is in the operator's possession beyond the time needed to complete the official purposes of the trip” is unauthorized unless otherwise authorized.

Utah Administrative Code R27-3-4 does not expressly indicate who must authorize an exemption. USBOE lacks policy and procedures, and no rule has been adopted by the Utah State Board of Education (Board) that provides who can authorize extending the length of time to possess a state vehicle. Therefore, based on a conversation with Nicole Call, Assistant Attorney General for the Board, we assume authority resides with the Board, as the governing body of USBOE. Of the 104 days mentioned above, zero interviewed drivers stated that they received authorization from the Board; therefore, all 104 days should be considered an unauthorized use of a state vehicle.

DFO has provided IA with a form titled State Vehicle Special Use Request, which DFO recommends is used to grant authorization by a supervisor for the following special use requests:

1. A state vehicle overnight (or until the next business day, or employee's next working day) in the proximity of his/her home to accommodate early/late travel for a meeting/trip for this date (beginning date) and return on (ending date).
2. A state vehicle for extended or intermittent use, as required, from (beginning date) to (ending date) for state-related work.
3. Non-state employee passenger(s) in a state vehicle. This authorization expires (date).

Seventy-one out of 74 trips reviewed (96%) would have required special authorization as outlined in the form had USBOE implemented its use. We recommend USBOE establish policies and procedures specific to the State Vehicle Special Use Request form and who is approved to authorize.

### **3. Personal Convenience**

According to Utah Administrative Code R27-3-4 (4)(g), "using a state vehicle for personal convenience, such as when a personal vehicle is not operational" is an unauthorized use of state vehicles.

Of the ten employees interviewed, one employee stated that on one occasion he had used a state car for personal matters while their private car was being repaired, without seeking proper authorization.

### **4. Personal Use**

Utah Administrative Code R27-3-5 states,

*(1) Personal use of state vehicles is not allowed without the direct authorization of the Legislature.*

*(2) An employee or representative of the state spending at least one night on approved travel to conduct state business, may use a state vehicle in the general vicinity of the overnight lodging for the following approved activities:*

- (a) Travel to restaurants and stores for meals, breaks and personal needs;*
- (b) Travel to grooming, medical, fitness or laundry facilities; and*
- (c) Travel to and from recreational activities, such as to theaters, parks, or to the home of friends or relatives, provided said employee or representative has received approval for such travel from his or her supervisor.*

Three of the ten employees interviewed admitted using the state vehicles, in the general vicinity of their homes or where they were conducting state business, for

personal uses listed above without spending at least one night on approved travel to conduct state business or without approval from their supervisor.

Misuse is the result of a lack of clear policies and procedures and training on those policies and procedures as noted in II.A above. Misuse of state vehicles results in non-compliance with state, and potentially federal, regulations and increased risk of fraud, waste, and abuse for the agency. Furthermore, misuse of state vehicles may increase the risks associated with poor public perception, accidents, injuries, and vandalism, which in turn could further subject USBOE to significant risk of loss, potential public embarrassment, and repercussions.

**Recommendation:**

We recommend USBOE establish clear policies and procedures pertaining to staff use of motor pool vehicle to ensure vehicles are used in accordance with Utah Administrative Code R-27-3 Vehicle Use Standards. Additionally, participation in the global positioning system (GPS) program offered by DFO may be beneficial to USBOE to prevent future misuse of state fleet and to verify state fleet vehicles are being used appropriately. DFO rates to participate in the GPS program are \$12 per month per vehicle.

**E. Non-compliance with State Rules Regarding Commute Use**

As defined in Utah Administrative Code R27-1-2, “commute use means an employee driving a state vehicle from the employee's place of business to the employee's place of residence more than five calendar days per month”. USBOE is unintentionally granting commute use to six of the ten employees interviewed for at least one month of state fiscal year 2015. However, since USBOE has granted commute use, USBOE is required to comply with Utah Administrative Code R27-3-6. DFO reports none of the six individuals granted have been approved per the above code; therefore, USBOE is non-compliant as none of the following items are being completed:

1. Annually submitting an online take home (i.e., commute use) spreadsheet from the DFO take home website to DFO by the agency Executive Director (e.g., Superintendent).
2. Securing DFO identification numbers for approved commute use staff
3. Assessing the drivers IRS imputed daily fringe benefit rate while using a state vehicle for commute use per rules, regulations, and Division of Finance policy and procedures as commute use is considered a taxable fringe benefit as outlined in IRS publication 15-B.

4. Preparing an Employee Reimbursement Earnings Request Form and entering the amount of the commute fringe benefit into the payroll system on a monthly basis.
5. Establishing internal policies for commute use per Utah Administrative Code R27-3-9.

**Recommendation:**

With respect to commute use, USBOE should develop formal policies and procedures, establish internal controls to identify staff who qualify, and implement proper internal accounting procedures to ensure compliance with applicable state and federal regulations.

