Internal Audit Report

Equipment Services
January 2004


Durango Repair Shop

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January 20, 2004

Andrew Kunasek, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
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Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2003-04 review of Equipment Services. This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- Accountability over parts inventory should be improved
- Opportunities exist for reducing telecommunications expenses
- Organizational changes should be made to improve checks and balances over parts inventories and accounts receivable

Within this report you will find an executive summary, specific information on the areas reviewed, and Equipment Services' response to our recommendations. We have reviewed this information with the Director and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Joe Seratte at 506-6092.

Sincerely,

Ross L. Tate

Ross L. Tate
County Auditor

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MCES inventory records show substantial parts transfers to vendors that are not supported by vendor credits, refunds, or other explanation. These entries could result in hidden inventory shortages or the loss of actual vendor credits. MCES should investigate unsupported inventory transfers and, in the future, record transfers to vendors only when supported by vendor credit memos, refunds or other appropriate explanation. MCES management should review inventory transfers monthly.

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The MCES organizational structure does not provide effective segregation of duties controls over key business office functions. Failure to establish and follow effective checks and balances over department resources increases the risk that errors or misappropriations may occur and not be timely detected. MCES management should separate responsibilities for record keeping from physical custody and reconciliation of assets.

Introduction

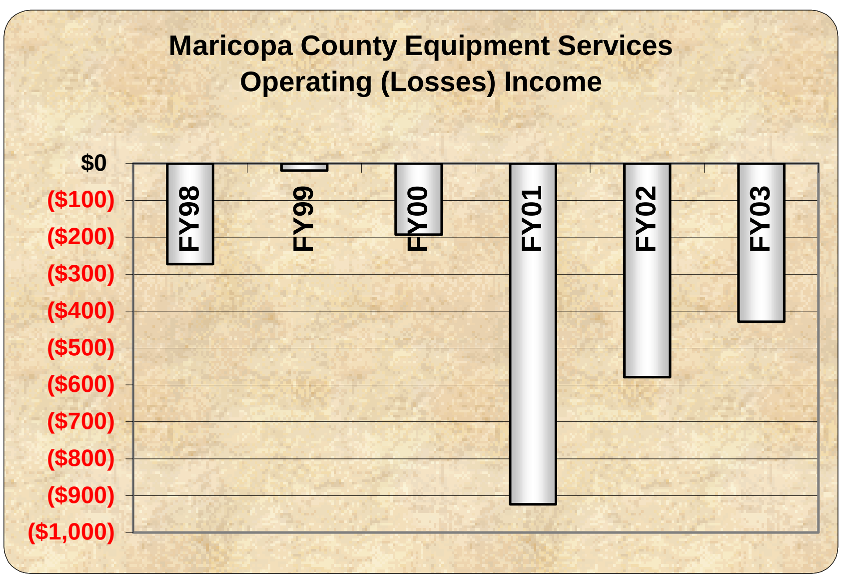
Background

Maricopa County Equipment Services (MCES) acquires, repairs, maintains, and disposes vehicles and heavy-duty equipment owned by Maricopa County. The department also operates a fleet of vehicles for work related use by County employees. Repair shops and service stations are located throughout Maricopa County, including the main facility at Durango and 35th Avenue and satellite facilities in Mesa, Buckeye, Surprise, and Downtown Phoenix. Fueling stations are located in other areas as well.

MCES is intended to be a self-supporting enterprise that covers its operating costs through customer charges. Major customers include Animal Care & Control, MCDOT, and the Sheriff's Office. Other customers include Parks & Recreation, Facilities Management, and Adult and Juvenile Probation. In addition, fuel is sold to certain local governments through intergovernmental agreements.

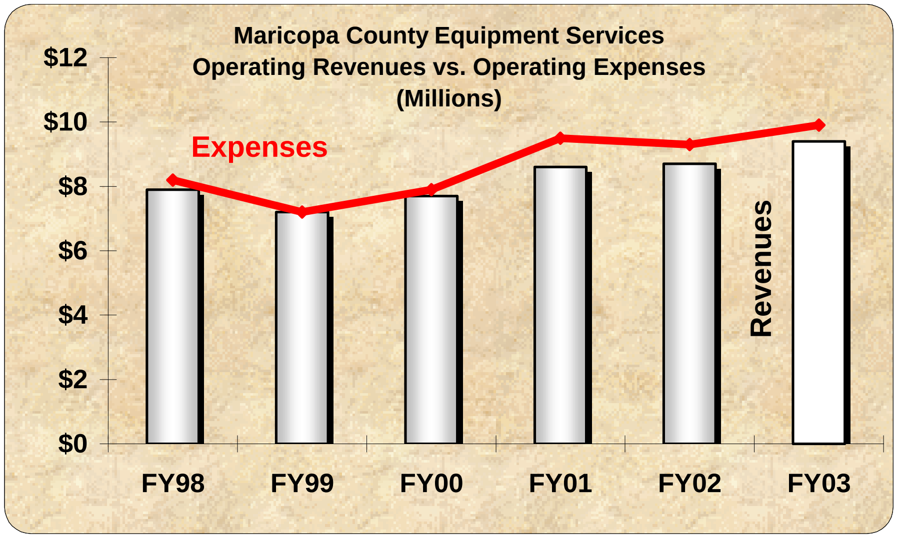
<u>Financial Trends</u>

As shown in the following graph, MCES has posted operating losses over the past six years. In FY 2001 the loss exceeded $920,000. The FY 2003 loss was $430,000. MCES management expects to report another large loss in FY 2004.

