City of Madison Fleet Services Division

INTERNAL AUDIT REPORT

Audited Entity: City of Madison – Fleet Services Division (PP-2025-01)

Fieldwork Completion Date: August 15, 2025

Date of Report: September 18, 2025

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EXECUTIVE SUMMARY

BACKGROUND

This audit was initiated based on the results of the City of Madison's risk assessment conducted in the last quarter of 2024. The engagement was included in the 2025 approved audit plan. The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS), which provide a framework for conducting independent, systematic, and objective evaluations of the program's operations.

The City of Madison Fleet Services Division is responsible for managing the municipal fleet by overseeing vehicle maintenance, inspection, repair, and replacement for all City agencies. Its mission is to ensure the acquisition and upkeep of reliable, efficient, safe, and environmentally sustainable vehicles and equipment that support City operations.

The City's fleet has over 2600 pieces of equipment. This includes a variety of vehicles and their equipment components, including but not limited to:

- Police squad cars
- Parks maintenance trucks
- Fire engines and ambulances
- Streets recycling and waste trucks
- Riding lawn mowers

Some fleet assets include multiple components that require maintenance at varying intervals. To manage this complexity, Fleet Services utilizes a comprehensive asset management system that tracks manufacturer-recommended maintenance schedules and service histories for all vehicles and equipment in the City's fleet. This system helps ensure timely maintenance, reduces downtime, and extends the useful life of fleet assets.

Fleet Services also maintains an extensive inventory of vehicle parts through its team of Parts Technicians. The inventory system is designed to ensure that only necessary parts specific to City vehicles are stocked while avoiding shortages of essential items required for timely repairs.

In cases where City vehicles are involved in accidents or require emergency repairs, Fleet Services relies on the expertise of its master auto body technician. The technician addresses major repair needs and can also deploy the Fleet Mobile Truck to provide on-site service when a vehicle cannot be driven to a garage. When more cost-effective or necessary to expedite service, Fleet Services partners with a trusted network of private repair shops to return vehicles and equipment to service as quickly as possible.

Fleet Services operates three garages in Madison:

- Nakoosa Trail - the main Fleet Service maintenance and repair garage. Most major repairs are performed here.
- West Badger Garage - located on the west side of Madison. Two technicians per shift work primarily on streets vehicles.
- Engineering Garage - located within the Engineering department. One technician is stationed here to service the equipment used by Engineering.

Fleet Services also manages the City's fuel program, which supports 12 fuel sites located across Madison. The Division oversees monthly inventory counts, site inspections, and necessary repairs, as well as coordinating deliveries of regular gasoline, diesel, and biodiesel.

The fuel program is a critical component of the Division's preventive maintenance process. Each time a vehicle is refueled, odometer readings or engine hours are recorded and uploaded into the asset management system. These readings are used to trigger maintenance alerts when vehicles approach scheduled service thresholds, helping to minimize downtime and extend the useful life of fleet assets.

When a piece of equipment is retired from active service, Fleet Services coordinate its sale to the public. Buyers—both individuals and organizations—benefit from acquiring well-maintained equipment at reduced cost, while the City offsets replacement expenses and maximizes the value of its assets.

OBJECTIVES

This engagement aims to assure management that records are reliable, activities are effective, programs are conducted as approved by the Common Council, and actions follow laws and regulations.

The key objectives of the audit were to evaluate the effectiveness of Fleet Services operations and related controls in the following areas:

- Processes for tracking safety incidents and taking corrective actions.
- Processes for maintaining valid vehicle registrations.
- Processes for ensuring drivers operate vehicles with proper licensing and training.
- Processes to ensure Fleet's vehicles are used for official City business.
- Processes for reporting accidents and vehicle damage.
- Security measures for vehicles and repair tools and parts.
- Oversight of fuel sites, including maintenance, monitoring, and prevention of unauthorized use.
- Policies for replacing vehicles, including the use of to ensure cost-benefit analyses.
- Processes for ensuring that preventative maintenance is performed as required.
- Processes for tracking vehicle lifecycles to ensure timely replacement.
- Processes for monitoring vehicle utilization and fleet size to ensure optimal deployment and service delivery.
- Vehicle inventory management processes to ensure consistency between Fleet and Finance records.

Note: See Objectives and Methodology beginning on page 14 for more detail.

SCOPE

The scope of the audit encompasses the operational and administrative activities under the responsibility of Fleet Services for the period of January 1 through December 31, 2024.

KEY FINDINGS

Reference	Finding	Risk Rating
F1	Misallocation of Fire Apparatus and Vehicle Budget for General Vehicle Fleet Services Expenditures	High
F2	Improper Use of P-Card for Capital Purchases	High
F3	Absence of Formal Protocol for Regular Fleet Inventory	High
F4	Assets with Discrepancies in Value	High
F5	Assets with Closed Status	Moderate
F6	Absence of Completed Preventative Maintenance Checklists	Moderate
F7	Absence of Assigned Vehicle Monitoring	Moderate
F8	Lack of Documentation in Vehicle Replacement Process	Moderate

KEY RECOMMENDATIONS

- Management should establish a control workflow that requires routing all Fire apparatus and vehicle program-related expenses initiated by Fleet Services to the Fire Finance Manager for review and approval.
- Management should reinforce compliance with P-card purchasing thresholds. Any asset or equipment purchases exceeding $10,000 should go through the formal procurement process.
- Fleet Services and Finance should establish a formalized periodic physical verification process and document the results for accountability.
- Finance should implement an annual reconciliation process with Fleet Services to identify closed or disposed vehicles in a timely manner. Additionally, a control mechanism should be developed to prevent recurrence.
- The Finance and the Fleet team should develop a documented procedure to reconcile Finance and Fleet costs on a regular basis, clearly defining which costs should be capitalized versus expenses.
- Management should implement the requirement to complete and file PM checklists as part of every scheduled maintenance service.
- Management should implement a formal program for monitoring assigned vehicles.
- Management should implement and enforce a documented vehicle replacement process that requires supporting documentation for all replacement recommendations.

Note: See all findings and recommendations beginning on page 21 for more detail.

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INTRODUCTION

Pursuant to the City of Madison Code of Ordinance Chapter 4.02 (3) and recommendations included in the risk assessment completed by Baker Tilly LLC, the Internal Audit Unit has conducted an internal review of the City of Madison Fleet Services Division. The audit was conducted in accordance with the GAGAS. These standards require Internal Audit to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives.

The control and procedural deficiencies considered to be significant are also disclosed herein. This report does not disclose any perceived weaknesses or findings from external agencies.

