

Atlanta Public Schools
Office of Internal Compliance
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Transportation Parts Vendor Oversight Audit Report (#FY21-02)

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DISTRIBUTION:

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Table of Contents

EXECUTIVE SUMMARY	2
BACKGROUND	4
DETAILED SUMMARY OF OBSERVATIONS	5
Work Order Oversight.....	5
Productivity Metrics.....	7
IT General Controls.....	8
Segregation of Duties.....	12
Parts Inventory	13
Core Returns and Warranty Credits	15
Vendor Parts Spend Analysis.....	16

EXECUTIVE SUMMARY

The audit of the Transportation Parts Vendor Oversight process was approved as a part of the Office of Internal Compliance's FY 2020 -2021 Internal Audit Plan.




Audit Scope:

All work orders for FY 2019-2020 and the first six months of FY 2020-2021.

Audit Objectives:

1. Gain an understanding of the transportation parts inventory and invoicing review process and associated risks
2. Determine whether requests for parts are authorized, tracked, and recorded properly
3. Identify internal controls (including Information Technology) and assess the adequacy of key controls in the process and safeguarding of assets
4. Evaluate compliance with any applicable Federal, State, and Local laws
5. Evaluate compliance with APS policies and procedures
6. Determine if opportunities for process improvement exist

Risk Level Legend:

	High Risk: Findings are significantly impactful to maintaining a good internal controls framework and corporate governance, mitigation of material financial statement and regulatory compliance risk, reputational damage, and fraud risk.
	Moderate Risk: Findings are moderately impactful to maintaining a good internal controls framework and corporate governance, mitigation of financial statement deficiencies, reputational damage, regulatory compliance, and fraud risk.
	Low Risk: Findings are weaknesses that do not seriously detract from the internal control framework and corporate governance but still have an impact.

The table below summarizes the observations and associated potential risk level. Leadership agreed to implement corrective action plans to address our findings.

The observations are summarized below:

#	Transportation Parts Vendor Oversight Audit Findings Summary	Risk Level	Responsible Party
	Work Order Oversight		
1	Work orders were not always preceded by formal service requests and did not always contain repair detail information in the AssetWORKS system. Verification of repair completion, and validation of parts returns, was not	High	Transportation Management



	always performed prior to closing out the work order. The AssetWORKS system does not contain a searchable database of parts and part numbers.		
2	Documentation to support pre-approval of work orders where repair services were outsourced and/or that contained single parts over \$1,000 was not available.	High	Transportation Management
	Productivity Metrics		
3	Employees were not always logging into the Fleet Focus system to record labor hours on work orders.	Moderate	Transportation Management
	IT General Controls		
4	The AssetWORKS System and Organization Control Report (SOC2) was not obtained; therefore, a risk assessment was not performed to determine the sufficiency of controls already in place or if new controls needed implementation.	Moderate	Information Technology Services
5	Documentation of requests for AssetWORKS system access, approvals, and confirmation of access granted, were not maintained.	Moderate	Transportation Management/ Information Technology Services
6	AssetWORKS user accounts were not deactivated when employees left the district. Also, periodic access reviews were not being performed which would serve as a compensating control to identify inappropriate access.	Low	Information Technology Services
	Segregation of Duties		
7	AssetWORKS system established access controls were modified (i.e., overridden) which created segregation of duties conflicts for all users. Generic system administrator accesses were not modified after system implementation.	High	Transportation Management/ Information Technology Services
	Parts Inventory		
8	LaFrance location only: Large parts (e.g., axles, tires, batteries) were purchased and shelved without an inventory tracking system (e.g., entry into AssetWORKS) in place. Management personnel closest to the work performed is not involved in the review of vendor invoices.	Moderate	Transportation Management
	Core Returns and Warranty Credits		
9	Core parts were not always returned and there is no process in place to monitor the return of cores. Parts warranties are not being tracked.	Moderate	Transportation Management
	Vendor Parts Spend Analysis		
10	An analysis of parts spending data revealed opportunities for potential process efficiencies.	High	Transportation Management