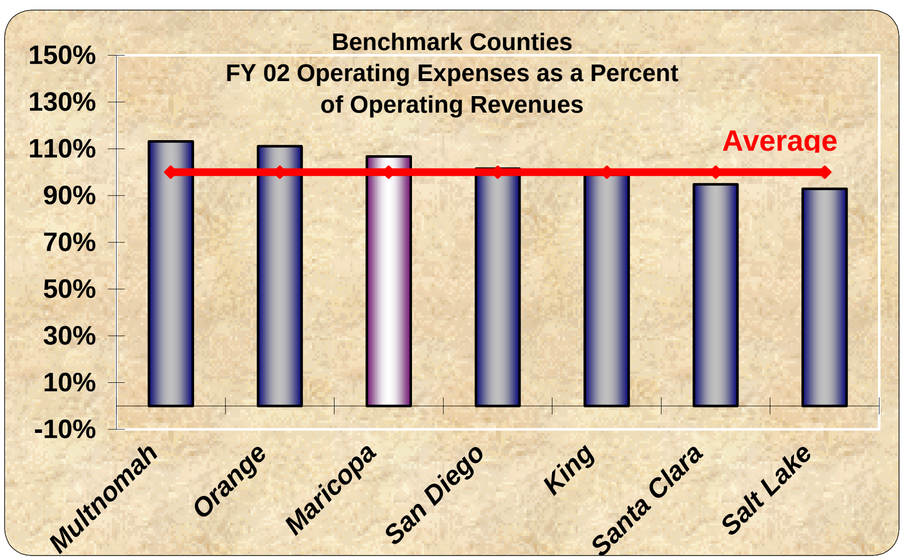


Accumulated operating losses over the past three years have led to cash deficits that have increased from half a million dollars in FY01 to nearly $850,000 in FY 2003. These cash deficits are covered by non-MCES cash on deposit with the Maricopa County Treasurer. The County

Treasurer has allocated interest charges to MCES ranging from $36,000 to $50,000 in each of the past three fiscal years.

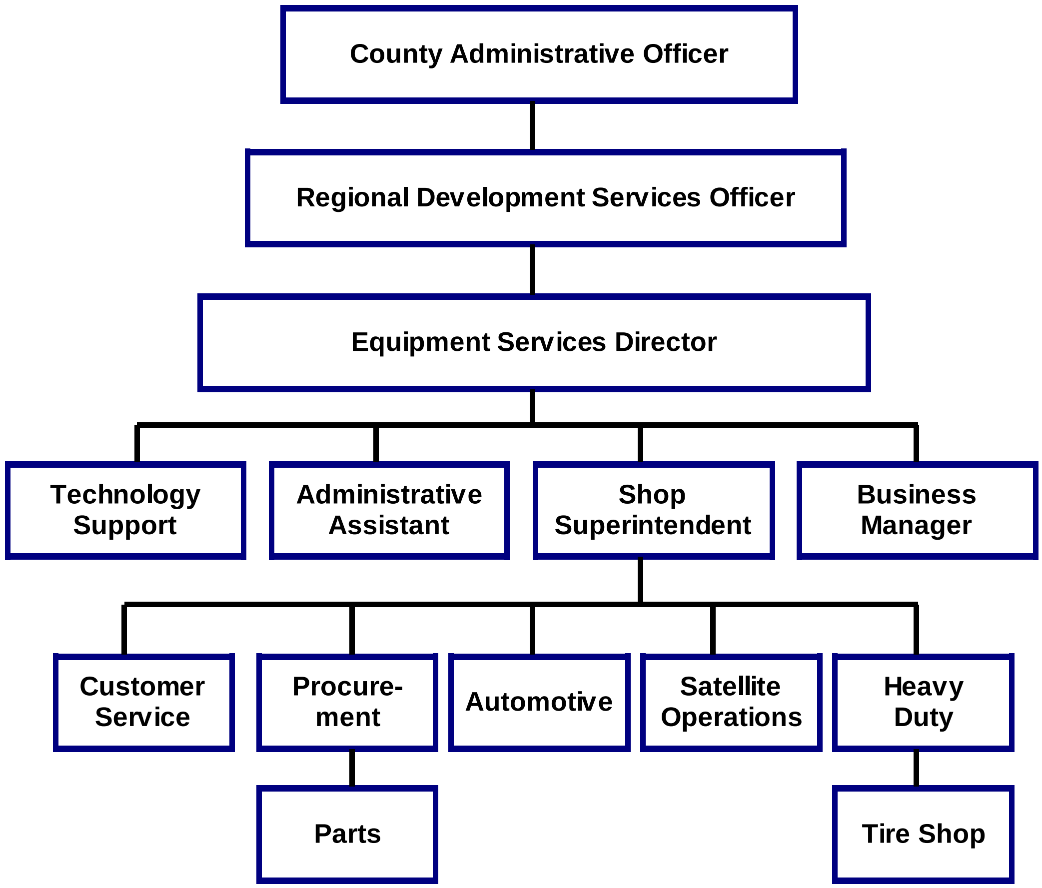


In comparison with six other counties, Multnomah and Orange reported larger FY 2002 operating losses than Maricopa, while San Diego, King, Santa Clara, and Salt Lake reported break-even or small profits. MCES's operating expenses were 107 per cent of operating revenues compared with Multomah at 113 per cent and Salt Lake at 93 per cent.



