



California Public Utilities Commission  
Internal Audit Unit Second Follow-up Report –  
Motor Pool

November 30, 2016



November 30, 2016  
Finance and Administration Committee  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

California Public Utilities Commission Internal Audit (IA) Second Follow-up Audit of the Motor Pool

Dear President Picker:

The Internal Audit Unit of the California Public Utilities Commission (CPUC) has completed its second follow-up review of the CPUC's motor pool as of August 2016. Our audit was conducted using the Institute of Internal Auditing's International Professional Standards for the Practice of Internal Auditing. We are providing this interim report on the initial round of follow-up testing at the request of the Commissioners.

The enclosed report is for your information and use. The findings and recommendations in our report are intended to assist management in improving the effectiveness and efficiency of motor pool operations. Administrative Services, Consumer Protection and Enforcement, and the Safety & Enforcement Division agreed with our findings, and their responses are attached in Appendix A.

We appreciated the assistance and cooperation of agency management in the conduct of this audit. If you have any questions regarding this report, please feel free to contact me at 415-703-1823 or [CRD@cpuc.ca.gov](mailto:CRD@cpuc.ca.gov).

Sincerely,  
Carl Danner  
Chief Internal Auditor, California Public Utilities Commission

Enclosure

cc: Commissioners  
Ryan Dulin, Deputy Executive Director  
Arocles Aguilar, General Counsel  
Elizaveta Malashenko, Director – Safety and Enforcement Division  
Nick Zanjani – Director – Consumer Protection and Enforcement Division

**MEMBERS OF THE AUDIT TEAM**

Carl Danner – Chief Internal Auditor  
Benjamin Schein, CPA – Auditor in Charge  
John Forsythe – Auditor  
Juliane Banks - Auditor

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## Executive Summary

The Internal Audit (IA) Unit performed subsequent events testing of the motor pool and supporting functions within the CPUC's Administrative Services (AS), Consumer Protection and Enforcement (CPED), and Safety and Enforcement Division (SED).

IA completed its initial Motor Pool Audit in January 2015, and a follow-up audit in June 2016. In response to the follow-up audit, IA and CPUC management agreed on a corrective action plan (CAP) to rectify the fundamental management shortcomings and safety concerns identified in both instances. To help evaluate the effectiveness of the CAP, this report addresses follow-up testing as follows:

- A review of the information provided in the CPUC motor pool inventory, including vehicle information and assigned driver documentation.
- A review of controls put in place to assure compliance with short-term vehicle loans from DGS ("day-tripping").
- Vehicle documentation testing, including inspection of vehicles to ensure proper paperwork (such as the Emergency Contact Card) is included in every vehicle.
- A review of updated policies and procedures put into place.

Overall, we found major improvements in the documentation and processes conducted by agency management of our motor pool fleet maintenance. The vehicle inventory has only a few minor errors left to correct, repair records are now being maintained, and vehicle safety documentation is vastly improved. Management's documentation of fleet maintenance policies and procedures is still in the draft phase; however IA will revisit this activity in the final round of follow-up testing to follow shortly.

The issues in this report are based on fieldwork performed in August through October 2016. We took opportunities to discuss our evidence and analysis with the related divisions, units, and management throughout our fieldwork.

This report is intended for the information and use of the Commission and is not intended for use by anyone other than the specified parties. However, this limitation is not intended to restrict the distribution of this report as a matter of public record.

## Background

In January 2015, IA completed a Motor Pool Audit that found fundamental safety-related shortcomings with the condition of the vehicles themselves, and the manner in which they were maintained, repaired, and managed. Currently, the CPUC fleet includes 106 vehicles based in San Francisco, Sacramento and Los Angeles, and also used by field personnel throughout the state.

A follow-up audit engagement was conducted to test the status of changes made to the motor pool, and a report was presented to the Commission in June 2016. The follow-up audit engagement determined that many of the problems uncovered in the original audit had not been addressed. Details are contained in our publicly-available reports on the initial audit and follow-up engagement.