BACKGROUND

The City of Madison Fleet Services Division is responsible for managing the City's municipal fleet, which supports the operational needs of multiple City agencies. The Division oversees vehicle acquisition, maintenance, inspection, repair, and replacement to ensure that the City's fleet remains reliable and available for service delivery.

The Division's stated mission is to provide City agencies with vehicles and equipment that are reliable, efficient, safe, and environmentally sustainable. To achieve this mission, Fleet Services develops replacement schedules, coordinates preventive and corrective maintenance, and ensures compliance with safety and environmental standards. The Division also evaluates opportunities to reduce costs and improve efficiency through fuel management, green fleet initiatives, and technology upgrades.

Some fleet assets include multiple components that require maintenance at varying intervals. To manage this complexity, Fleet Services utilizes a comprehensive asset management system to track manufacturer-recommended maintenance schedules and service histories for all vehicles and equipment. This system helps ensure timely maintenance, reduces downtime, and extends the useful life of fleet assets.

The Division plays a critical role in supporting public safety, public works, and other essential City functions by maintaining the readiness and dependability of the City's vehicle fleet.

FLEET COMPOSITION

Fleet Services maintains approximately 2,600 pieces of equipment. All City vehicles are maintained by Fleet Services, except for Metro Transit and the Water Utility.

Equipment Count by Department as of 12/31/2024		
Department	**Equipment Count**	**Percent**
Building Inspection	4	0.15%
Engineering	228	8.60%
Fire Dept	693	26.14%
Fleet Services	49	1.85%
Golf Operations	30	1.13%
Health Dept	14	0.53%
Housing Operations	46	1.74%
Information Services	2	0.08%
Monona Terrace	3	0.11%
Parking Utility	64	2.41%

Parks Dept	332	12.52%
Police Dept	259	9.77%
Public Library	11	0.41%
Street Dept	820	30.93%
Traffic Engineering	95	3.58%
Total	**2,651**	**100%**

FLEET MANAGEMENT

Fleet Services also maintains an extensive inventory of vehicle parts through its team of Parts Technicians. The inventory system is designed to ensure that only necessary parts specific to City vehicles are stocked while avoiding shortages of essential items required for timely repairs. In cases where City vehicles are involved in accidents or require emergency repairs, Fleet Services relies on the expertise of its master auto body technician.

The technician addresses major repair needs and can deploy the Fleet Mobile Truck to provide on-site service when a vehicle cannot be driven to a garage. When more cost-effective or necessary to expedite service, Fleet Services partners with a trusted network of private repair shops to return vehicles and equipment to service as quickly as possible.

The Division also manages the City's fuel program, which supports 12 fuel sites located across Madison. Fleet Services oversees monthly inventory counts, site inspections, and necessary repairs, as well as coordinating deliveries of regular gasoline, diesel, and biodiesel. The fuel program is a critical component of the Division's preventive maintenance process. Each time a vehicle is refueled, odometer readings or engine hours are recorded and uploaded into the asset management system. These readings are used to trigger maintenance alerts when vehicles approach scheduled service thresholds, helping to minimize downtime and extend the useful life of fleet assets.

When a piece of equipment is retired from active service, Fleet Services coordinate its sale to the public. Buyers—both individuals and organizations—benefit from acquiring well-maintained equipment at reduced cost, while the City offsets replacement expenses and maximizes the value of its assets.

Fleet Services relies on two primary systems to manage its operations. **FASTER**, (a commercial asset management software), which serves as the central database for all fleet-related information. It maintains records of assets, meter readings, department assignments, maintenance and repair work orders, labor hours, parts inventory, and billing activity.

In addition, Fleet Services utilizes **EJ Ward** as its fuel management system. The hardware installed in each vehicle authorizes the use of the City's fuel sites and records fueling activity. Dispenser authorization hardware at each fuel site ensures that only approved vehicles can access fuel. With every fueling event, vehicle data is captured in EJ Ward and then integrated into FASTER, which consolidates usage and mileage data to support preventive maintenance scheduling and overall fleet oversight.

Fuel Use by Department in 2024			
Department	**Gallons Used**	**Cost**	**Percent**
Building Inspection	327.75	$ 1,028.16	0.03%
Engineering	69,755.25	$ 195,845.07	7.35%
Fire Dept	112,434.34	$ 269,073.59	11.85%
Fleet Services	1,576.83	$ 2,142.12	0.17%

Golf Operations	11,255.50	$ 16,331.38	1.19%
Health Dept	5,021.57	$ 15,398.76	0.53%
Housing Operations	6,552.82	$ 20,243.51	0.69%
Information Services	23.19	$ 70.45	0.00%
Madison Schools	2,485.20	$ 11,711.59	0.26%
Narcotics Task Force	4,779.80	$ 26,211.93	0.50%
Monona Terrace	71.87	$ 217.39	0.01%
Parking Utility	13,765.54	$ 65,892.65	1.45%
Parks Dept	90,148.94	$ 275,937.73	9.50%
Police Dept	159,617.95	$ 495,072.79	16.82%
Public Library	799.99	$ 2,414.47	0.08%
Street Dept	451,306.91	$ 1,422,715.32	47.55%
Traffic Engineering	19,195.75	$ 58,147.51	2.02%
Water	74.20	$ 217.78	0.01%
Total	**949,193.40**	**$ 2,878,672.20**	**100%**

MAINTENANCE AND REPAIR

Fleet Services is responsible for performing maintenance and repairs on the majority of City-owned vehicles. Preventive maintenance is scheduled at predetermined intervals based on vehicle usage or mileage, considering both manufacturer recommendations and Fleet Services' experience with similar vehicles.

When a City vehicle requires emergency repair, Fleet Services have multiple resources available to expedite service. The Division operates three maintenance and repair garages strategically located throughout the City, with most major repairs conducted at the Nakoosa Trail facility. These resources help ensure that vehicles and equipment are returned to service quickly, minimizing downtime and supporting the operational needs of City agencies.