Although MCES operating results are within a reasonable range of these benchmarks, MCES's goal is to improve its financial performance and to attain break-even results.

Organizational Structure
MCES operates with approximately 59 employees, organized as follows:



Internal Audit Examination

Maricopa County Internal Audit selected MCES for an examination this year in accordance with its annual County risk assessment and audit plan development. The internal audit focused on organizational and procedural structures that affect the department's ability to safeguard assets, detect errors and theft, and accurately report financial information and performance measurements.

During the past year, a task force of County administrators, MCES employees and customers was convened to review employee and customer service issues and make appropriate recommendations. The County's Research and Reporting Department conducted workplace assessment surveys with MCES employees. Currently, County management has solicited proposals for a consultant with expertise in equipment service operations to conduct a comprehensive operational review. Accordingly, we excluded from our review issues concerning employee morale, customer satisfaction, or operational efficiency.

Note that, through special request, we did review one specific complaint by Animal Care & Control, related to an August 2003 canine fatality. Our conclusions were issued in a separate memo dated September 25, 2003.

Scope and Methodology

The objectives of this audit were to determine if MCES:

- Is organized with effective controls to safeguard assets against errors and theft
- Complies with statutes and County policies and procedures
- Has accurately calculated and reported its performance measures for key results
- Employs effective controls over key Information Technology (IT) systems

This audit was performed in accordance with generally accepted government auditing standards.

Department Reported Accomplishments

Equipment Services management has provided the following information for inclusion in this report.

Automotive

- Achieved the Department Goal of 96% fleet availability.
- Saved the County over 1.8 million dollars via our handling / leadership in dealing with FORD Crown Victoria rear end crash fire problems, working with County Attorney's Office.
- Instilled a new safety culture, improving the lost time injuries index 75% and sustaining one vehicle accident ($343.85 in claims paid) traveling over 138,336 miles.
- Updated repair manuals and the technician information system, access to repair information from CD ROM and the Internet.

Heavy Duty / Field / Satellite Operations

- Met the Department Goals of fleet availability of 96%.
- Created measurements to track productivity at each location.
- Memoranda of understanding established between EQS and MCDOT avoided the payment of $55,224 in rent for H.U.R.F. funded buildings in Buckeye and Surprise.

Parts

Reorganized the parts department for greater efficiency, quicker response time, and inventory control. Provided parts department employee training to increase accuracy and timeliness of transaction processing. Improved communication with technicians and better inventory management by greater utilization of the FASTER system.

Accounts Payable

- Credits are now being captured and matched with original invoices with the help of the Parts Department (in the past no procedure was in place to capture credits).
- Increased usage of P-Card for savings.

Administrative / Customer Service

- Maintained 10% variance for Equipment Services Inventories.
- Successfully piloted Department through construction while maintaining a 96% fleet availability.

Issue 1 Parts Accountability

Summary

MCES inventory records show substantial parts transfers to vendors that are not supported by vendor credits, refunds, or other explanation. These entries could result in hidden inventory shortages or the loss of actual vendor credits. MCES should investigate unsupported inventory transfers and, in the future, record transfers to vendors only when supported by vendor credit memos, refunds or other appropriate explanation. MCES management should review inventory transfers monthly.

Cause

MCES personnel stated that there are problems in the FASTER parts inventory system and that these transfers were used as a way to correct inventory records. In addition, MCES does not regularly print, distribute, or independently review the monthly Parts Transfer Report.

Effect

Posting credit entries to inventory records in the absence of documented reconciliation and management review could allow inventory to be misdirected, or allow inventory shortages to occur without being detected. Failure to produce and review transfer reports regularly can result in missed vendor credits.

Durango Parts Room

Criteria

The State and Local Government Committee of the AICPA in their publication *Audits of State and Local Governmental Units*, recommends that accounting controls be in place adequate to ensure the filing and collecting of claims for damaged or returned goods.