This report represents the first of two subsequent follow-up engagements to test the effectiveness of the measures taken by management under its Corrective Action Plan (CAP) provided in response to the follow-up audit engagement presented to the Commission on June 8, 2016.

## Objective

Consistent with prior audit findings and risks regarding the CPUC's motor pool, the objective was to test for the efficacy of certain corrective actions taken by management to achieve a safe and well-managed motor pool operation.

## Scope

The scope of our audit was the inventory of vehicles maintained by the CPUC as of August 2016; processes and procedures implemented by AS, CPED, and SED management for the maintenance of these vehicles; and the record-keeping for the CPUC's vehicle fleet as of the end of the fieldwork from the follow-up engagement (June 2016). In response to a request from management that was approved by President Picker, testing was delayed thirty days into September to permit further progress to occur on corrective actions.

## Methodology and Testing

To determine the compliance with certain findings and recommendations from the original audit, IA completed the following:

- Requested an updated copy of the vehicle inventory,
- Requested documentation to support the management assertion that all the vehicles designed as potentially high-risk in the follow-up audit have been repaired,
- Reviewed maintenance invoices and documentation filing systems (including 50-G assigned vehicle forms) to determine if vehicle maintenance is being performed in accordance with DGS standards,

- Reviewed updated policies and procedures related to the vehicle maintenance system for adequacy,
- Inspected a sample of vehicles to determine if required documentation (emergency contact card, etc.) is included.

## Analysis and Recommendations – Inventory

Overall, the vehicle inventory has vastly improved. The current version is a collaborative effort between AS, SED, and the newly formed CPED. In addition to responding to a questionnaire sent out by IA, all three groups coordinated with their staff to ensure information, including current assigned drivers, was up to date. The inventory now includes information on both the driver and their supervisor, as well as more accurate information about pool versus assigned status, as well as the driver's assigned branch.

The only exceptions noted were as follows:

- Missing/Inaccurate Information
  - Six San Francisco pool vehicles were missing a license plate number
    - 2015 Ford Fusion, Equipment #80017579
    - 2015 Ford Fusion, Equipment #80017587
    - 2015 Ford Fusion, Equipment #80017506
    - 2008 Toyota Prius, Equipment #80016136
    - 2007 Ford Focus, Equipment #80015255
    - 2013 Chevrolet Impala, Equipment #80016619
  - One San Francisco assigned vehicle has an inaccurate license plate number
    - 2007 Ford Focus, License #E1237684, listed as E1232684
  - The vehicle inventory no longer includes Voyager card information
- Wrong Location
  - Three vehicles listed as San Francisco-based incorrectly
    - 2009 Toyota Prius, License #E1295650, actually based in Los Angeles
    - 2006 Chevrolet Impala, License #E1150219, actually based in Los Angeles
    - 2014 Dodge Ram, License #E1458990, actually based in Sacramento
  - One vehicle listed as Sacramento-based incorrectly
    - 2008 Chevrolet Colorado, License #E1295516, actually based in Los Angeles
- Inaccurate Assigned Drivers
  - One employee is assigned three vehicles, another is assigned two.
  - The inventory should clarify if these are pool vehicles.

In addition, field inspections discovered an additional vehicle (2016 Dodge Ram 4x4 E1503560) that was not reflected in the current fleet inventory.

During the follow-up audit, DGS staff noted a concern that CPUC staff was not complying with the requirement for filing the appropriate form to identify the assigned driver on a vehicle. Drivers are required to have a current form OFA 50G filed with DGS, to maintain a record of who is responsible for vehicle maintenance, and to provide contact information for reminders to perform oil changes, smog checks and factory recalls.

As part of our review of vehicle invoices (see below), we noted that each vehicle now has its own documentation folder, and each folder includes a current 50G form. Copies of all the forms were also provided to the auditor.

Recommendation:

IA recommends that staff correct the exceptions listed above, including adding back the Voyager card numbers.