Audit Conclusion:

We observed that controls related to reconciliation of vendor invoices to parts receipts for most locations was operating effectively. Access to NAPA inventory is controlled. Repairs and defects volumes appear to be in line with the average useful life of the parts. Transportation Management appears to meet with the vendor quarterly to discuss operating costs, billing, and other metrics. Conversely, we observed no segregation of duties related to system access, little to no oversight of system transactions and repair work performed, no inventory tracking procedures in place at satellite locations and minimal parts tracking in the AssetWORKS system, work orders with no labor hours, and missed opportunities to increase revenue with the return of core parts and warranty tracking.

Based on our review, the management of the vendor parts oversight process needs improvement, and conditions exist for fraud to be perpetrated and go undetected.

BACKGROUND

The APS Transportation department uses NAPA Auto parts as the primary provider of auto parts for all school buses. Genuine Parts Company, d/b/a NAPA Auto Parts was awarded this contract through the State of Georgia.

NAPA Integrated Business Solutions (IBS) is a customized on-site vendor managed parts and supplies inventory management program offered by NAPA Auto Parts under the trademark name Integrated Business Solutions. This service operates as a fleet for customers in any government or education segment where the customer has a need to more effectively manage the parts, supplies, and materials needed to maintain their fleet vehicles.

NAPA IBS works with the customer to build a customized on-site store that has dedicated NAPA IBS staff who provide services to the specific contract customer. NAPA IBS has the responsibility to staff, stock, and manage the warehouse/stockroom parts inventory for the NJPA contract fleet customer.

In July 2019, APS Transportation implemented AssetWORKS FleetFocus (FleetFocus). FleetFocus assists with work orders, parts requests, and shop schedules. This software is intended to maximize fleet optimization so that technicians spend less time working on a computer and more time performing repairs. Also, the software assists the Fleet Manager with managing all aspects of fleet vehicles, maintenance facilities, and workforce.

FleetFocus interfaces with NAPA IBS HUB to transfer parts requests to the NAPA Representative. Lawson GHR (Global HR) interfaces with FleetFocus to give employees user access.



DETAILED SUMMARY OF OBSERVATIONS

Work Order Oversight

Observation #1

During our review of supporting documentation for service requests, requisition of parts, and work orders, we noted the following:

- Sixty percent (60%) of service requests were not always submitted for the applicable repairs (excluding vendor repairs and preventative maintenance).
- The Technicians have to inquire with the NAPA Representative to obtain part numbers instead of AssetWORKS having a searchable database of parts and the associated part number.
- The Complaint, Cause, and Correction (3C Summary) sections, that documented the repairs performed for the work order, were incomplete or blank 37% of the time.
- Transportation Management did not always verify that all parts were either installed or returned if not needed.
- Forty-three percent (43%) of work orders were closed prior to the Master Technician, the Fleet Foreman, and/or Fleet Manager review.
- Thirty-seven percent (37%) of work orders were closed by Service Control without verifying that the repairs were completed. While this action was related to old work order clean-up per Transportation Management, the possibility exists that the repair problems reported may be unresolved (some of which could present safety hazards for passengers).

Standard Operating Procedures (SOP) No. 29, Technician; No. 27, Master Technicians; and No. 26, Fleet Foreman/Assistant Fleet Foreman/Manager respectively requires:

- Technicians to complete the comments for the task(s) before placing the work order in ready to review status.
- Master Technicians review work orders in *Ready to Review* status to ensure the Technicians entered the Complaint, Cause, and Correction with details and place the work order in finished status.
- Fleet Foreman/Assistant Fleet Foreman/Fleet Manager to close finished work orders reviewed by the Master Technician.

Risk(s):

- Lack of oversight of service requests, parts requisitions, repair details, and technicians repair work could lead to inaccurate and/or unnecessary repairs performed. This also increases the District's exposure to fraud by theft of parts.
- Productivity and process efficiency is decreased by technicians having to go through NAPA to get part numbers prior to making a request.