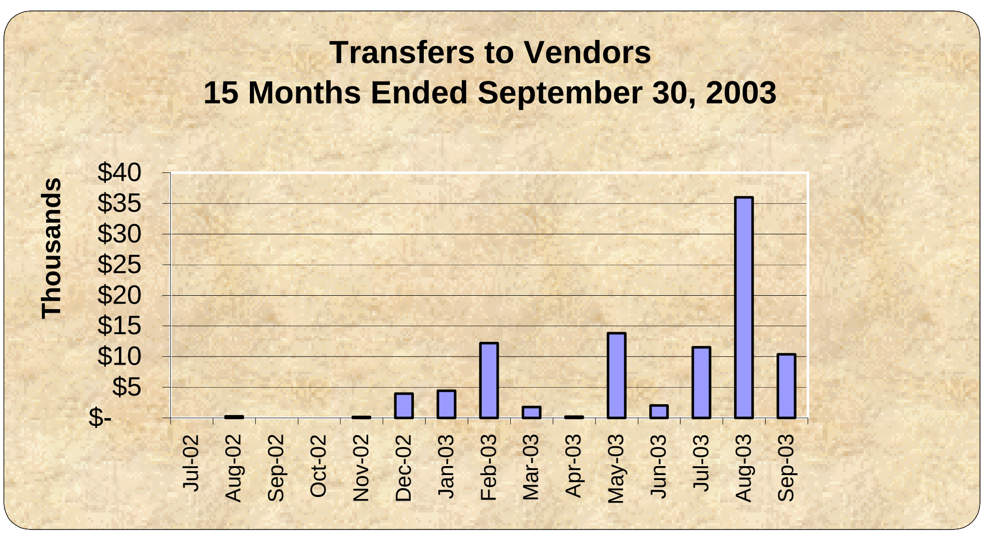
Condition

We noted that the parts inventory very well organized. Storage areas are clearly labeled with inventory descriptions and inventory records provided accurate locations. During our examination, we did not find significant variances between inventory summaries and physical counts.

We noted, however, that significant downward adjustments to inventory records had been posted in the form of transfers to various vendors. MCES did not provide us with an explanation of these transfers other than that the inventory information system has some problems.

The following graph shows that transfers to vendors (returns) occur sporadically, but that several spikes are evident, especially in August 2003, when roughly $35,000 in vendor returns were booked to the inventory system. Since the beginning of the calendar year, over $90,000 in vendor returns were booked to the inventory system.

We examined a sample of 14 inventory transfers from five vendors totaling approximately $5,000. None of the vendor returns was supported by credit memos or refunds. This 100 percent exception rate indicates the parts inventory may be misstated by the total amount of vendor return entries. MCES personnel stated that there are problems in the FASTER system inventory and that these transfers were used to correct inventory records. According to the Parts Department Supervisor, these transfers largely represent adjustments to the inventory records to match actual inventory on hand.



Recommendation

MCES should:

A. Frequently reconcile the Parts Transfer Report to vendor credits and accounts payable records to ensure the department receives expected vendor credits or refunds. The reconciliation should be reviewed and approved by a supervisor or manager independent of the parts department.

B. Cease the practice of booking transfers to vendors unless accounts payable vendor credits, refunds or valid explanations can be documented.

C. Obtain an explanation for the almost $90 thousand in transfers to vendors in 2003 and implement corrective action.

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Issue 2 Telecommunications

Summary

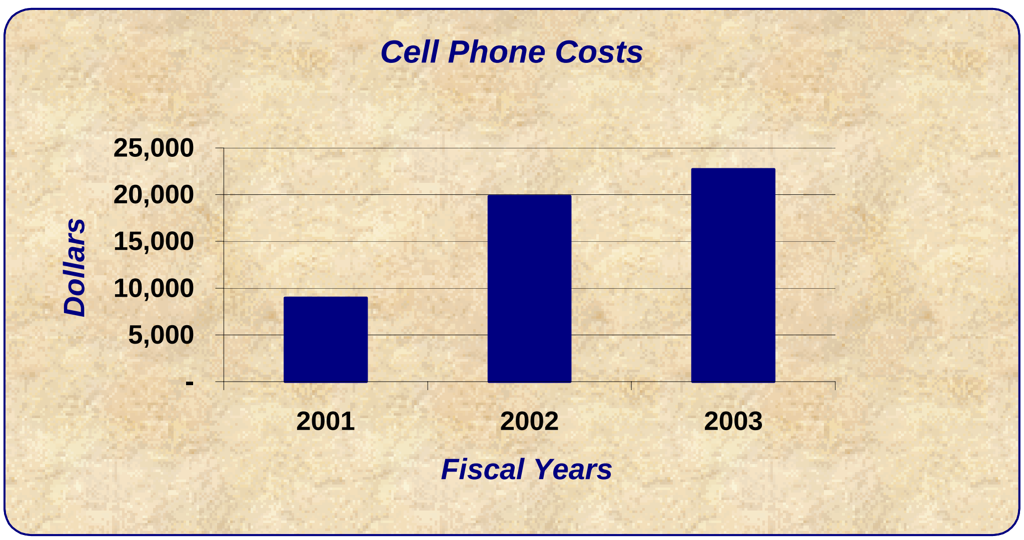
MCES cell phone costs have risen 250 percent over the past three years. Eliminating excess cell phone and fax capacity could save nearly $7,000 per year. MCES should reduce the number of department cell phones and fax machines and review telecommunications costs more thoroughly.

Cause

MCES has a total of 36 cell phones, which is a high number for a department with 59 employees (full time equivalent). Additionally, the department telecom representative, and the employees themselves, did not consistently review and sign off on the telecom charges.