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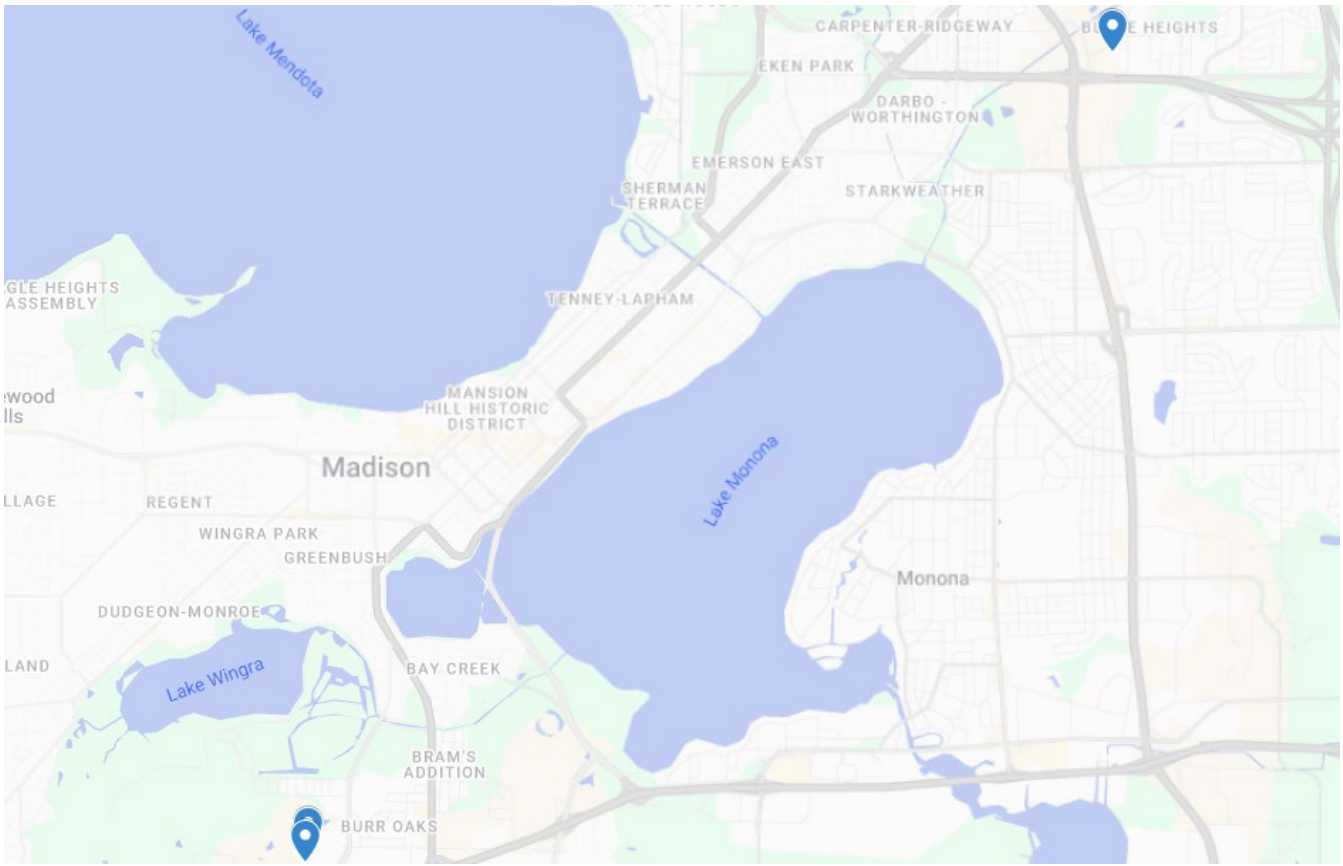


Fleet Services Garages in Madison

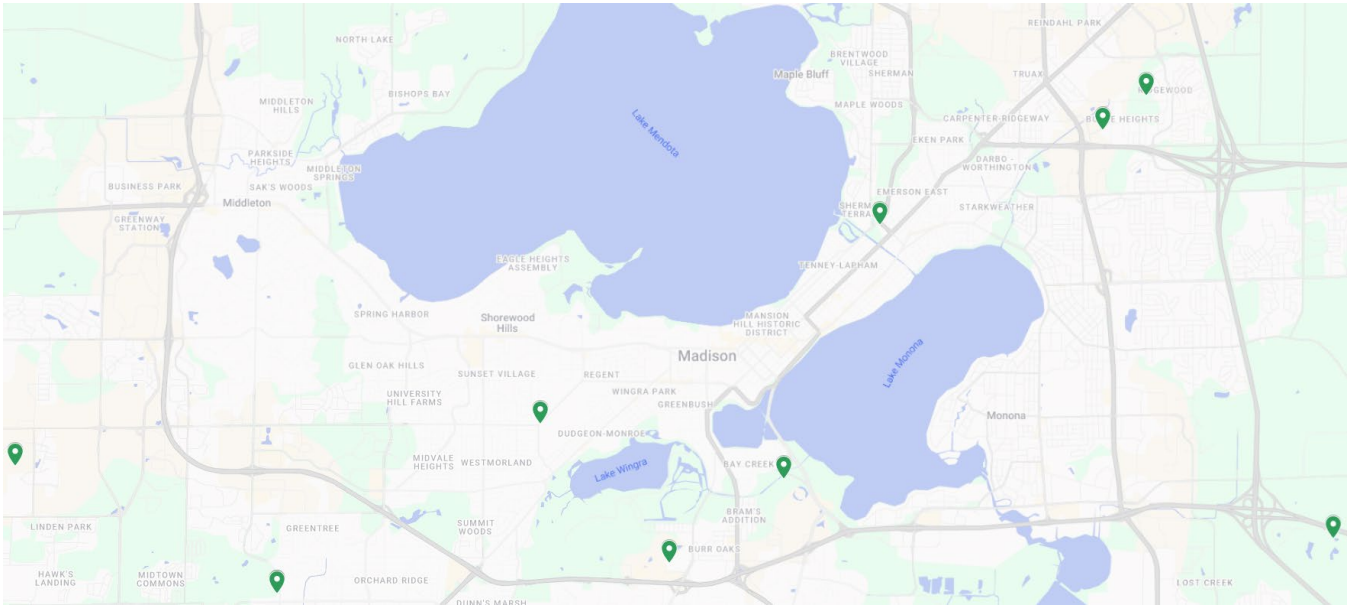
In addition, Fleet Services operates a mobile repair truck that can be deployed to the site of a vehicle breakdown when the vehicle is not able to drive to a garage. The Division also partners with a trusted network of private repair shops throughout the City to perform repairs when it is more cost-efficient or necessary to return equipment to service quickly.

The mobile repair truck. Photo by C.D. Smith Construction, Inc.

FUEL SERVICES

Fleet Services manages the City's primary fuel sites, which support the refueling of all vehicles and equipment in the municipal fleet. There are 12 fuel sites located across the City, and Fleet Services coordinates all fuel deliveries, including regular gasoline, diesel, and biodiesel.

In accordance with state regulations, each fuel site is inspected monthly, and any identified issues are promptly addressed. Additionally, a vendor performs an annual functionality test at each site. Any problems identified during this test must be reported to the state and corrected within 15 days to ensure compliance and maintain uninterrupted fuel service.