## Analysis and Recommendations – “Day-Tripping”

Another issue uncovered during the follow-up audit was that CPUC staff were borrowing vehicles directly from DGS on a temporary basis (normally less than 30 days per DGS policy)<sup>1</sup> with no formal process for what is required for CPUC employees to obtain these vehicles. Due to lax inventory control, these vehicles would subsequently be added to the CPUC's vehicle inventory.

We conducted a survey as part of inventory testing (see above) to determine if any CPUC staff are currently using a short-term loaned vehicle from DGS. All the responses came back negative. In addition, IA noted that the two vehicles identified as short-term loans from DGS (2007 Chevy Silverado E1453064 and 2007 Ford Focus E1453184) no longer appear in the current inventory. Per DGS, these vehicles were returned in June 2016. In addition, AS shared a draft copy of a new policy concerning short-term vehicle loans from DGS.

Recommendations:

None. The issue appears to be resolved.

## Analysis and Recommendations – High Risk Vehicles

As part of our follow-up audit, we reviewed invoice records to determine if major mechanical findings from the inspections conducted in the original audit had been resolved, with regard to 23 vehicles with serious inspection findings for which documentation of repairs could not be provided by staff. In responding to the follow-up audit, management indicated that all 23 vehicles had been repaired, with the exception of 2 needed only minor repairs.

We again requested documentation that the repairs had been completed. The results are as follows:

- 12 vehicles had invoices showing that repairs had been made
- 1 vehicle had a photograph provided showing the issue had been previously repaired
- 1 vehicle was inspected by the auditor who determined that the finding (dented panel) was too minor to require repair
- 1 vehicle's assigned driver has been put on notice to provide proof of repair by the end of October or have the vehicle grounded
- 2 vehicles are currently in the shop for repairs

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<sup>1</sup> AS indicated this process is called “day-tripping.”

- 3 vehicles have been grounded by SED management for lack of proof of repairs, and are undergoing the ESSR process to be repaired
- 3 vehicles have since been returned to DGS

While reviewing the invoice support for the vehicles above, we noted a few vehicles had pending recommendations made by the mechanic based on subsequent servicing ("needs 2 new tires", etc.). However, the overall conclusion is that the issues with these vehicles are now being addressed appropriately.

Recommendations:

For vehicles with significant damage or repairs needed, we believe management made an appropriate decision to require staff to provide repair documentation or risk having their assigned vehicle grounded. We recommend continuing that policy. Beyond that, testing of the maintenance monitoring system is part of the next round of follow-up testing.

## Analysis and Recommendations – Vehicle Invoice Documentation

As described in the prior audit reports, IA made repeated findings about the lack of a system for maintaining records of maintenance or repairs to motor pool vehicles, including a lack of such invoices on hand for most vehicles in most instances.

Our follow-up testing included a review of the invoice records management for the vehicles used by the agency. The agency currently splits the responsibility for maintaining invoices among three divisions (AS, SED and CPED), and we reviewed the record-keeping for each. Overall, we found that each vehicle now has its own folder, and new records that are being obtained are kept appropriately. All three divisions maintain their folders in a reasonable and organized manner, and each includes a current 50G form (see above). In reviewing the invoices themselves, we noted that the majority of vehicles have regular 6,000 mile checks and the majority appears to include all checks required by DGS. As noted above, there does not yet appear to be a process by which CPUC staff or management reviews (and follows up on) notes made by the reviewing mechanic during these maintenance visits. IA will test the maintenance tracking system in our next follow-up report.

Recommendations:

We recommend that agency management continue its newly instituted process for tracking needed repairs and maintenance on vehicles and retaining the resulting invoices, including reinforcing the need for regular maintenance visits that include all checks required by DGS and recommended by the vehicle owner's manual.

## Analysis and Recommendations – Vehicle Documentation

Another concern noted during the follow-up audit was missing documentation required to be kept in all state vehicles. These include:

- Emergency contact information card (present and with current information)
- Monthly travel log
- STD 269 – Accident identification form
- STD 270 – Vehicle accident report
- STD 271 – Automobile maintenance log

Field inspections had found that most vehicles were missing some or all of these documents.