Effect

Our review of charges and call activities from telecom bills indicates that call plans are under-utilized. Approximately 15 cell phones (based on usage of minutes and position/function of phone holder) could be eliminated, which would save $7,000 a year. MCES also has three duplicative fax machines and three unused phone lines. Eliminating this excess capacity would save an additional $1,300 per year.



County Policy Requirements

Department directors are responsible for assigning cell phones, monitoring usage, and controlling overall costs. County policy (A1202) specifies that cell phones be issued to employees for business purposes, such as safety for field personnel, virtual office employees, and working in remote areas. Employees and department representatives should review call detail reports to validate the calls as business related.

Recommendation

MCES should:

A. Analyze cell phone, phone line, and fax machine usage and eliminate excess capacity.

B. Require employees and the department representative to review and sign off on all telecom detail reports.

C. Review and comply with Maricopa County Telephone policies and procedures.

Issue 3 Vehicle Emissions Testing

Summary

Sixty-eight percent of County-owned vehicles did not complete vehicle emissions testing by the due date. Failure to meet testing standards could negatively affect the County's fleet vehicle license and the ability to register vehicles with the Motor Vehicle Division. MCES should consider reporting non-compliant departments to the County Administrative Officer.

Cause

Departments are responsible for ensuring their vehicles are brought into MCES for emissions testing on a timely basis. MCES generates notices through the FASTER system to notify department fleet coordinators which vehicles are due, and past due.

Effect

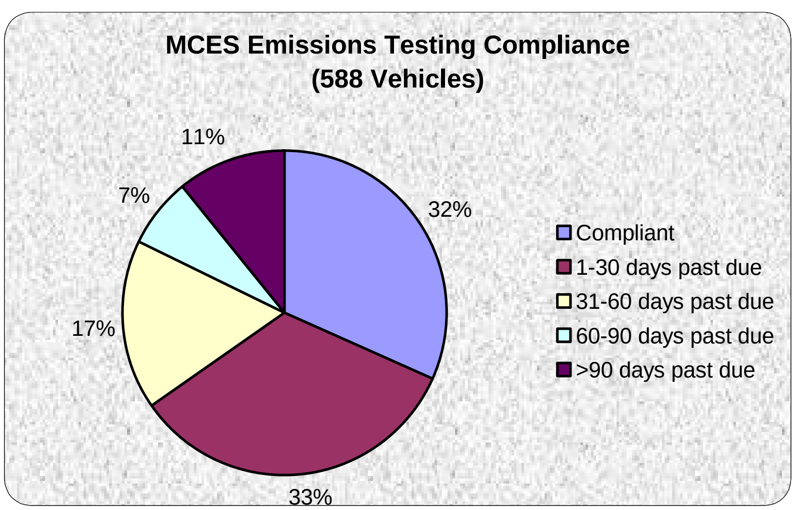
MCES could lose its fleet vehicle emissions inspector license and incur increased costs associated with third party emission inspection. In addition, County vehicle emissions could contribute to the Valley's pollutants, and the County would not be setting a good example as the leader of the regional transportation authority.

Requirements

Arizona's environmental statute 49-542 mandates that all eligible County fleet vehicles must be emissions-tested annually or biannually.

Review Results

Our review of emissions compliance identified 588 County vehicles due for emissions testing in FY 2003 or earlier. Of the vehicles due for testing, 401 (68 %) are past due or completed emissions testing late. The following chart shows the compliance status of all vehicles:



These past due vehicles come from 28 of 32 County departments operating vehicles. See the Appendix on page 21 for a summary of the compliance results by department.

Recommendation

MCES should:

A. Continue to proactively alert departments of upcoming emission deadlines.

B. Consider developing a delinquency report to be distributed to County management.

Durango Repair Shop

Issue 4 Performance Measure Certification

Summary

Our review of five MCES Key Results Measures, developed for the Managing for Results program, found that the department's data collection procedures are reliable and MCES accurately reports its Key Results Measures.

Results Summary Table

Equipment Services Performance Measures Summary Table	Certified	Certified with Qualifications	Factors Prevented Certification	Inaccurate	Not Applicable
1. Percent of fleet availability	✓				
2. Percent of total fleet replacement vehicle purchased	✓				
3. Percent preventive services due that were completed	✓				
4. Percent fuel cost savings from County procurement of gasoline compared to retail	✓				
5. Percent alternative fueled vehicles in County fleet	✓				

County Policy Requirements

Maricopa County Board of Supervisors Policy B6001 (4.D Evaluating Results) requires the Internal Audit Department to review County departments' strategic plans and performance measures. The policy also requires that a report of the results be issued. The following information defines the results categories that are used in the certification process.

Definitions

Certified: The reported performance measurement is accurate (+/-5%) and adequate procedures are in place for collecting/reporting performance data.

Certified with Qualifications: The reported performance measurement is accurate (+/-5%) and adequate procedures are not in place for collecting and reporting performance data.

Factors Prevented Certification: Actual performance measurement data could not be verified due to inadequate procedures or insufficient documentation. This rating is used when there is a deviation from the department's definition, preventing the auditor from accurately determining the performance measure result.