Fuel Sites in Madison

VEHICLE ACQUISITION AND UTILIZATION

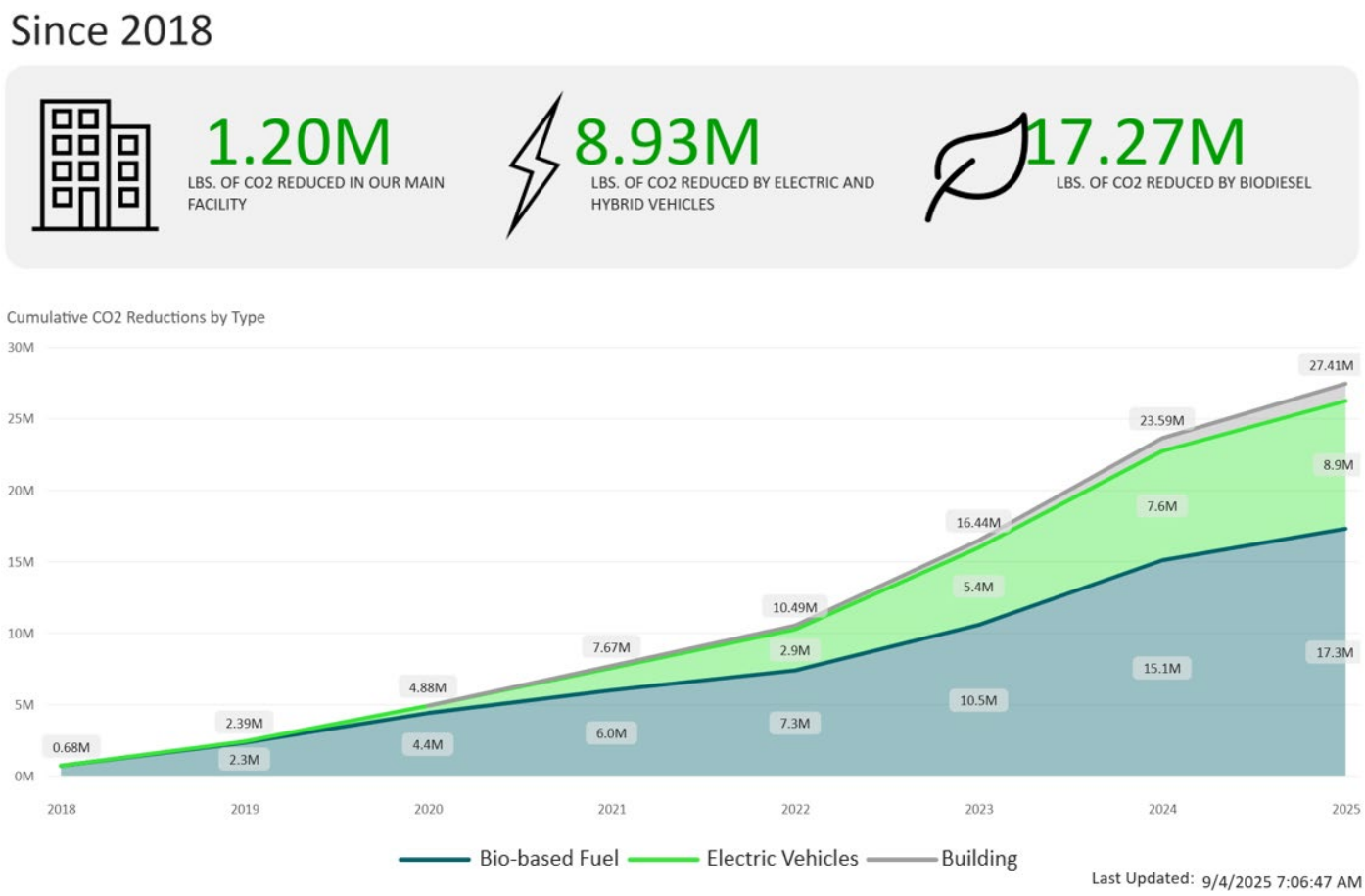
Fleet Services collaborates closely with each City division regarding vehicle purchases and utilization. The Division reviews usage patterns with departments, particularly when there is a decrease in utilization or when new equipment is acquired, to ensure optimal fleet deployment while maintaining required servicing schedules.

VEHICLE REPLACEMENTS

Fleet Services coordinates with its repair shops to determine the appropriate timing for vehicle replacements. Decisions are based on factors such as maintenance costs and overall vehicle usage throughout its service life. Generally, most vehicles are replaced around 10 years of age or 120,000 miles. Certain vehicle types, such as marked police squad cars, are replaced more frequently due to higher use, as well as higher rates of damage or total loss from accidents and police-related incidents, with approximately 3–5 squad cars totaled each year. In 2024, Fleet Services ordered a total of 120 new vehicles to maintain and refresh the City's fleet.

EMISSION REDUCTIONS

The City of Madison has established an ambitious goal of achieving 100% renewable energy and net-zero carbon emissions by 2030. Fleet Services, along with other City divisions, is actively contributing to this effort by implementing strategies that reduce the environmental impact of the municipal fleet and support the City's broader climate action objectives.



Fleet Services Emission Reduction Tracker

These green fleet initiatives have the potential to achieve fuel cost savings between 15%-20% of annual fleet expenditures and estimated greenhouse gas emissions reductions between 10%-20% of current fleet annual emissions.

BIODIESEL

In 2018, Fleet Services implemented a biodiesel fueling program as part of the City's commitment to sustainability. Biodiesel, typically produced from soybean plants, waste cooking oil, and other agricultural byproducts, reduces reliance on petroleum and supports the local economy. By using biodiesel, which is made from soybeans and used cooking oil largely sourced in the midwest, the city is supporting the local agricultural economy and contributing to a circular economy.

Most vehicle manufacturers permit the use of biodiesel blends between B5 (5% biodiesel) and B20 (20% biodiesel) without voiding engine warranties. A lower blend (B5) is required during colder months to mitigate performance issues, while higher blends (up to B20) can be used during warmer months. Cost estimates for biodiesel are generally comparable to traditional diesel and may, in some cases, result in cost savings.

Biodiesel blends are associated with emissions reductions of between 5% and 20%, depending on the mix. Notably, Madison is the first and only government fleet in Wisconsin to use B20 biodiesel for all diesel-powered vehicles, positioning the City as a leader in sustainable fleet management.

Under current leadership, the City's diesel-powered vehicles—including fire trucks, parks department equipment, and snowplows—operate on up to a B20 blend for most of the year. . In addition, the City tested the use of B100

(100% biodiesel) year-round in almost 20 fleet service vehicles, and began testing the use of renewable diesel in almost 400 fleet vehicles in 2024, further advancing its carbon reduction goals.

