

MEMORANDUM OF TRANSMITTAL



To: Marjorie Briones, Public Works Optimization & Systems Division Manager

From: George J. McGowan, CPA
Director, Office of Audit Services and Management Support

Dates: March 25, 2025

Subject: Water Reclamation Asset Inventory Audit (Report No. 25-04)

The Office of Audit Services and Management Support (ASMS) performed an audit of the Water Reclamation Asset Inventory. The audit objectives were to determine if the Faster System (the Fleet asset management system) and Workday (the Accounting asset management system) accurately reflected the vehicles and equipment assets of the Water Reclamation Division currently under use. In addition, we also reviewed the Fleet Management fees charged to the Division for any evidence that disposed assets were still being charged such fees. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit scope focused on the December 21, 2023, physical inventory of vehicles and equipment assets assigned to Water Reclamation.

The audit examined the accuracy of asset inventory records within Workday as compared to the Faster System. The City's perpetual asset inventory is maintained in Workday, the Asset Management section of the Procurement Division maintains these records. The Fleet Management Division utilizes the Faster System to control their vehicle maintenance, repair, procurement, and disposal activities. The Faster System includes an asset inventory of vehicles and equipment currently maintained by Fleet Management.

Fleet fees are charged related to the asset specific operating expenses incurred by the City. These fees are controlled within the Faster System and charged to department cost centers. Cost centers charges are based upon Faster System inventory records.

We utilized a December 21, 2023, physical inventory maintained by Water Reclamation and reconciled it to the inventories kept in both Workday and the Faster System. When variances arose, we researched them to determine their cause and the action needed to resolve them.

In addition, during this reconciliation process, we identified assets of the Division that were considered disposed by Division management. We used this information and the inventory variances identified between the Workday and Faster System, to determine if any Fleet fees were being charged to the Division for disposed assets.

Our review determined that inventory variances occurred between Workday and the Faster System, and consequently that Fleet fees were charged for disposed assets. As noted below, opportunities exist for Water Reclamation to strengthen their processes to reduce this risk from recurring. Specifically, please consider the following:

WORKDAY ASSET TRANSFER

We noted that transfers within Workday were not initiated by Water Reclamation when an asset was returned to Fleet for disposal. Consequently, these assets remained in Water Reclamation's cost centers within Workday and the Faster System during the disposal process.

The 2023 physical inventory included a notation of "Fleet" for ten Water Reclamation Division assets. These assets were in the disposal process (i.e., Fleet had vehicle possession on inventory date). However, the asset remained assigned to Water Reclamation within Workday and the Faster System.

We believe that Water Reclamation should have initiated the transfer of these assets to Fleet at the time the asset was considered no longer useful. City policy Policies and Procedures Manual section 2520.1 (Capital Assets) states that this should be accomplished using the Workday system to change the accountability for the asset to Fleet. This action would have stopped Fleet fees from being charged to a Water Reclamation cost center for assets no longer in use.

Recommendation: Water Reclamation Management should initiate an asset transfer in Workday when an asset is deemed to be no longer of use and physically returned to Fleet Management for disposal.

FLEET FEE REVIEW

We learned from our interviews of key staff that Water Reclamation's periodic review of Fleet fees is performed from a line item budget versus actual perspective, not by "drilling down" to the details of what asset are being charged fees. Consequently, fees charged for disposed assets may not be detected.

ASMS utilized the physical inventory and our reconciliation of Workday and the Faster System inventory to determine if Fleet fees were charged to a Water Reclamation cost center for a disposed asset. This review determined that Fleet fees were indeed charged to assets considered disposed by Water Reclamation.

We limited our review to determining if fees were charged against disposed assets, our review did not include quantifying these fees based upon the asset disposal date. Our findings are summarized in **Appendix A**.

Recommendation: Water Reclamation Management should evaluate their periodic Fleet fee review process to determine if it is sufficiently detailed and can identify Fleet fees charged to Water Reclamation cost centers in error.

INVENTORY VARIANCES

As explained above, variances existed between the Workday and Faster System inventory records defining the asset status as either active or disposed. The following eleven variances were noted:

- Five disposed assets were active in the Faster System. These older assets were excluded from the Workday implementation.
- Four assets that were active in the Faster System and were still utilized by Water Reclamation were not included in Workday. These older assets were excluded from the Workday implementation.
- Two disposed assets remained active in the Faster System.

Adding the four active assets to Workday would result in the potential inclusion and visibility of the asset during the annual physical inventory. Updating the asset status in the Faster System for the seven disposed assets would reduce the risk of Fleet fees charged for disposed assets.

Recommendation: Public Works should work with Fleet Management and Asset Management to update records within Workday and the Faster System for the identified variances.

We appreciate the cooperation and courtesies extended by the staff of Public Works, Fleet Management Division, and Asset Management during this audit. This review was performed by Audit Program Manager Perez Goree and Auditor Brian Luessen.

GJM/PG

c: The Honorable Buddy Dyer, Mayor
Jody M. Litchford, Deputy City Attorney
Michelle D. McCrimmon, Chief Financial Officer
Corey Knight, Public Works Director
Jose Fernandez, Deputy Chief Financial Officer
Martin L. Carmody, Deputy Chief Financial Officer
Christopher Andres, Wastewater Division Manager
David M. Billingsley, Chief Procurement Officer
Jonathan D. Ford, Fleet Division Manager

APPENDIX A: LISTING OF ASSET EXCEPTIONS

Assets Excluded From Workday Implementation (disposed asset, active in Faster System)

1. Asset #1263, 1985 Homemade Trailer, acquired October 1, 1985
2. Asset #1264, 1985 Homemade Trailer, acquired October 1, 1985
3. Asset #1287, 1985 Homemade Trailer, acquired October 1, 1985
4. Asset #1299, 1985 Homemade Trailer, acquired September 10, 1985
5. Asset #7673, 2005 Tow Power Generator, acquired November 11, 2005

Assets Excluded from Workday Implementation (active asset, active in Faster System)

1. Asset #8171, 2009 Ameratrail Trailer, acquired July 24, 2008
2. Asset #8424, 2010 Triple Crown Trailer, acquired February 8, 2010
3. Asset #8560, 2008 JLG 400S, acquired September 16, 2011
4. Asset #8626, 2010 Triple Crown Trailer, acquired May 10, 2010

2019 Disposed Asset (active in Faster System)

1. Asset #4869, 1994 Bomag Compactor, acquired December 16, 1993

2023 Disposed Asset (active in Faster System)

1. Asset #8867, Ford F450 w/Ladder Rack, acquired June 28, 2013