Inaccurate: Actual performance is not within 5% of reported performance and, or the error rate of tested documents is greater than 5%

Not Applicable: Performance measurement data is not yet available.

Key Measure Testing

NOTE: Because of the large amount of data available for validation, we selected our testing samples for all five measures from the second and third quarters for FY 2003.

Key Measure #1: **Percent of fleet availability.**

Results: **Certified**

We validated data measurement figures by verifying MCES data used to report the quarterly figures and MCES data source. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #1	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Dept. Goal	**96 %**	**96 %**	**96 %**	**96 %**	**96 %**
Reported #s	**95 %**	**96 %**	**96 %**	**96 %**	**96 %**
Actual #s	**N/A**	**96 %**	**96 %**	**N/A**	**N/A**

We tested Key Measure reported data from the second and third quarters of 2003. Our review found MCES processes adequate and verified reported figures as accurate. No exceptions were found in our sampled source data.

Key Measure #2: **Percent of total fleet replacement vehicles purchased.**

Results: **Certified**

We validated the data measurement figures by verifying MCES data used to report the quarterly figures and MCES data. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #2	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Dept. Goal	**25 %**	**25 %**	**24.5 %**	**25 %**	**99.5 %**
Reported #s	**0 %**	**50 %**	**36 %**	**24%**	**112 %**
Actual #s	**N/A**	**50%**	**36%**	**N/A**	**N/A**

Our review found MCES processes adequate and verified reported figures as accurate. No exceptions were found in our sampled source data. MCES exceeded the annual anticipated result of 99.5 percent for vehicle replacement.

Key Measure #3: **Percent preventive services due that were completed.**

Results: **Certified**

We validated the data measurement figures by verifying MCES data used to report the quarterly figures and MCES data source. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #3	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Dept. Goal	**75 %**	**75 %**	**75 %**	**75 %**	**75 %**
Reported #s	**53 %**	**62 %**	**63 %**	**60 %**	**60 %**
Actual #s	**N/A**	**62 %**	**63 %**	**N/A**	**N/A**

Our review found MCES processes adequate and verified reported figures as accurate. No exceptions were found in our sampled source data. However, MCES did not meet or exceed the annual anticipated result of 75 percent.

Key Measure #4: **Percent procurement fuel cost savings of gasoline compared to retail.**

Results: **Certified**

We validated the data measurement figures by verifying MCES's data used to report the quarterly figures and MCES data source. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Dept. Goal	**None**	**None**	**None**	**None**	**None**
Reported #s	**7.7 %**	**5.5 %**	**5.1 %**	**15.9 %**	**8.5 %**
Actual #s	**N/A**	**5. 5%**	**5. 1 %**	**N/A**	**N/A**

Our review found MCES processes adequate and verified reported figures as accurate. No exceptions were found in our sampled source data. However, MCES did not identify an annual anticipated result for this measure.

Key Measure # 5: **Percent alternative fueled vehicles in County fleet.**

Results: **Certified**

We validated the data measurement figures by verifying MCES data used to report the quarterly figures and MCES data source. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #5	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Dept. Goal	**30 %**	**30 %**	**30 %**	**30 %**	**30 %**
Reported #s	**23 %**	**22 %**	**22 %**	**22 %**	**22 %**
Actual #s	**N/A**	**22 %**	**22 %**	**N/A**	**N/A**

Our review found MCES processes adequate and verified reported figures as accurate. No exceptions were found in our sampled source data. However, MCES did not meet or exceed the anticipated result of 30 percent.

Issue 5 Segregation of Duties

Summary

The MCES organizational structure does not provide effective segregation of duties controls over key business office functions. Failure to establish and follow effective checks and balances over department resources increases the risk that errors or misappropriations may occur and not be timely detected. MCES management should separate responsibilities for record keeping from physical custody and reconciliation of assets.

Cause

MCES management has assigned job responsibilities in a way that does not provide effective segregation of duties controls over business office functions.

Effect

Lack of effective segregation of duties could have the following effect:

- Errors or loss of parts may go undetected
- Credits on returned parts may be lost
- Financial resources may be misappropriated
- Objective oversight of procurement transactions is lost

Criteria

Segregation of duties is a basic internal control, recognized by all professional auditing or accounting organizations, including the AICPA and the Institute of Internal Auditors. Accounting and administrative duties should be organized so that one person does not perform a combination of duties that might allow errors or theft to occur and go undetected.

Condition

The MCES organizational structure lacks proper segregation of duties over three business functions:

- Procurement and parts department operations
- Accounts receivable and cash deposits
- Cash account reconciliation

The Procurement Specialist / Parts Department Supervisor / Pcard holder has a combination of duties that defeats organizational checks and balances. This individual also uses a procurement card to buy parts for use on specific repair work orders. The multiple responsibilities over procurement, parts and Pcard purchases do not provide a secondary “check” that would detect errors or irregularities.