Risk and Control Perspective:
While biodiesel use provides measurable environmental benefits, it also introduces operational risks such as fuel performance issues in extreme cold, potential impacts on long-term engine health, and fluctuations in biodiesel availability or pricing.

To mitigate these risks, Fleet Services performs seasonal adjustments to fuel blends, maintains vendor agreements to ensure supply stability, and monitors vehicle performance metrics. These controls are designed to ensure that the City continues to meet its sustainability objectives while safeguarding vehicle reliability and financial efficiency.

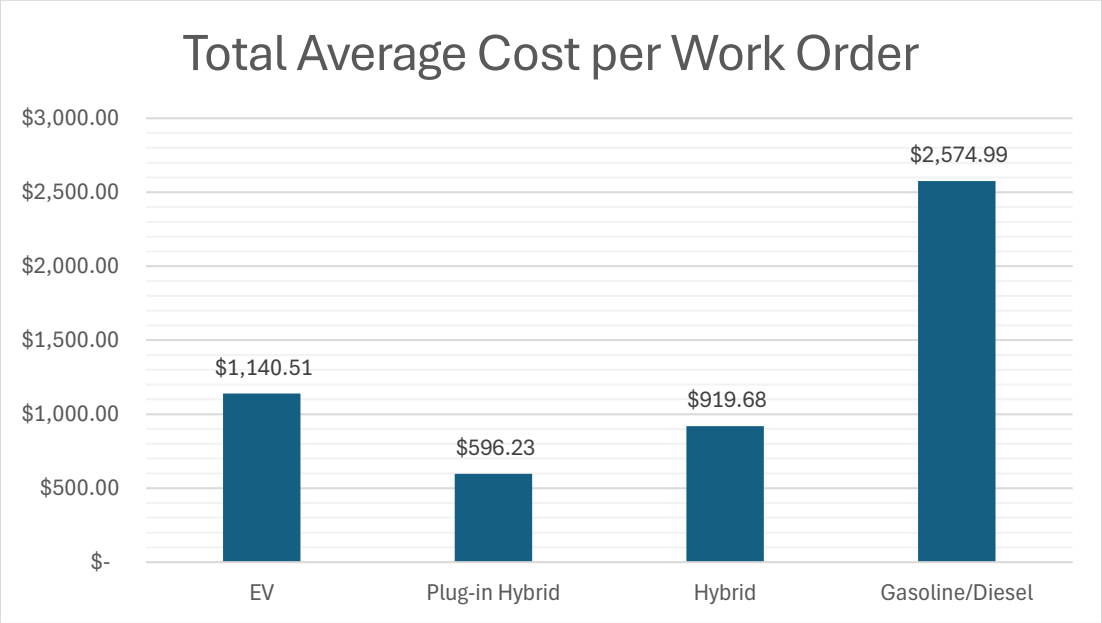
HYBRID-ELECTRIC AND FULL-ELECTRIC VEHICLES

Hybrid-electric vehicles contribute to reduced emissions and decreased dependence on fossil fuels. These vehicles serve as effective replacements for traditional fleet vehicles and are expected to cut fuel consumption, emissions, and operating costs by approximately 50%. Hybrid vehicles combine a fuel tank with a small electric motor, which work together to optimize efficiency.

Although the upfront cost of hybrid vehicles is higher, the City anticipates a return on investment within a few years due to lower fuel usage and reduced maintenance requirements. Currently, the City's fleet includes over 170 hybrid vehicles vehicles in service.

Fleet Services has also expanded into zero-emission plug-in electric vehicles (EVs), which offer even greater environmental benefits. The program began with the purchase of 20 Chevrolet Bolts, supported by a grant from the Wisconsin State Office of Energy Innovation. Today, the fleet includes about 130 fully electric vehicles, encompassing Chevrolet Bolts, Nissan Leafs, off-road vehicles, forklifts, and the Volterra—the first electric fire truck in North America.

In 2024, Fleet Services saw a 66% reduction in work order costs for these vehicles, with an average work order cost of $885.47 for hybrids and EVs compared to $2,574.99 for gas/diesel vehicles .



The City's hybrid vehicles each saved about 128 gallons of fuel, on average, for every 5000 miles driven in 2024, compared to gas/diesel. The electric vehicles each saved about 257 gallons of fuel on average, for every 5000 miles driven in 2024, compared to gas/diesel.

Vehicle Type	2024 Average MPG
Hybrids	38.81
Gasoline/Diesel	19.41

Vehicle Type	Gallons Saved per 5000 Miles
Hybrids	128.79
EVs	257.61

Risk and Control Perspective:
The transition to hybrid and electric vehicles supports the City's sustainability goals, but it also introduces risks such as higher upfront capital costs, limited charging infrastructure, vehicle range constraints, and evolving technology standards.

Fleet Services mitigates these risks by leveraging state and federal grant funding to offset purchase costs, strategically deploying EVs in routes and divisions best suited for their range capabilities, and expanding charging station infrastructure across City facilities.

In addition, Fleet monitors maintenance data and total cost of ownership to evaluate whether the expected savings and operational efficiencies are being realized. These controls help ensure that the City balances environmental goals with financial stewardship and operational reliability.

The Volterra. Photo by Pierce.

In September 2024, the City of Madison added two all-electric trash collection trucks to its fleet—one rear-loader and one automated side-loader—both assigned to the East-side Streets Division. To engage the community, the

City held an online contest in October 2024 to name the trucks. Voters selected the names **"Trash Gordon"** and **"Vin No Diesel."**

The all-electric trash collection truck: Trash Gordon.

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The all-electric trash collection truck: Vin No Diesel.

SCOPE

The City of Madison Fleet Services Division audit covers all Division activities conducted during the period of January 1 through December 31, 2024.

AUDIT OBJECTIVES AND METHODOLOGY

This audit engagement is intended to provide assurance to management that the activities under review are being conducted effectively, are aligned with the programs as approved by the Common Council, and are in compliance with City of Madison policies, established procedures, and all applicable laws and regulations.

The key objectives of the audit were to evaluate the effectiveness of Fleet Services operations and related controls in the following areas:

1. Processes for tracking safety incidents and taking corrective actions.
2. Processes for maintaining valid vehicle registrations.
3. Processes for ensuring drivers operate vehicles with proper licensing and training.
4. Processes to ensure Fleet's vehicles are used for official City business.
5. Processes for reporting accidents and vehicle damage.
6. Security measures for vehicles and repair tools and parts.
7. Oversight of fuel sites, including maintenance, monitoring, and prevention of unauthorized use.
8. Policies for replacing vehicles, including the use of to ensure cost-benefit analyses.
9. Processes for ensuring that preventative maintenance is performed as required.