Recommendation:

1. Transportation Management should consider administering additional employee training around work order procedures and documentation, as well as increasing oversight of service requests, work orders, parts returns, and technicians' work for completeness and accuracy of repair resolution prior to closure of the work order.

2. Transportation Management should also consider updating the AssetWORKS system with commonly used part numbers so that technicians are able to search for parts and input parts requests with the appropriate part number.

Corrective Action Plan:

- A. The Complaint, Cause and Correction (also commonly referred to as the 3Cs) will receive immediate review based upon the new process inserted to finish and close work orders (embedded in observation response 3). With an organizational shift of replacing the role of the Master Fleet Technician and adding titled supervisors (the addition of two Assistant Fleet Foreman), the process no longer involves the Master Fleet Technicians. Therefore, all work orders will receive a review by a member of the Fleet leadership team for compliance with the 3C summary starting on December 15, 2021. Each employee will receive training in the next 30 days with a 30-day grace period to ensue and after January 15, 2022, non-compliant employees may face administrative action according to progressive discipline.
- B. Placards featuring most frequently ordered parts by number, will be created and available for Technicians, by bus and vehicle, to help support better initial parts ordering.

Implementation Date:

- A. 02/01/2022
- B. 02/01/2022

Responsible Party for Implementation:

- A. Fleet Manager
- B. Fleet Manager

Observation #2

Supporting documentation was not available for 17% percent of work orders (\$10,700.17) that contained single parts over \$1,000. Also, there was no documentation of pre-approval for 13% of work orders (\$10,122.51) where repairs were outsourced.

Standard Operating Procedures (SOP) No. 30, NAPA Parts Ordering, requires the approval of parts exceeding \$1,000 by the Fleet Manager or Fleet Foreman.

The *Integrated Supply Agreement by and between Genuine Parts Company and Atlanta Public Schools (APS) Contract*, NAPA may use any sub-contractor for the procurement of "outside" purchases or services (i.e., those parts or services not traditionally stocked or performed by NAPA). APS must provide pre-approval in writing.

Risk(s):

- Obtaining outside purchases or services without APS written pre-approval could be considered a breach of the contract which may potentially increase the expense of litigation for the District.
- Lack of oversight of the parts acquisition process increases the District's exposure to fraud by theft of parts.

Recommendation:

Transportation Management should consider administering training sessions to include required approvals and thresholds, as well as increasing oversight of purchases and the parts approval process.

Corrective Action Plan:

Currently, Transportation is using a process, as reflected in the standard operating procedure whereby the vendor sends an approval email for response from a member of the Fleet leadership team. While there was no evidence that the process was being utilized during the audit window, in August 2020, the Executive Director led internal standard operating procedure review where the process was re-implemented with fidelity. Longer term, APS and AssetWORKS developers are working to establish a systematic protocol to intercept hub parts requests, in excess of \$1,000.00 to divert the request to a Supervisor for approval. NAPA will be providing monthly reports to capture all parts requests which exceed \$1,000. All out-sourced vendor quotes are to be submitted via email to the Fleet leadership team for approval. Once approval is given, the email will be printed, signed, and filed. The SOP will receive an update to reflect this change. This is to receive immediate implementation.

Implementation Date:

01/03/2022 for email approval processes; Phase II to be determined

Responsible Party for Implementation:

Fleet Manager

Productivity Metrics**Observation #3**

In Fleet Focus, Technicians were not always logging into a work order to start the task for repair work assignments. As a result, labor hours were not logged.

Standard Operating Procedures (SOP) No. 29, Technician and No. 28 Electronic Technician requires all technicians to log into Fleet Focus within 15 minutes of arrival, as well as to clock into a single vehicle Work Order or Indirect Time depending on their assignment.

Standard Operating Procedures (SOP) No. 26, Fleet Foreman requires the Fleet Foreman, Assistant Fleet Foreman, and/or Fleet Manager to monitor labor hours via Fleet Focus reports.