The accounts payable clerk prepares customer billings, receives Intergovernmental Agreement (IGA) remittance checks, and makes bank deposits. Although remittances for IGA fuel sales are current and have been deposited timely, the combination of billing and collection duties in one position does not provide effective assurance that cash receipts are safeguarded.

MCES does not reconcile its cash transactions with County Treasurer reports. This reconciliation would ensure all monies received were deposited with the Treasurer. This reconciliation is especially important in an organization with weak systems of checks and balances. MCES management should assign an individual not directly involved with procurement and cash receipts to reconcile the department's cash account each month.

Recommendations

A. MCES management should separate procurement responsibilities from parts department operations and Pcard functions.

B. MCES should separate IGA billing functions from cash receipt and deposit functions.

C. The Business Manager should obtain cash transactions recorded by the County Treasurer and perform monthly reconciliation of cash transactions.

Durango Fuel Station

Appendix

Emissions Testing Compliance by Department							
Departments	**# of Dept Vehicles**	**% Non-Compliant**	**# Vehicles Non-Compliant**	**1-30 days**	**31-60 days**	**60-90 days**	**> 90 days**
ADULT PROBATION	14	100%	14	10	3	0	1
ANIMAL CARE & CONTROL	7	71%	5	1	1	2	1
ASSESSOR	1	100%	1	1	0	0	0
BUSINESS COMM. TECH.	1	0%	0	0	0	0	0
CLERK OF THE SUPERIOR CT	2	50%	1	0	0	1	0
COMMUNITY DEVELOPMENT	2	50%	1	1	0	0	0
CONSTABLE	5	60%	3	2	1	0	0
CORRECTIONAL HEALTH	1	0%	0	0	0	0	0
COUNTY ATTORNEY	34	82%	28	12	9	4	3
COUNTY INFO OFFICER	1	0%	0	0	0	0	0
ELECTIONS	1	100%	1	1	0	0	0
EMERGENCY MGMT	2	50%	1	1	0	0	0
ENVIRONMENTAL SVCS	18	83%	15	8	3	2	2
EQUIPMENT SVCS	22	50%	11	8	1	0	2
FACILITIES MGMT	39	64%	25	12	6	0	7
FINANCE	1	100%	1	1	0	0	0
FLOOD CONTROL	49	69%	34	21	12	0	1
HHC ATTENDANT CARE PRGM	1	100%	1	0	0	0	1
HOUSING AUTHORITY	9	78%	7	2	3	1	1
HUMAN SERVICES	31	68%	21	11	4	1	5
JUVENILE PROBATION	11	91%	10	7	2	1	0
LEGAL DEFENDER	3	100%	3	2	0	0	1
LIBRARY	3	0%	0	0	0	0	0
MIHS	14	50%	7	5	1	0	1
PARKS & RECREATION	31	68%	21	10	3	5	3
PUBLIC DEFENDER	11	91%	10	5	1	1	3
PUBLIC FIDUCIARY SVCS	2	50%	1	0	1	0	0
PUBLIC HEALTH	11	82%	9	2	4	1	2
PLANNING & DEVELOPMENT	9	44%	4	0	2	0	2
SHERIFF'S OFFICE	153	64%	98	49	20	10	19
SOLID WASTE	8	63%	5	2	1	0	2
TRANSPORTATION	91	69%	63	23	21	12	7
TOTAL	**588**	**68%**	**401**	**197**	**99**	**41**	**64**

Department Response

AUDIT RESPONSE
EQUIPMENT SERVICES
December 12, 2003

Issue #1 Parts Accountability

MCES inventory records show substantial parts transfers to vendors that are not supported by vendor credits, refunds, or other explanation. These entries could result in hidden inventory shortages or the loss of actual vendor credits. MCES should investigate unsupported inventory transfers and, in the future, record transfers to vendors only when supported by vendor credit memos, refunds or other appropriate explanation. MCES management should review inventory transfers monthly.

Response: Partially concur.

In July 2003 the Pricing Switch in FASTER was changed from Moving Average to Last Received. Following this action a program flaw (when processing transfers) was discovered that changed the price to zero on the originating storeroom regardless of the amount of product remaining on the shelf. A temporary fix referred to as a "work around" required all stock to be transferred out and then the total amount "transferred" or re-received to two or three new storeroom locations. The work around recommended by CCG was to change the pricing switch back to Moving Average.

CCG Systems provided a FASTER system update that was loaded September 2, 2003 at 10:00 p.m. and resolved this issue.

It is impossible to re-create activities that occurred over the past 12 months; however, in the future transfers to vendors will be recorded only when supported by vendor credit memos, refunds or other appropriate explanation. Transfers will be monitored by MCES management monthly.

Recommendation A: Frequently reconcile the Parts Transfer Report to vendor credits and accounts payable records to ensure we receive expected vendor credits.

Response: Concur

A procedure will be written and implemented to designate the Financial Business Manager as the person responsible for performing monthly reconciliation of the Parts Transfer Report to vendor credits and accounts payable records.

Target Completion Date: March 1, 2004

Benefits/Costs: All transfers to vendors shall be documented and supported by vendor credits or refunds. Inventory shortages, loss and shrinkage shall be detected in a timely manner.

