

November 2016



Why We Did This Report

The Office of the City Auditor received an allegation of waste and misuse of City resources during the 2014 vehicle acquisition process at Fleet Services. As a result, we conducted an investigation as part of our responsibility under the Austin City Charter and the City Code.

Results

Waste of approximately \$45,000 in 2014 and failure to fully cooperate with an investigation

Fleet Services management indicated that since this incident they have amended their practices to try to prevent similar mistakes in the future.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

SPECIAL REPORT ON FLEET SERVICES PURCHASING PRACTICE RESULTING IN WASTE OF CITY RESOURCES

OBJECTIVE

The objective of this investigation was to obtain sufficient evidence to indicate whether a material violation of the City's Fraud, Waste and Abuse bulletin occurred.

RESULTS

The CAIU found sufficient evidence to indicate that Fleet Services unnecessarily incurred cost to the City due to grossly inefficient practices, which led to the wrong vehicle being purchased, resulting in a waste of approximately \$45,000 of City resources.

In early 2014, Fleet Services began the process to place an order on behalf of the Austin Police Department (APD) for a replacement police pursuit-rated vehicle. The estimated cost for such a vehicle was \$37,838. Fleet Services' specification writer filled out a vehicle and equipment request with basic specifications for the vehicle, which was then reviewed and signed by APD's liaison and the Fleet Services Director.

The specification writer later requested a quote from the City's vendor for the wrong vehicle class (an LS class vehicle of the same make instead of the police pursuit-rated vehicle model, appropriate for APD). Based on testimony from Fleet Services staff, the error made by the specification writer was not caught by management. We found that during the quote request process, the vendor contacted the specification writer to clarify that the vehicle he was ordering was an LS model, instead of a police pursuit-rated vehicle. In response, the specification writer told the vendor to process the vehicle as an LS model. The LS class vehicle was ordered at a cost \$43,843.

Fleet Services staff stated that they did not realize the specifications for the APD vehicle were incorrect until it arrived at the Make-Ready facility several months after its purchase. At that point, Fleet Services realized that the vehicle was not a police pursuit-rated vehicle, and therefore would not be accepted by APD. Fleet Services staff stated that they tried to return the vehicle to the vendor. However, the department estimated it would cost \$10,000 to do so. According to Fleet staff, they tried to offer this vehicle to other departments, but could not find an alternative department with a need for that type of vehicle. Fleet Services staff told the Office of the City Auditor that the Fleet Services Director decided to keep the vehicle in Fleet Services and that he would drive it around for business purposes. The Director also decided to paint parts of the vehicle because it arrived in the standard APD colors of black and white. Painting the white sections of the vehicle black cost the City an additional \$1,575.

Staff noted that other acquisition errors were made by the same specification writer prior to and following this incident. These errors appear to have gone through the acquisition process without being caught, resulting in Fleet Services buying the wrong vehicles and equipment. However, Fleet appears to have handled these situations without incurring additional costs to the City. This employee's errors did not appear in their formal written appraisals or personnel file, which were obtained by our office, from 2014 until May 2016, when the employee's supervisor noted "frequent errors."

According to Fleet staff, the original APD vehicle flagged for replacement still needs to be replaced. One staff member confirmed that a replacement vehicle has been added to the fiscal year 2017 budget to make up for the accidental purchase. Until its sale in January 2016, the original vehicle was still being used by APD, past its retention period.

We also found two Fleet Services employees failed to fully cooperate with our office by modifying records related to the assignment of that vehicle.

We also found that while the Director communicated to his staff that the vehicle was a rental pool vehicle, many Fleet Services employees believed the vehicle was in effect assigned to the Director as the vehicle was not listed in the rental pool database. In fact, an employee would need to contact the Director directly and in advance to use the vehicle which differs from the normal vehicle rental process of contacting the Vehicle Support Specialist.

Two of the Fleet staff interviewed did not cooperate with the Office of the City Auditor when they modified records provided to the Auditor so that the vehicle in question would appear in their rental pool list, when in reality, the vehicle had not been formally designated as a rental pool vehicle. By modifying the records prior to providing them, these employees failed to “fully cooperate with an investigation” as is required of all City officers and employees.

Violations

The inefficient review practices during the vehicle acquisition process that led to a vehicle being purchased on accident and the failure to fully cooperate with an investigation constitute violations of:

- Fraud, Waste, and Abuse Bulletin 06-03: Waste
- Fraud, Waste, and Abuse Bulletin 06-03: Conduct of an Investigation

The Fraud, Waste and Abuse Administrative Bulletin defines “waste” as either (1) the grossly inefficient or uneconomical use of City assets or resources; or (2) unnecessarily incurring costs to the City as a result of grossly inefficient practices, system, or controls.

Fleet Services management indicated that since this incident they have amended their practices to try to prevent similar mistakes in the future.

METHODOLOGY

To accomplish our investigative objectives, we performed the following steps:

- reviewed applicable City Code and City Bulletins;
- reviewed computer forensic data;
- reviewed financial and purchasing information for the vehicle;
- reviewed vehicle background and information from Fleet databases; and
- interviewed Fleet Services employees.