10. Processes for tracking vehicle lifecycles to ensure timely replacement.
11. Processes for monitoring vehicle utilization and fleet size to ensure optimal deployment and service delivery.
12. Vehicle inventory management processes to ensure consistency between Fleet and Finance records.

Note: Audit Objectives and Methodologies are described below in more details.

The Internal Audit conducted interviews with stakeholders and relevant third-party vendors, as well as reviews of requested documents to determine if:

1. Fleet Services have controls in place to ensure vehicle safety inspections are performed as required. Collected all preventative maintenance inspections performed during the review period and selected a sample to verify the following:
   a. All scheduled maintenance tasks (e.g., oil changes, brake inspections, tire rotations) were completed at the appropriate intervals on time.
   b. Any deferred maintenance was documented, with clear justifications and an action plan for when the maintenance will be performed.
   c. Maintenance tracking was integrated with real-time vehicle status monitoring, alerting management to upcoming or overdue maintenance tasks.
   d. The preventive maintenance tasks were based on objective criteria, such as vehicle mileage, age, or condition (e.g., tire wear, engine performance).
   e. The preventive maintenance addressed common failure points (e.g., brake pads, fluid levels, engine oil, tire condition).
   f. Each maintenance task was clearly documented, including the description of the problem, repairs performed, parts used, and labor hours.
   g. Maintenance records were comprehensive and consistent across all vehicles, ensuring that all tasks are documented and easy to track.
   h. The inspection was signed/approved by the inspector.

2. Fleet Services has controls in place to ensure compliance with all safety requirements:
   a. Requested and obtained all internal inspection reports to verify the following:
      i. Quarterly and annual inspections for fire sprinkler systems were completed.
      ii. Annual fire alarm system inspections were completed.
      iii. Fire extinguishers were inspected annually.
   b. Requested and obtained AED and CPR training records to verify that:
      i. All employee training courses were completed within two years.
      ii. At least 10 people are trained to cover each section of the shop per the SOPs.

3. Fleet Services has controls in place to ensure sufficient tracking of driver safety incidents and corrective actions. Obtained a list of reported incidents during the review period and selected a sample to review the following:
   a. Verified that the incident and associated documentation (incident report, police report, internal investigation) was logged within required timeframes.
   b. Confirmed that a root cause analysis or investigation was conducted.
   c. Any corrective actions (e.g., coaching, retraining, discipline) were completed and documented.

4. Fleet Services has controls in place to prevent drivers operating vehicles without proper licensing or training:
   a. Requested and obtained a current list of active drivers and selected a sample to verify the following:
      i. The driver's license is valid (correct class and endorsements).
      ii. The license has not expired.

   b. Requested and obtained onboarding training logs to verify that:
      i. Training included how to operate vehicles and machinery.
      ii. There was no incomplete or overdue training.
5. Fleet Services adheres to the City's policies and procedures for the reimbursement and timely reconciliation of P-card expenses. Obtained the P-cards report from Munis for the review period and selected a sample to verify the following:
   a. The P-card transactions were accurately recorded, categorized, and matched with receipts or invoices.
   b. The appropriate personnel had approved P-card reimbursement.
   c. The P-card reconciliation was done on time.

6. Fleet Services has controls in place to prevent and detect unauthorized claims of reimbursements or expenses. Obtained an Expenses/Reimbursements paid report from Munis for the review period and selected a sample to verify the following:
   a. Each reimbursement was supported with sufficient documentation and was duly approved by authorized personnel.
   b. Samples were analyzed for red flags or indicators of potential fraud in requesting claims reimbursement.
   c. The accuracy and authenticity of supporting documentation (receipts and invoices).

7. Fleet Services has controls in place to ensure that vehicles are used for official City business only:
   a. Requested and obtained a list of vehicles reserved during the review period and selected a sample to verify the following:
      i. Any unusual usage (e.g., weekend, holiday, after-hours trips without justification).
      ii. Vehicle assignment was approved by management.
   b. Requested and obtained employees with take-home vehicles during the review period to verify that:
      i. There was written authorization and documented justification.
      ii. Commutes were documented and policy complaints.
      iii. Mileage or fuel use aligned with approved distance.

8. Fleet Services has controls in place to prevent stolen vehicles or parts. Obtained a list of inventory checks during the review period and selected a sample to review the following:
   a. Verified that there is an inventory audit process to check for missing or stolen parts.

9. Fleet Services has controls in place to prevent unauthorized fuel site use. Obtained a list of fuel transactions during the review period and selected a sample to verify the following:
   a. The volume of the transaction was lower than the maximum limit specified for the vehicle.
   b. The fuel type in the transaction matched what is allowed for the vehicle.
   c. The vehicle had fewer than the maximum limit of five transactions in a single day.

10. Fleet Services has controls in place to ensure that fuel sites are regularly maintained in accordance with applicable safety standards, environmental regulations, and internal policies. Obtained a list of inspection and maintenance logs during the review period to verify the following:
    a. Compared scheduled vs. actual maintenance for any missed or delayed maintenance.
    b. All required Items were checked and serviced.
    c. Any issues noted were corrected.
    d. Signed off by authorized personnel.

11. Fleet Services has controls in place to ensure that cost-benefit analysis is performed before a vehicle is replaced. Obtained a list of vehicle replacement requests during the review period to verify the following:
    a. The analysis included both quantitative (e.g., repair costs, fuel efficiency, insurance, depreciation) and qualitative factors (e.g., reliability, operational impact).

b. The total cost of ownership (TCO) for the existing vehicle was compared against the cost of acquiring and maintaining a new vehicle.
c. The analysis compared different alternatives, such as repairing the vehicle, leasing, or purchasing a new vehicle, and shows clear justification for the selected option.
d. The cost-benefit analysis was documented.
e. The vehicle's mileage and age aligned with industry standards for replacement.
f. The individuals making replacement decisions (e.g., fleet managers) were not the same as those approving the financial expenditure (e.g., finance officers).

12. Fleet Services has sufficient safeguards in place to monitor application access (provisioning) and termination, thereby ensuring data protection and access security (including data storage). Requested for all users to Fleet Services applications for the review period and selected a sample from the user's list to verify the following:
    a. Their access to each application is within their job function.
    b. Their managers approved all application access for the provisioning.
    c. Employees who are no longer in Fleet Services or whose job function do not require access to the applications.