Risk(s):

- Technicians that may not access the system that tracks their daily work activities avoid labor hours being added to work orders as well as details of the work performed. This skews parts usage and labor hours/dollars reporting.
- Lack of oversight of employee time, attendance, and performance hinders management's ability to effectively and/or efficiently manage their employees in accordance with expectations.

Recommendation:

1. Transportation Management should consider performing periodic reviews of Fleet Focus access to validate that employees, where applicable, have accessed the system in the required timeframe.
2. Transportation Management should consider developing and implementing a process to check for work orders without labor hours so that updates can be made and reporting metrics will be more accurate.

Corrective Action Plan:

- A. All work orders will go under review by the Fleet Manager, Fleet Foreman, and the Assistant Fleet Foreman for compliance with labor hours. Those technicians who fail to properly account for hours may face administrative action according to progressive discipline.

Implementation Date:

- A. 02/01/2022

Responsible Party for Implementation:

- A. Fleet Manager

IT General Controls**Observation #4**

The System Administrator did not obtain the AssetWORKS System and Organization Control (SOC 2) Audit Report for the time period April 1, 2019 to March 31, 2020. This report is published annually and is designed to provide assurance to service organizations' clients, management and user entities about the suitability and effectiveness of the service organization's controls.

We noted that the SOC 2 report listed multiple control failures related to system vulnerability, inappropriate access, and missed inspection of data center fire suppression equipment. These vulnerability exceptions are critical to the security of APS's data since AssetWORKS is a cloud-based system that houses APS data on their servers.

The SOC 2 report also contains User-Entity Controls Considerations (UECC) for which the service organization states specific controls that the user entity must have in place in order to achieve the service provider objectives. Since the SOC 2 report was not obtained, the System Administrator did not perform an assessment to determine whether APS had controls in place to mitigate the service organizations control failures and address the UECCs or if controls should be implemented.

The American Institute of Certified Public Accountants (AICPA) is an accounting standards board that sets ethical standards for the profession and U.S. auditing standards for audits of private companies, non-profit organizations, federal, state, and local governments. The AICPA

follows the United States Generally Accepted Accounting Principles (US GAAP) and created the System and Organization Control (SOC) framework to assist practitioners with determining whether a service organization's controls and practices are effective at safeguarding the privacy and security of its customer and client data. The review of SOC 2 reporting and subsequent controls assessment is required since the District follows US GAAP.

Risk(s):

Failure to review and assess security controls, at least annually, increases the District's exposure to data breaches and financial statement misstatements.

Recommendations:

The System Administrator or someone in the Information Technology Services (ITS) department should review the AssetWORKS SOC2 Reports annually, as they become available, to determine if:

- The controls considerations identified in the UECC section have been addressed or if new processes, procedures, and/or controls should be implemented.
- Controls are in place at the District to mitigate the risk of errors resulting from identified service provider control failures.

A "Bridge Letter" (also referred to as a gap letter) should be obtained to bridge the "gap" between the service organization's report date and the user organization's year-end (i.e., calendar or fiscal year-end) if applicable. This provides the user organization a level of comfort and understanding about the internal control environment during the gap period.

Corrective Action Plan:

- A. Work with the vendor to collect their SOC2 audit report on an annual basis. Review the UECCs and address any required actions based on the risk. If issues are identified, APS will work with the vendor to address the issues and request a follow up report confirming that the said issues have been addressed in the remediation plan. Based on the severity of the issue and the impact to APS, additional steps may be taken.

Implementation Date:

- A. 05/30/2022

Responsible Party for Implementation:

- A. Director – IT Applications or a designated member of the IT applications team (i.e., the System Administrator).

Observation #5

Supporting documentation for approval of AssetWORKS access was not available for 87% of the sampled employees. Neither the initial request nor the confirmation of access granted to the system was maintained.

APS Access Control Standard, 3.2 User Registration states that all multi-user information systems and services must have a documented user registration procedure for granting access. Managers are responsible for formally approving user registration.