**F. Incorrect Mileage Entered when Fueling**

According to Utah Administrative Code R27-6-9(1) and R27-6-9(2), state motor pool drivers are required to enter accurate mileage at the pump when fueling the vehicles. “In the event that an individual operating a state vehicle inputs a blatant error meter reject, DFO will impose on the agency, a one-time charge in accordance with applicable rate schedules. A blatant error meter reject occurs when the operator... enters a fictitious number that is not close to the current odometer reading (e.g., 123456).”

In reviewing fuel history reports for the 74 trips, we discovered four separate occasions where the mileage entered at the fuel pump did not match the mileage on the odometer. One of the four errors appears to have been blatant, the driver input 93 miles when in fact the car had more than 82,000 miles at the time.

The cause of the above is tied to a lack of policies and procedures and training on those policies and procedures as noted in II.A. Entering incorrect mileage can result in non-compliance with state regulations, including financial consequences per Utah Administrative Code R27-3-10(1)(b) which states that USBOE is required to report the correct odometer reading when refueling the vehicle. “In the event that an incorrect odometer reading is reported, agencies shall be assessed a fee whenever the agency fails to correct the mileage within three business days of the agency's receipt of the notification that the incorrect mileage was reported. When circumstances indicate that there was a blatant disregard of the vehicle's actual odometer reading at the time of refueling, a fee shall be assessed to the agency even though the agency corrected the error within three days of the notification.

**Recommendation:**

USBOE should establish clear policies and procedures to comply with Utah Administrative Code R27-6-9, and R27-3-10 and train staff accordingly.

## **G. Misuse of State Funds**

According to Utah Administrative Code R477-9-1(2) “an employee shall make prudent and frugal use of state funds, equipment, buildings, time, and supplies.”

Of the 74 trips reviewed, we found two cases, by separate drivers, where a state car was used and a reimbursement was also filed and paid out through IAS for private vehicle mileage. On the first occasion, the driver received a mileage reimbursement for \$1.52, on the second occasion the driver received a mileage reimbursement of \$41.04. The total of the two reimbursements is \$42.56. On both occasions, the reimbursements were prepared by administrative staff to assist the driver in filing reimbursements; however, in both cases the drivers had to approve of the reimbursement in BASE before it was submitted for payment.

### **Recommendation:**

We recommend USBOE establish a sound internal control environment with sound control activities to prevent staff from intentionally and accidentally receiving mileage reimbursements for mileage accrued using state vehicles.

## **III. ADDITIONAL OBSERVATIONS**

Internal Audit obtained a copy of the SFY2015 Service Level Agreement from DFO. The agreement contains the agencies responsibilities and the rates that will be billed to the agency for said services. It is important to note that the billing rate for fleet services is changing for SFY2016. Per Jeff Done, Fuel Dispensing Manager for the Division of Fleet Operations, agencies will be billed for the actual cost of the fuel plus a service fee of three percent. The change will reflect in a line item on the invoice. The Board and USBOE management should be aware of these rates and requirements as they could have budget implications and this should be considered as part of policy and procedure development over state fleet.

The DFO Service Level Agreement also requires that the agency will ensure the security of fuel cards and PINs. During our review, we discovered that the packets containing the keys and gas cards for the general motor pool fleet is maintained in an unlocked drawer. The PIN is written on the sleeve for the gas card. This practice could allow the opportunity for unauthorized use of the state vehicle and gas card without authorization or knowledge. In an effort to minimize misuse and establish sound internal controls, we recommend securing said assets in a locked drawer and including provision for this in policy and procedure development.

#### **IV. ALTERNATIVE RECOMMENDATION**

In consideration of the above findings, recommendations, and the time and effort necessary for USBOE to become compliant with applicable regulations, we recommend USBOE consider conducting a cost benefit analysis (CBA) regarding the maintenance of a USBOE state motor pool program in comparison to other existing options (e.g., personal vehicle reimbursement, Enterprise car rental, and DFO daily lease program). USBOE has demonstrated an inability to efficiently and effectively carry out a state motor pool program compliant with applicable state and federal regulations. Therefore, a CBA could be used to determine whether or not the motor pool program is critical to the completion of USBOE's purpose and objectives and whether alternative options would be more efficient and cost effective in meeting those objectives with respect to USBOE's limited resources.

August 4, 2015

Utah State Board of Education  
250 East 500 South  
Salt Lake City, UT 84114

Dear Board Members:

Subject: Utah State Office of Education (USOE) Response to Audit Report No. 2015-12, Utah State Board's Office of Education State Fleet Usage Review for SFY 2015.

The subject report findings and recommendations generally confirm deficiencies in State Motor Pool Fleet management. This audit was requested by USOE as a result of internal identification of potential issues with control of our state fleet assets. We appreciate the opportunity to comment on the report and look forward to addressing the findings and recommendations.

The Point of Contact for this response is Scott Jones, Associate Superintendent for Business and Operations, Utah State Office of Education at 801-538-7514 or [Scott.Jones@schools.utah.gov](mailto:Scott.Jones@schools.utah.gov).