13. Fleet Services has controls in place to ensure IT security and protection against breach of data. Requested all IT third party vendors' agreements related to Fleet Services software for the period under review to verify the following:
    a. Reviewed the vendor's agreements to ensure that responsibilities for data protection, breach notification, and incident response are clearly defined.
    b. Third-party vendors are subject to regular security due diligence, including reviews of their security policies, audits, and certifications (e.g., SOC 2, ISO 27001).

14. Fleet Services has controls in place to prevent and detect the award of contracts without compliance with the City's procurement policies or paying for uncompleted/unsupervised contracts:
    a. Requested and obtained a list of RFP's issued by Fleet Services during the review period to verify the following:
        i. The vendor selection process was fair, open, and followed predetermined criteria (avoiding any indication of bias or favoritism)
        ii. Whether the selection aligned with the criteria outlined in the RFP
        iii. Where applicable, tested for evidence of compliance with required procurement thresholds
        iv. Contracts included key elements such as deliverables, timelines, payment terms, performance standards, and remedies for non-performance
    b. Requested and obtained a list of contracts held by Fleet Services during the review period to verify the following:
        i. The existence of a contractual agreement issued by Fleet Services and signed by personnel with job functionality to authorize or approve contracts. Ensuring that the contractual agreement clearly states the contract details and the parties' responsibilities.
        ii. Documentation (approval forms, contract performance review checklist, and other contract execution correspondence) were reviewed to ensure proper supervision and execution
        iii. Evaluated the approval workflows for contract execution and payment, i.e., ensuring that executed contracts were signed off by responsible personnel with appropriate authority before payment.

15. Fleet Services has a sufficient internal control system in place around its operations – Segregation of duties:
    a. Assignments of roles and responsibilities to individuals were evaluated to prevent the concentration of approval authority.
    b. Analyzed access controls to systems, databases, and applications to ensure access rights were appropriately restricted based on job roles and responsibilities.

c. Samples of transactions or processes were tested to verify that the principle of segregation of duties exists within the Fleet Services' operations.

16. Fleet Services has controls in place to prevent inventory mismatches between Fleet and Finance records. Requested a complete inventory list from the Finance Department for the review period, select a sample and compare Fleet Services records to Finance Department records (general ledger entries and capital asset listings), and verify the following:
    a. Conducted vehicle inventory to verify the existence of the selected samples
    b. Verified that Fleet records (assets tag numbers, VIN, license plate, make/model, etc.) are the same as Finance records.
    c. Verified that all vehicles over the capitalization threshold are recorded appropriately
    d. Compared vehicles records from FASTER with the General Ledger entries in Munis and the capital asset listings.

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FINDINGS RISK RATING

Finding Risk Rating Audit findings identified in this report were assigned a risk rating based on the potential impact and likelihood of occurrence. Risk likelihood is the probability that the risk will materialize if no action is taken. Risk impact is the degree of expected loss resulting from a materialized risk. The risk matrix found below reflects the potential risk related to each finding identified in this report.	
High Impact + High Likelihood	
High	Sufficient policies and procedures, preventative, detective, and mitigating controls do not exist; reputation or financial status is at risk when the business unit is not in compliance with established policies, laws, and regulations.
High Impact + Low Likelihood or Low Impact + High Likelihood	
Moderate	Policies and procedures exist, but adherence is inconsistent. Preventative and detective controls do not exist, but some level of mitigating controls exist within the business unit. Compliance with laws and regulations is inconsistent.
Low Impact + Low Likelihood	
Low	Policies and procedures exist but were not adhered to on an exceptional basis. Preventative controls do not exist, but detective and mitigating controls exist. The possibility of inappropriate activity is remote.

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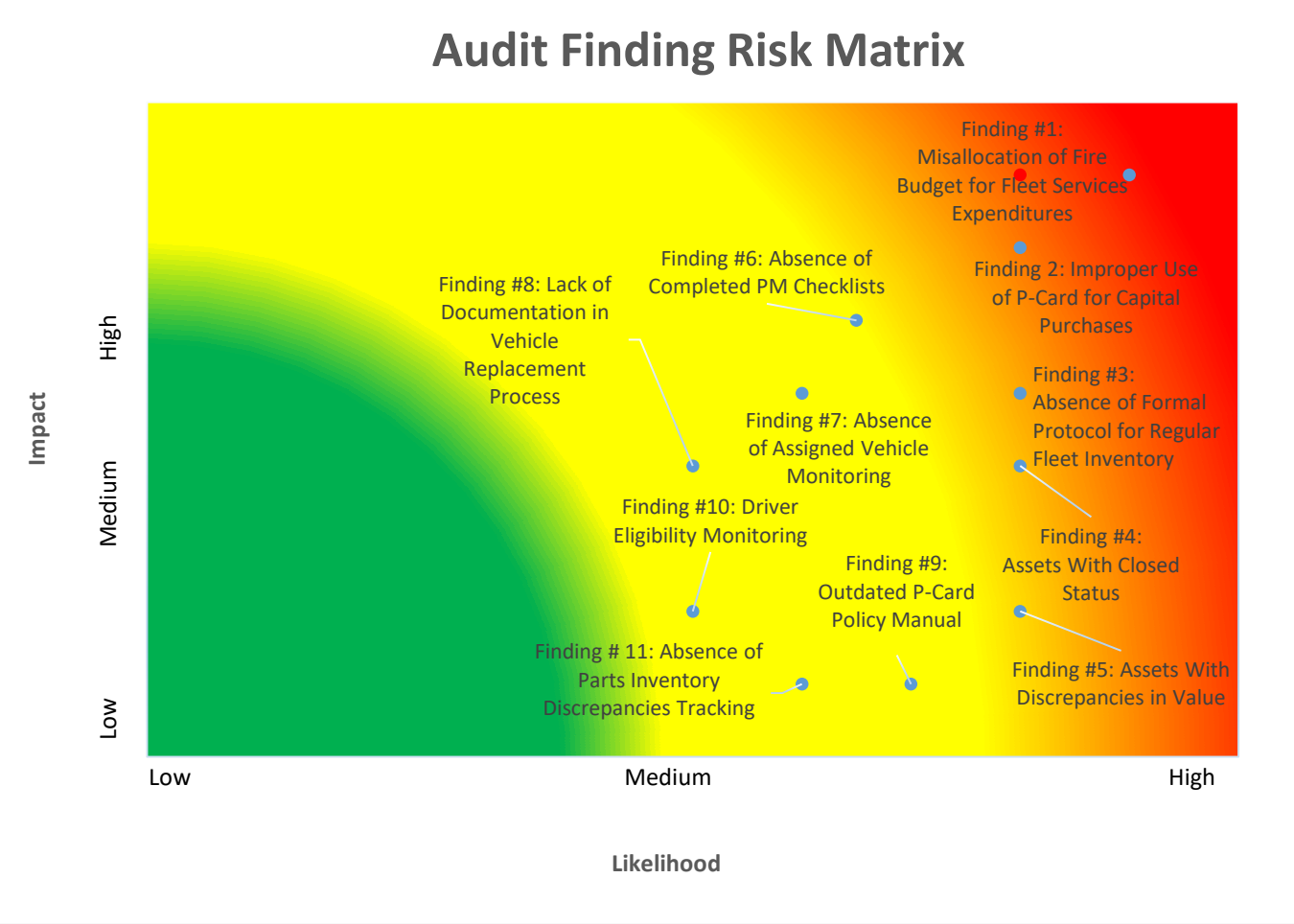
FINDINGS RISK MATRIX

The Findings Risk Matrix rates the potential impact and likelihood of risk associated with each identified audit finding. Impact and likelihood are rated on a scale of one to five for each finding and then plotted on the matrix. Green areas represent a relatively low risk, while red areas represent a relatively high risk.