Atlanta Public Schools Retention Schedule, Information Technology (Record Title: Network and PC Password and Security Identifications), states to maintain supporting documentation of the issuance or selection of a network password and the administration of security and monitoring of the district's network.

Risk(s):

Inappropriate system access increases the District's exposure to unauthorized changes and fraud by theft of parts.

Recommendations:

Transportation Management should consider the following:

1. Immediately perform an access review to determine if those users with system access should continue to have access. The System Administrator should be notified of any necessary changes.
2. Collaborate with the System Administrator to develop and implement registration procedures for granting and deactivating user access to AssetWORKS.

The System Administrator should maintain documentation of each employee's user registration approval.

Corrective Action Plan:

- A. A review of access will take place with the Executive Director - Transportation, Fleet Manager, Operations Manager and Administration Manager with a corresponding report to the IT System Administrator.
- B. A Power Apps document will reside in SharePoint to document all user additions, deletes or role changes outside of the interface process.

Implementation Date:

- A. 02/01/2022
- B. 06/30/2022

Responsible Party for Implementation:

- A. Executive Director, Transportation
- B. Director – IT Applications or a designated member of the IT applications team (i.e., the System Administrator).

Observation #6

AssetWORKS user accounts for employees that terminated from the District were not deactivated. The AssetWORKS interface with Lawson GHR to automatically provide employees system access worked properly; however, the AssetWORKS interface with Active Directory by file transfer protocol (FTP) to automatically deactivate or disable employees upon termination

did not occur. In addition, Transportation Management did not verify that employees' user accounts were deactivated in AssetWORKS.

APS Access Control Standard, 3.2 User Registration states that Managers are responsible for notifying appropriate technology resources to de-register accounts when an employee or contractor leaves.

NIST SP 800-53 Revision 5, Security and Privacy Controls for Information Systems and Organizations (3.4 Assessment, Authorization, and Monitoring) states that identifying and implementing security controls is vital in protecting the confidentiality, integrity, and availability of the connected systems and the data that is transferred between the systems. At least annually, one or both organizations should review the security controls for the interconnection or whenever a significant change occurs to either system or the operational environment.

Risk(s):

Failure to terminate access when an employee leaves the District could result in unauthorized system changes and/or fraudulent parts orders.

Recommendations:

1. ITS should consider developing and implementing security controls for AssetWORKS to automatically deactivate separated employees from the system during FTP.
2. The System Administrator should perform annual reviews of the security controls to validate that systems interconnection are working properly.
3. Transportation Management should notify ITS to deactivate system users when employees leave the district.
4. As a compensating control, ITS should consider developing a plan for periodic (e.g., monthly, quarterly, semi-annually) access reviews with the Transportation Executive Director including how it will be administered, how often it will be performed, and who in the IT Services Department will be responsible for performing the review. Once completed, implement the periodic access review, and maintain evidence to support that the review was performed.

Corrective Action Plan:

All employees that leave the organization are deactivated in the HR system which causes their accounts to get automatically disabled in active directory. They therefore no longer can access the application. The technology team agrees that periodic reviews must be done to disable/clean-up accounts in AssetWORKS for employees that have left the organization.

- A. The IT System Administrator, Fleet Manager and Executive Director - Transportation will perform a quarterly review of access in TEAMS to modify as needed for those employees who have terminated, transferred, or no longer need access. Changes must receive approval after the individual is requested and approved in the electronic request/delete tool.
- B. An annual System Administrator review of the security controls will take place.

- C. Transportation will notify IT of deactivated users via the quarterly review in the google/power app document.

Implementation Date:

- A. 05/30/2022
- B. 05/30/2022
- C. 05/30/2022

Responsible Party for Implementation:

- A. Director – IT Applications or a designated member of the IT applications team (i.e., the System Administrator).
- B. Director – IT Applications or a designated member of the IT applications team (i.e., the System Administrator).
- C. Executive Director - Transportation or Designee.

Segregation of Duties

Observation #7

All (100%) users sampled in AssetWORKS had conflicting duties. The users have the ability to initiate a service request, create a work order, mark a work order as finished, and close a work order. We noted that User Group Permissions were intentionally modified to allow the conflicting access. This modification resulted in the automatic update of other screen permissions that the user did not have previously.