INVESTIGATIVE STANDARDS

Investigations by the Office of the City Auditor are considered non-audit projects under the Government Auditing Standards and are conducted in accordance with the ethics and general standards (Chapters 1-3), procedures recommended by the Association of Certified Fraud Examiners (ACFE), and the ACFE Fraud Examiner’s Manual. Investigations conducted also adhere to quality standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and City Code. The Office of the City Auditor, per City Code, may conduct investigations into fraud, abuse, or illegality that may be occurring. If the City Auditor, through the Integrity Unit, finds that there is sufficient evidence to indicate that a material violation of a matter within the office’s jurisdiction may have occurred, the City Auditor will issue an investigative report and provide a copy to the appropriate authority. In order to ensure our report is fair, complete, and objective, we requested responses from management on the results of this investigation. Please find the responses attached.

Office of the City Auditor
phone: (512)974-2805
email: oca_auditor@austintexas.gov
website: <http://www.austintexas.gov/auditor>

Copies of our investigative reports are available on request from City Auditor’s Integrity Unit



MEMORANDUM

TO: Elaine Hart, Interim City Manager
Corrie Stokes, City Auditor

FROM: Mark Washington, Assistant City Manager

DATE: November 8, 2016

SUBJECT: Response to Auditors Report –Fleet Services

I have read the attached October 2016 Auditors' investigative report on Fleet services. The Auditor's report cited Fleet Services unnecessarily incurred cost in the procurement process, and two staff member did not fully cooperate with the Auditor's Office during the investigation.

Fleet Management has provided a response to the Auditors' Office in which Fleet indicated they will amend their practices to avoid similar mistakes in the future. I have also asked the Fleet department to further investigate the matter regarding the employees who did not fully cooperate in the Audit.

I appreciate the Investigators who worked on this report. Please let me know if you have any additional questions or comments.

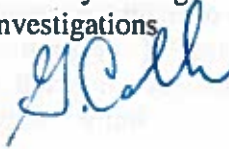
Attachment: October 2016 Auditors Report –Fleet Services
October 21, 2016 response from Fleet Services

cc: Gerry Calk, Fleet Services Director
Jennifer Walls, Deputy Fleet Services Officer



MEMORANDUM

TO: Mark Washington, Assistant City Manager
Nathan Wiebe, Chief of Investigations

FROM: Gerry Calk, Fleet Officer 

DATE: October 31, 2016

SUBJECT: Fleet Services Department Response to CAIU Special Report on Fleet Services Purchasing Practice Resulting in Waste of City Resources.

The following is in response to the *Special Report on Fleet Services Purchasing Practice Resulting in Waste of City Resources* prepared by the City Auditor's Office in September 2016. The report reaches two conclusions. The first was that there was a waste of approximately \$45,000.00. Fleet services does not concur with this conclusion.

The vehicle that the Chevy Tahoe was to replace had met replacement criteria and had all required authorizations and approvals in the back up material. A Fleet Services specification writer made an administrative error when preparing the order for the vehicle by inserting the letters LS rather than LT on a request for a quote. This action resulted in the wrong quote being forwarded to the Purchasing Office and ultimately the wrong model being purchased.

To fully recover this \$45,000 (approximate) cost, this vehicle will be substituted for a future new vehicle purchase with a similar service application, thus eliminating the need for funding at that time. Until then, this vehicle will continue to be used to support Fleet administrative staff and rental pool needs.

While the report identified inefficiencies that had existed in the acquisition process at the time the errors occurred, the characterization of gross inefficiency is not reflective of the true situation. This occurred during a period of time when there were significant personnel turnovers in the acquisition team, and was due to simple administrative errors made by a single individual that were not discovered in time to be corrected. To address the administrative error, Fleet has added two additional verification points to the current process to ensure that quotes from the vendor that are forwarded to the Purchasing Office are consistent with the items authorized and approved by the requesting department and the Fleet Officer. Fleet is also working with the Purchasing Office to add a final verification step that requires the buyer at the Purchasing Office to review and match the final quote with the associated back up approvals and authorizations, to ensure consistency prior to executing the purchase.

Due to the natural cycle of vehicle purchases that in some cases can have up to a year lead time, discovery of errors can be delayed, resulting in an additional delay in corrective action. To address errors made by the specification writer, management has documented performance issues in the employee's 2016 midpoint SSPR and the employee has also been placed on a Performance Improvement Plan.

In the second conclusion the report asserts that two members of Fleet staff did not cooperate with the investigation when they corrected the oversight wherein the vehicle had not been entered into the rental pool database. To address this lack of cooperation by employees identified in the report, senior management has counseled the employees involved on the importance of communicating changes made to data to any investigative body immediately should they have knowledge that such data is or may be the subject of an investigation. Management is continuing to investigate the actions identified in the report and will take appropriate disciplinary action if warranted.