



David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

August 4, 2006

Assignment 10130

To: Distribution List

Subject: Internal Audit Custody Report – ISS Fleet Management

We have completed a custody audit of Intragovernment Support Services (ISS) Fleet Management as of February 28, 2006. We conducted the audit from March through June 2006.

We thank the staff of ISS Fleet Management for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

(Signatures on file)

David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

Distribution List:

Phyllis Boden, Fiscal Officer, Facilities and Fleet Department
John V. Guthrie, Director, Finance Agency
Larry Jinkins, Director, Facilities and Fleet Department
Peter Kutras, Jr., County Executive
Dave Snow, Fleet Manager, Facilities and Fleet Department
Board of Supervisors
Civil Grand Jury

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT – INTERNAL AUDIT DIVISION

INTERNAL AUDIT REPORT

Custody Audit – ISS Fleet Management



Assignment 10130
August 4, 2006

Table of Contents

	Page
Executive Summary	1
Conclusion	1
Audit Objective and Scope	1
Audit Background.....	1
Finding and Recommendation.....	2
1. ISS Fleet Management should require all County employees who use the Vanpool service to pay a monthly flat fee by automatic payroll deduction	2
Independent Auditor's Report.....	3
Statement of Assets	4
Notes to the Statement of Assets.....	5

Executive Summary

Conclusion Based upon the results of our testing, we express an unqualified opinion on the \$7,776,833 of reported assets. We had one adjustment to the reported assets, for the amount of \$43,308, and one finding regarding internal controls over the accountability for the assets under the control of ISS Fleet Management.

ISS Fleet Management is in agreement with this report.

Audit Objective and Scope The objective was to perform a financial audit of the reported assets as specified by the County Charter. The scope of the audit included:

- Testing internal controls over the assets,
- Verifying the existence, valuation and completeness of amounts of the assets,
- Determining whether the assets under the department's control are fairly presented in conformity with generally accepted accounting principles as of February 28, 2006.

Audit Background Santa Clara County Charter Section 602(b) requires an audit upon the vacancy in any office charged with the responsibility for County assets. On November 1, 2004, Dave Snow was placed in charge of ISS Fleet Management. The prior manager, Richard Simon, retired from ISS Fleet Management in July 2004. Since over 18 months had passed between the transfer of custody and the start of our audit in March 2006, we mutually agreed to establish the audit date of February 28, 2006.

We conducted our audit in accordance with the Professional Practices Framework established by the Institute of Internal Auditors.

(Signatures on file)

David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

Finding and Recommendation

Finding 1

ISS Fleet Management should require all County employees who use the Vanpool program to pay a monthly flat fee by automatic payroll deduction.

Vanpool is a program offered to employees of Santa Clara County as a convenient way to get to work and reduce traffic congestion. Vanpools can have up to 15 passengers per van, including the driver (who rides for free). There is a monthly flat fee set at \$63.75 for all other participants, which they are required to pay each month they are in the program.

Currently, Vanpool participants pay by check for the amount they believe is appropriate for that month when they want to pay it. If a participant misses part of a month due to illness, vacation or they choose to drive; they deduct part of the month's fee, without any approval from ISS Fleet Management. Out of 42 payments made during the period of July 2005 through February 2006 (8 months), 14 were adjusted. In addition, participants pay at the time they think is appropriate as opposed to when it is due at month end. There were seven participants in the program for the period of July 2005 through February 2006. 37 out of 48 payments due were made later than 30 days. See chart below.

Chart of Delinquency for Vanpool Payments

	30-60 Days	60-90 Days	90-120 Days	120-150 Days	150 + Days
# of Days Delinquent	21	6	6	3	1

Recommendation 1

All Vanpool participants should be required to pay a monthly flat fee by automatic payroll deduction. This would reduce the amount of work ISS Fleet Management would have to do in tracking receivables. In addition, the participants could not unilaterally adjust the amount due when they have not used Vanpool and the payments would be timely. (Priority 3)

INDEPENDENT AUDITOR’S REPORT

Dave Snow
ISS Fleet Management
San Jose, California

We have audited the accompanying Statement of Assets of ISS Fleet Management as of February 28, 2006. This statement is the responsibility of ISS Fleet management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Assets. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Statement of Assets. We believe that our audit provides a reasonable basis for our opinion.

Accounts receivable as initially reported was adjusted as described in note 3. In addition, the Statement of Assets is presented to report the assets for which the manager has custodial responsibility and is not intended to present fairly the financial position and results of operations of ISS Fleet Management.

In our opinion, the adjusted Statement of Assets referred to above, presents fairly, in all material respects, the assets under the control of the department as of February 28, 2006, in conformity with generally accepted accounting principles.

June 30, 2006 (End of Fieldwork)

(Signatures on file)

David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

Santa Clara County, Internal Audit Division

**COUNTY OF SANTA CLARA
ISS FLEET MANAGMENT
STATEMENT OF ASSETS
FEBRUARY 28, 2006**

	Reported Assets	Audit Adjustments	Adjusted Balance
Cash and Investments (Note 2)	\$2,717,903.16	\$0.00	\$2,717,903.16
Accounts Receivable (Note 3)	0.00	43,307.97	43,307.97
Inventory of Materials & Supplies (Note 4)	443,531.87	0.00	443,531.87
Fixed Assets (Note 5)	<u>4,615,397.79</u>	<u>0.00</u>	<u>4,615,397.79</u>
TOTAL	<u>\$7,776,832.82</u>	<u>\$43,307.97</u>	<u>\$7,820,140.79</u>

The accompanying notes are an integral part of this statement.

**COUNTY OF SANTA CLARA
ISS FLEET MANAGEMENT
NOTES TO THE STATEMENT OF ASSETS
FEBRUARY 28, 2006**

Note 1 Summary of Significant Accounting Policies

The Statement of Assets of ISS Fleet Management is prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units, in accordance with the Governmental Accounting Standards Board. The Statement of Assets is presented to report the assets for which ISS Fleet Management has responsibility and is not intended to present fairly the financial position and results of operations of ISS Fleet Management. The following is the summary of significant accounting policies.

ISS Fleet Management accounts for its financial activities in an Internal Service Fund using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Note 2 Cash

The cash balance consists of cash on hand (petty cash), and cash in the Commingled Fund, as reported in SAP, the central accounting system. The Controller-Treasurer issues petty cash funds to departments for minor purchases. Internal Audit audits the cash in the Commingled Fund monthly; therefore, Internal Audit does not include testing for the Commingled Fund in the Custody Audit.

Note 3 Accounts Receivable

The outstanding receivable balance consists of accrued revenue for Vanpool participants, and time and material for vehicle maintenance for VTA and the City of Santa Clara. The balance on the Statement of Assets has been adjusted for \$43,307.97 for revenue billed but not recorded in SAP as a receivable. ISS Fleet Management records revenue receivables on a quarterly basis in SAP as required by the Controller-Treasurer policies and procedures.

Note 4 Inventory of Materials and Supplies

The inventory balance consists of parts and material needed in the maintenance of all County vehicles. The inventory is shown at original cost and is accounted for in SAP.

Note 5 Fixed Assets

Fixed Assets are accounted for in an Internal Service Fund in SAP. They are shown at original cost less any depreciation. The fixed assets consist of buildings, vehicles, equipment and low value assets. Testing was done on vehicles and equipment.