Additionally, there were seven users with system administrator access and three users with generic system administrator access. As a general information technology practice, one System Administrator and a backup System Administrator are designated to reduce the number of administrator actions allowed within a system. This is because system administrators have more privileged and elevated access rights than any other employee which includes creating and deleting accounts, making system modifications, accessing all files, assigning access rights to other users, and downloading or removing software.

As a general cybersecurity practice, any generic system administrator credentials (username and password) should be changed prior to system implementation in order to protect against unauthorized access. We noted that multiple system administrator and generic system administrator access credentials remained unchanged in the system. Transportation Management was aware of the access modifications, as well as the generic credentials.

NIST SP 800-53 Revision 5, Security and Privacy Controls for Information Systems and Organizations (3.1 Access Control) states that separation of duties includes dividing mission or business functions and support functions among different individuals or roles.



NIST SP 800-53 Revision 5, Security and Privacy Controls for Information Systems and Organizations (3.7 Identification and Authentication) states that developers may deliver system components with factory default authentication credentials (i.e., passwords) to allow for initial installation and configuration. Default authentication credentials are often well known, easily discoverable, and present a significant risk. System authenticators can be managed by creating unique authenticators or changing default authenticators prior to delivery and installation.

Risk(s):

Improper segregation of duties increases the risk that conflicting duties will not be identified, and fraud may go undetected. Inappropriate system access could lead to unauthorized and/or fraudulent parts orders or work order changes.

Recommendations:

1. The Transportation Executive Director should collaborate with the System Administrator to review current AssetWORKS system access, perform a segregation of duties analysis, and determine appropriate modifications to access (changed or deletion).
2. Management should not generally override system established access controls. If management determines that changes are necessary that will render a conflict of duties, then the nature of the change, extent of the change, and the rationale for the change should be well documented and approved by appropriate district personnel. In addition, management should implement a compensating control to increase oversight of system transactions (i.e., additions, changes, deletions) for appropriateness due to the conflicts.

Corrective Action Plan:

- A. A segregation of duties review will take place with the IT System Administrator and access will be modified as needed. ITS will also explore the possibility of creating a generic report with the vendor that will identify conflicts.
- B. Upon implementation, all new requests, role changes will seek approval via the new Power Apps document. The IT System Administrator will act on no other request format.

Implementation Date:

- A. 02/01/2022
- B. 06/30/2022

Responsible Party for Implementation:

- A. Executive Director of Transportation or Designee
- B. Executive Director of Transportation and Fleet Manager

Parts Inventory

Observation # 8

Satellite depot locations (LaFrance, Lakewood, and North Atlanta) currently have an inventory of parts obtained from the Metro Depot main location that are not being tracked in AssetWORKS prior to use. Lakewood and North Atlanta parts are obtained from NAPA outside of the system which resulted in some parts not being associated with a work order nor assigned

to an asset in AssetWORKS. LaFrance orders parts from the Metro Depot and shelves them until needed. In all cases, reliance is placed on the Technician to report the part as used. At that time, the system is updated to associate the part with a bus or vehicle.

LaFrance location only: The Master Technician, who is closest to the work performed, is unable to reconcile parts requested to the NAPA invoice for completeness and accuracy because he has no visibility to the vendor invoice. Transportation Management currently reviewing and approving invoices for LaFrance has no insight as to parts requested.

Risk(s):

- Failure to track and verify inventory increases the District's exposure to fraud by theft of parts.
- Inadequate review and reconciliation of vendor invoices to support increases the likelihood that the district will pay for parts that may not have been ordered and/or received.