For the current engagement, the audit team conducted field checks of vehicles in four locations (San Francisco, Los Angeles, Riverside, and Sacramento). We also checked whether safety kits have been distributed as recommended in the original audit.

Location	Emergency Contact Card	Monthly Travel Log	Safety Kit
San Francisco	100% (17/17)	100% (17/17)	94% (16/17)
Los Angeles/Riverside	90% (26/29)	100% (29/29)	90% (26/29)
Sacramento	100% (19/19)	100% (19/19)	89% (17/19)

Location	STD 269	STD 270	STD 271
San Francisco	100% (17/17)	100% (17/17)	88% (15/17)
Los Angeles/Riverside	83% (24/29)	97% (28/29)	86% (25/29)
Sacramento	100% (19/19)	100% (19/19)	84% (16/19)

During the inspection of Los Angeles vehicles, staff placed copies of the emergency contact information cards and accident report forms in the vehicles when it was discovered that they were missing. In addition, in San Francisco two vehicles had maintenance logs that were not filled in.

Recommendations:

Corrective actions have been largely successful here, but will require continuing management attention (particularly for vehicles in Southern California).

## Analysis and Recommendations – Policies and Procedures

The previous audits noted a lack of documented policies and procedures related to fleet management at the CPUC. We recommended that management develop, implement, and enforce standards for the use of vehicles by agency staff.

IA requested copies of any new policy and procedure manuals and/or documents developed by management. During the course of the audit, we received a bullet point list of standards for short-term borrowing of vehicles from DGS ("day-tripping", see above) and a draft red-lined document derived from the DGS vehicle handbook. We were informed that the development of written policies and procedures related to fleet maintenance is still in process.

Recommendations:

We continue to recommend that management develop, implement, and enforce written policies and procedures related to fleet management. IA will revisit this issue in the final motor pool follow-up engagement, scheduled for November 2016.

## Appendix A – Management Response

State of California

### Memorandum

Date: November 21, 2016

To: Carl Danner, Chief  
Internal Audit Unit

From: Ryan Dulin  
Deputy Executive Director

Subject: Management Response to Motor Pool Audit Follow-up

The Administrative Service Divisions, Safety Enforcement Division and Consumer Protection and Enforcement have reviewed the findings and recommendations from the Motor Pool Follow-up Audit and have provided our responses below.

**Recommendation: IA recommends that staff correct the license plate number and location (11) errors found and to add back the Voyager card numbers to corresponding vehicles. In addition, IA requested that one employee not be assigned more than one vehicle.**

**Response:** Administrative Services Division worked with the other Divisions to correct the errors mentioned above and investigate why more than one vehicle was assigned to one employee. Corrections were made to the motor pool inventory to remedy the recommendation.

Since the vehicle must be assigned, there is a current process for when there is a staff vacancy the vehicle must be assigned to a supervisor until the vacancy is filled. This accounts for an exception when an employee is assigned more than one vehicle.

**Recommendation:** For vehicles with significant damage or repairs needed, we believe management made an appropriate decision to require staff to provide repair documentation or risk having their assigned vehicle grounded.

**Response:** The Divisions will continue to make it policy that cars in need of significant repairs are grounded until those repairs are made.

**Recommendation:** We recommend that agency management continue its newly instituted process for tracking needed repairs and maintenance on vehicles and retaining the resulting invoices, including reinforcing the need for regular maintenance visits that include all checks required by DGS and recommended by the vehicle owner's manual.

**Response:** The Divisions are working on a process to ensure the tracking system is maintained and reviewed on an ongoing basis.

**Recommendation:** We continue to recommend that management develop, implement, and enforce written policies and procedures related to fleet management. IA will revisit this issue in the final motor pool subsequent events engagement, scheduled for November 2016.

**Response:** Administrative Services, Safety Enforcement and Consumer Protection Divisions will continue to work toward a unified and comprehensive Motor Pool policy.