**Utah State Office of Education Responses  
Findings and Recommendations A-G:**

**Findings and Recommendations A: Lack of Policies and Procedures Governing UBOE State Fleet**  
USOE concurs. There are sufficient policies and procedures for USOE to utilize for a controlled state fleet utilization environment at: <http://www.fleet.utah.gov/>. USOE recognizes the statement, "lack of current internal policies available regarding the use of state motor pool." We will expand and implement the state fleet policies and procedures, where necessary, to ensure:

- 1) There is clear written direction on the acceptable uses of state vehicles by USOE employees and
- 2) USOE staff are trained on the policies and procedures and
- 3) USOE meets the Policies and Procedures for Accounting under 20-00.00 for a risk adverse control environment and
- 4) Policies and procedures are consistent with Utah Administrative Codes R207-003, R207-005, R207-006 and R477-009-1(2).

USOE is pursuing a new employee orientation and training course in cooperation with DHRM for this and the following Findings and Recommendations. The recent move to the NeoGov system by DHRM and their on-boarding processes of employees is not currently designed to adequately support the requirements for new employee training in this and other areas where previous audits identified and recommended the high need for employee training. USOE recommends the Board hear from DHRM representative Dave Rodemack on how they, DHRM, can further facilitate and support USOE in its training requirements of both new and existing employees.

**Recommendation B: Inaccurate Records and Reports**

USOE concurs that records and reports are inaccurate. USOE is working towards ensuring accuracy in record keeping and reporting. However, this is a time based and resource based process. As stated in the comments to Recommendation A there is need to ensure that not only is the USOE employee trained on proper use of state vehicles but the employee in control of the dispatching and/or use of the vehicles is trained on what, "right looks like," as it relates to record keeping and propriety of the documents.

**Findings and Recommendation C: Inadequate Internal Controls**

USOE concurs. As stated previously though the key element of success in this area is additional manpower. As stated in the report, "USBOE has designated a single staff to manage the daily operation of the general motor pool program." This, in itself, is the single point of failure-the fact that inadequate resources are devoted to ensuring compliance. USOE is seeking resolution by dedicating an additional, existing employee as backup to the current one.

**Findings and Recommendations D: Misuse of State Fleet Vehicles**

USOE concurs. USOE fully recognizes that there is likely fraudulent and/or wasteful use of state vehicles. USOE will implement clearer directives on the appropriate use of state vehicles. We will ensure clarity on:

- 1) When employees may cross state lines and
- 2) How long an employee can retain the vehicle in their possession and
- 3) The policies restricting state vehicles for personal use

The training and the testing of the controls is the challenge. Again, without additional manpower the likelihood of improvement once the policies are implemented and trained is minimal without adequate oversight and dedication of at least one FTE in addition to the current FTE.

**Findings and Recommendations E: Non-Compliance with State Rules Regarding Commute Use**

USOE concurs. USOE fully recognizes that we are in violation of Utah Administrative Codes R271-1-2 and/or R27-3-6. We attribute this to a lack of internal controls, training, and oversight. One additional FTE that is dedicated to State Fleet Management will mitigate against the risk of non-compliance with state rules regarding commute use. The amount of time required of an employee to ensure compliance to these rules when permission is granted for an employee to use a vehicle to commute requires a dedicated FTE.

**Findings and Recommendations F: Incorrect Mileage Entered When Fueling**

USOE concurs. USOE will establish clear policies and procedures to comply with Utah administrative Codes R 27-6-9 and R27-3-10 and train staff accordingly.

**Findings and Recommendations G: Misuse of State Funds**

USOE concurs. While USOE recognizes that there are insufficient policies and regulations in place this particular findings is tantamount to fraud by the two employees. USOE will further develop internal policies and controls that ensure employees know they are not eligible for reimbursement of mileage for travel they performed in a state car. Further disciplinary actions may take place.

**Additional Observations**

USOE is aware of the changes by DFO and/or changes in the billing amounts. We are in the process of ensuring that the level of awareness and the amounts we anticipate having to pay were adequately and accurately formulated in the SFY 16 budget.

Security of the fuel cards requires additional manpower. USOE is looking at the feasibility of issuing individual PINs to our employees.

**Alternative Recommendation**

USOE is willing to pursue whatever course of actions the Board deems necessary to ensuring compliance and adherence to rules and policies governing the acceptable use of state fleet assets. For now, USOE is recommending and pursuing additional manpower to work towards compliance to forthcoming internal policies and controls. If the Board deems it necessary to pursue other alternative and directs an analysis this will mean additional time and manpower devoted to this action. USOE Administration is currently immersed in other requirements from previous audits and their day to day operations. Additional requirements for analysis for pursuit of other alternatives will require a review and adjustment to current priorities. The near term solution is additional, internal, manpower to dedicate to ensuring corrective actions take place.

Sincerely,



Scott Jones  
Associate Superintendent of Business and Operations

cc: Brad Smith, State Superintendent of Public Instruction