Recommendations:

1. OIC realizes that tracking smaller inventory items such as bolts, screws, and tape may be tedious and a potential business disruptor. As such, we recommend that Transportation Management input and track the larger, more expensive, parts in the AssetWORKS system for all satellite locations to minimize the likelihood and financial impact of parts theft.
2. Based on our site visit to the satellite locations in September 2021, the LaFrance location only contained large parts. Transportation Management should consider an immediate inventory of the current parts on-hand and developing a process for tracking these items, in addition to the steps noted in the prior recommendation.
3. Transportation Management should consider changing the invoice review process to allow for adequate oversight and validation of parts receipts by the LaFrance Master Technician.

Corrective Action Plan:

- A. In collaboration with the parts vendor, Transportation Management will launch the consignment inventory process. This process will enable the Fleet Manager or designee to determine a standard satellite stock inventory. The parts vendor will then create the inventory and assign to the dating (i.e., consignment hold) account. On a daily basis, a parts vendor rep will assess the inventory and charge accordingly. The Assistant Fleet Foreman maintains the responsibility of ensuring that each part has accountability in a work order and corresponding parts request.
- B. The small satellite inventories at North Atlanta and Lakewood were returned to the parts vendor.
- C. The role of the Master Fleet Technician in the parts approval process has undergone a change. There is now a titled Assistant Fleet Foreman at LaFrance. The Assistant Fleet Foreman will now maintain this parts receipt oversight which will be reconciled to daily invoices.



Implementation Date:

- A. 05/30/2022
- B. 11/15/2021
- C. 02/01/2022

Responsible Party for Implementation:

- A. Fleet Foreman and Assistant Fleet Foreman for all actions.

Core Returns and Warranty Credits

Observation # 9

The district receives a credit on account for all core parts returned, where applicable, and parts within the manufacturer's warranty. We analyzed the number of parts replaced without the return of cores and noted the following:

- Not all technicians were returning the cores when applicable.
- Not all technicians were aware of which parts required core returns.
- Transportation Management was not monitoring core returns by the technicians.
- The value of the unreturned cores in the 18-month period reviewed was \$12,702.92.
- Transportation Management was not monitoring warranty items and reporting.

Risk(s):

Lack of oversight in the vendor parts management process increases the District's exposure to fraud by theft of parts, as well as the loss of revenue.

Recommendations:

We recommend the following for Transportation Management:

1. Develop and implement a process for monitoring parts warranties, as well as the return of core parts.
2. Train technicians to identify which parts require core returns and how often cores should be returned.

Corrective Action Plan:

- A. Transportation will foster oversight on core parts. The monitoring will include a standardized report of all cores by month from the vendor. Provided the vehicle identification and part number are correct, the HUB system will help to track core returns (in the works). Additionally, Transportation will place a large wooden bin outside of the vendor parts area to centralize core returns. Lastly, an Assistant Fleet Foreman will oversee the core return process.
- B. Quarterly training will start on core return items.
- C. The parts vendor currently maintains the capacity to track part warranty issues in their proprietary system but only within the vendor's own distributed line of parts. The vendor is in development to produce within their proprietary system tracking part warranty thresholds for not only the vendor's part lines but also OEM (original equipment



manufacture's lines and third party) parts. This work is in progress with no estimated completion date. Transportation will staunchly advocate for this contractual compliance item to finalize oversight.

Implementation Date:

- A. If the report feature is feasible, 05/01/2022
- B. 02/01/2022
- C. Not Applicable

Responsible Party for Implementation:

- A. Fleet Manager
- B. Fleet Manager
- C. Not Applicable

Vendor Parts Spend Analysis

Observation #10

Data analytics procedures provided some additional data points of interest and opportunities to improve internal processes. The time period of reporting is SY 20 (July 1, 2019 – June 30, 2020).

1. Total NAPA parts usage costs were \$3,261,724.68.
2. Two vendors who performed outsourced repairs and services on APS buses (which often included vendor shop parts) had invoice spend as follows:
 - Associate Fuel Systems Inc. - \$1,313,694.47
 - Allan Vigil Ford - \$234,688.00

These vendors were selected because they had the highest invoice spend which totaled \$1,548,382.47.