Recommendation B: Cease the practice of booking vendor returns to balance inventory records.

Response: Concur – in process.

A procedure will be written and implemented designating the System Administrator as the only person authorized to make inventory adjustments to correct discrepancies between shelf count and computer count. The practice of using the transfer function to make inventory corrections has been discontinued.

Training has been provided to Equipment Services employees who use the FASTER system and refresher training is provided periodically. User manuals are available to all employees via a shared network directory on the computer.

Target Completion Date: March 1, 2004

Benefits/Costs: The FASTER system inventory module will be a more accurate reflection of inventory status at any point in time.

Recommendation C: Obtain an explanation for the almost $90,000 in vendor returns for 2003 and implement corrective action.

Response: Concur – full implementation not possible.

Supporting documentation such as parts requisitions were not retained by parts room personnel. Consequently, files are not available to re-construct activities over the past 12 months. A potential loss of $90,000 over that time frame is unacceptable, however, a review of August transfers which amounted to $36,000, indicated the bulk of them were attributable to system error. As a result we are confident actual losses of $90,000 did not occur.

A procedure will be written and implemented directing parts room employees to retain parts requisitions and other supporting documentation for transfers for a specified period of time.

Target Completion Date: March 1, 2004

Benefits/Costs: All transfers to vendors shall be documented and supported by vendor credits or refunds. Inventory shortages, loss and shrinkage shall be detected in a timely manner.

Issue #2 Telecommunications

MCES cell phone costs have risen 250 percent over the past three years. Eliminating excess cell phone and fax capacity could save nearly $7,000 per year.

Response: Concur

Recommendation A: Analyze cell phone, phone line, and fax machine usage and eliminate excess capacity.

Response: Concur – completed.

On July 01,2003, EQS initiated a Copy Machine Utilization study. We found that there were two copy machines that did not meet our criteria for continuing the monthly charges.

This study prompted us to look at other technology systems. We found that we could eliminate three facsimile machines, eight cell phones and replace the on-call cell phone with a more cost effective model from Alltel.

During the first part of October we turned in two copy machines, three facsimile machines and eight cell phones. The total yearly savings turned out to be about $8,788.80

We will continue to monitor cell phone usage and make recommendations throughout the year.

Recommendation B: Require employees and the department representative to review and sign off on all telecom detail reports.

Response: Concur

Target Completion Date: January 1, 2004

A standard operating procedure will be written ensuring that appropriate employees review telecom detail reports.

Benefits/Costs: Under utilized telecommunications equipment will be eliminated when appropriate.

Recommendation C: Review and comply with Maricopa County Telephone policies and procedures.

Response: Concur

Target Completion Date: January 1, 2004

Benefits/Costs: A reduction in annual expenditures of nearly $9,000 will be realized.

Issue #3 Vehicle Emissions Testing

Sixty-eight percent of County-owned vehicles did not complete vehicle emissions testing by their due dates. Failure to meet testing standards could negatively affect the County's fleet vehicle license and the ability to register vehicles with the Motor Vehicle Division.

Response: Concur

Recommendation A: Continue to proactively alert departments of upcoming emission deadlines.

Response: Concur

Target Completion Date: Ongoing

Benefits/Costs: Maricopa County fleet vehicles will be compliant with air quality legislation.

Recommendation B: Consider developing a delinquency report to be distributed to County management.

Response: Concur

Emissions compliance report will be published via EBC to show delinquencies.

Target Completion Date: February 2, 2004

Benefits/Costs: Department Directors and County management will be informed and as a consequence take an active role in timely vehicle emissions inspections.

Issue #4 Performance Measure Certification

A review of five MCES Key Results Measures, developed for the Managing for Results program, found that the department's data collection procedures are reliable and MCES accurately reports its Key Results Measures.

Response: Concur

Recommendation: None. For information only.

Issue #5 Segregation of Duties

The MCES organizational structure does not provide effective segregation of duties controls over key business office functions.

Response: Concur

Recommendation A: MCES management should separate procurement responsibilities from parts department operations and Procurement card functions.

Response: Concur

A procedure will be written and implemented to remove all payment functions from the Parts Room Supervisor and Parts Room employees. Additionally, review and approval of all procurement card transactions will be performed by the Financial Business Manager.

Target Completion: February 2, 2004

Benefits/costs: Greater control of assets will be exercised through the separation of payment functions from procurement and inventory control functions.

Recommendation B: MCES should separate IGA billing functions from cash receipt and deposit functions.

Response: Concur – in process. A draft procedure was submitted for review on November 13, 2003.

Target Completion: January 1, 2004

Benefits/costs: Greater control of assets will be exercised through the separation of receiving cash from the deposit function.

Recommendation C: The Business Manager should obtain cash transactions recorded by the County Treasurer and perform monthly reconciliation of cash transactions.

Response: Concur – in process. A draft procedure was submitted for review on November 13, 2003.

Target Completion: January 1, 2004

Benefits/costs: Discrepancies will be detected in a timely manner and thus asset protection will be improved.

Approved By:

Department Director	1/13/03 Date
Chief Officer	1.12.04 Date
County Administrative Officer	1/15/04 Date