3. Outsourced service repairs and towing services totaling \$117,697.43 were paid via Procurement Card. We noted that this spend included transactions with Allan Vigil Ford (\$23,039.45); a vendor for which spend was also incurred through the purchase order process as noted in the previous bullet.

The District had a contract with Associated Fuel Systems, Inc. not to exceed \$500,000 in contracted school bus, truck, and heavy truck repair services annually. The spend with this vendor during 12 months of our 18-month scope was almost triple the approved amount, and there was no documentation to support approval of the \$813,694.47 overage. The District's procurement policy requires change requests where the dollar amount of the original contract is raised by more than 5% of the last approved contract to be approved by the Board of Education. We also noted that the District currently has a contract (2021) with this same vendor for the same services at the same not to exceed amount despite the trend of services exceeding this amount.

Although it may not be intentional, splitting vendor spend between different payment mechanisms (i.e., p-card vs. purchase order) presents the opportunity to circumvent the procurement approval process. Current monitoring procedures over vendor spend in accordance with contracted amounts is not effective. The Transportation Department was not monitoring their vendor spend. The Procurement Department relies on Department Heads to track their own



spending and send notification when additional approval is required from the Board. The Accounting Department manages P-card services; consequently, a procedural gap exists in that vendor spend across different payment platforms is not being monitored.

Risk(s):

Failure to follow district procurement policies and procedures may be perceived as unequal treatment of vendors.

Recommendations:

1. Transportation Management should implement a process to monitor their department spending to ensure compliance with contract terms and conditions. The plan should include sending notification to the Procurement Department when overages are anticipated, and additional approval may be required.
2. Finance Management should explore options to develop and implement a process to monitor vendor spend across several payment platforms (i.e., p-card, purchase order, check requests).
3. Transportation Management should reevaluate the Associated Fuel Systems contract terms and conditions, especially the "not to exceed" amount, to bring the terms and transaction volume in closer alignment.

Corrective Action Plan:

- A. Transportation will now maintain a spreadsheet to track vendor spending listed in this observation. Transportation will also run a spend report by vendor twice a month to ensure they stay within the approved spend. Procurement will ask the Board for spend increases as needed.
- B. In regard to Allen Virgil Ford, the p-card spend in questions has not been previously captured under an existing contract. Procurement will work with Transportation to bid out these services and make the appropriate award and spend approval recommendations to the Board. This will provide a valid procurement method for any type of spend (p-card, PO, or check request).
There is no systematic way to address spend across payment platforms, however, by putting these services under contract and monitoring spend as noted in Recommendation #1, this issue should be resolved.
- C. Transportation will explore formal contract opportunities for formalizing a contract for mechanical services (co-op, piggyback, state contract and solicitation).

Implementation Date:

- A. 01/03/2022
- B. 06/30/2022
- C. 06/30/2022

Responsible Party for Implementation:

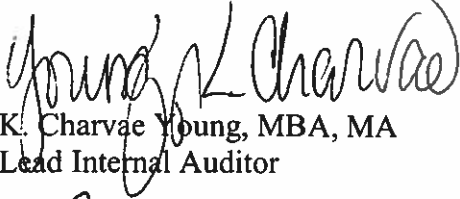
- A. Administration Manager of Transportation
- B. Fleet Manager
- C. Fleet Manager



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We want to extend our appreciation to the management and staff in the Transportation, Information Technology, and Finance departments for their cooperation and courtesies extended to us during the audit.

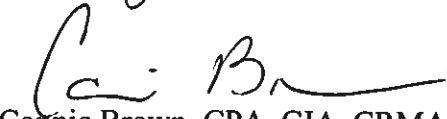
Respectfully submitted,



K. Charvae Young, MBA, MA
Lead Internal Auditor



Petrina Bloodworth, CIA, CFE, CRMA
Director of Internal Compliance



Connie Brown, CPA, CIA, CRMA
Executive Director of Internal Compliance



Abbreviations

APS	Atlanta Public Schools
GHR	Global Human Resources
ITS	Information Technology Services
OIC	Office of Internal Compliance
SOP	Standard Operating Procedure