The following section contains a detailed listing of each audit finding, applicable internal audit recommendations, and audit observations.

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FINDINGS AND RECOMMENDATIONS

Reference 1: Misallocation of Fire Apparatus and Vehicle Budget for General Vehicle Fleet Services Expenditures

Finding

During our review of Fleet Services' budgeting processes, we identified instances where the capital program for fire apparatus and vehicles was used to cover general vehicle purchases. Between 2020 and 2024, Fleet Services expended a total of $1,302,345 from the fire apparatus and vehicle projects for purchase of general vehicles in the City Fleet. Additionally, encumbrances totaling $1,115,506 were recorded for the 2021 and 2022 fiscal years.

This issue primarily resulted from requisitions initiated by the Fleet Services Finance team that charged general vehicle purchase costs to the fire apparatus and vehicle program rather than the general vehicle program budget. These actions by Fleet Services should have been identified during requisition review by the Finance Procurement team. However, the team did not conduct a complete review as required by the financial control protocols and policies established by Finance Department, which are designed to ensure proper review and approval of requisitions.

Criteria

1. GAAP principles emphasize accurate classification and reporting of expenditures.
2. All expenditure must comply with the City of Madison's financial policies and procedures, including the proper allocation of funds to the appropriate program budget.
3. All requisitions and purchase orders must undergo proper review and approval by the Finance Management team prior to commitment of funds, in accordance with internal control protocols.

Recommendation

To comply with the financial control protocols established by Finance Management to ensure proper review of requisitions prior to approval, we recommend that the Fleet Service Finance, Finance Procurement, and the Budget Control teams initiate the following actions:

1. **Ongoing Training:** Provide continuous training for the Fleet Services Finance, Finance Procurement and the Budget Control teams on the importance of conducting proper reviews before requisition approvals.
2. **Budget Correction:** The encumbered amount should be reviewed and released to restore the appropriate funds back to the fire apparatus and vehicle budget program.
3. **Approval Workflow:** Establish a control workflow that requires routing all Fire apparatus and vehicle program-related expenses initiated by Fleet Services to the Fire Finance Manager for review and approval.
4. **Quarterly Budget Review:** The Fire Finance Manager should perform a quarterly review of actual expenditure charged against the Fire budgets (including fire apparatus and vehicles projects) to promptly identify and correct any misallocations initiated by Fleet Services.
5. **Accounting Treatments:** The Accounting Services unit should initiate necessary journal entries to reverse the misclassified expenditure from the Fire Department's budget. These adjustments should be made at the appropriate funding levels to ensure that the financial records accurately reflect the true status of project funds and departmental expenditures.

Management Response

Fleet Service's capital program presents challenges during requisition reviews and approvals as this agency procures different types of moveable equipment on behalf of multiple city agencies including for the Fire Department. At times, it may be difficult without further clarifications, and/or discussions to precisely determine which project ledger account strings should be encumbered. However, given the above recommendations, Finance staff have taken additional steps to reinforce our internal control procurement practices by first retraining requisition approvers to fully understand the importance of looking at details such as project ledger accounts identified by agency staff, line-item descriptions, and proper budget authorizations prior to converting requisitions

to a purchase order or contract. If Finance procurement staff have questions during their review approvals, they will seek written clarification from either Fleet Services, Fire, and/or Finance Budget staff prior to advancing the procurement process further. Further, if continued questions remain, Finance procurement staff will seek additional approval from agency directors, including the Finance Director, to process the equipment or other goods and services being requested.

While the Finance Department has final oversight of all procurements, Fleet Service management recognizes the fact the capital program in question is a Fleet-managed program. These funds are specifically dedicated to replacing emergency response vehicles and apparatus for the Fire Department, and Fleet works closely with representatives from Fire on our capital budget request, as well as planning how to expense the funds in this replacement program each year. Fleet is ultimately responsible for these funds.

Fleet caught the lapse in procedure in 2024 that led to the above-mentioned funds being spent, and ensured current staff were fully aware of the designated purpose of the Fire equipment replacement fund. In 2024 and going forward, the funds in this project were only allocated to be spent on Fire equipment replacements. When the full breadth of the misallocated funds was understood, we shared this information with the Internal Audit team. At the time of this writing, an internal investigation is ongoing to determine where Fleet had a procedural breakdown and if there are any process improvements we can make.

In response to the recommendations, Fleet Service management notes that:

1. Fleet will continue to provide training on the details of our operating and capital budgets to involved division staff, to ensure there is a common understanding of the intended use of all funds. We will also ensure all staff involved in the procurement process are trained in the details to review during the requisition and invoice approval processes.
2. The purchase orders holding the $1.1 million of encumbered funds have been closed and the funds returned to the Fire equipment replacement project.
3. Fleet will work with the Finance and Fire Departments to determine if the approval workflow within Munis will allow appropriate Fire Department staff to be involved in approving any requisition or invoice entry affecting the Fire equipment replacement project. There may be limitations within Munis that will prevent that change, so at minimum, Fleet will update our internal standard operating procedures to ensure that all requisitions to encumber funds in the Fire equipment replacement program include an attachment proving coordination with and approval by appropriate Fire Department staff.
4. Fleet already works closely with the Fire Department to plan for their equipment replacement. We agree that this should include regular review of what has been encumbered and expensed on those projects.
5. Fleet is committed to ensuring the Fire Department, as with all agencies, is provided with adequate equipment to maintain their important operations and services for the community. We will support whatever the Finance Department believes is appropriate to update the accounting records to reflect what occurred.

Additionally, the Financial Systems Analysts within Finance are currently reviewing Munis requisition workflow business rules to perhaps add another step of approval. There are limitations on what can be set up within workflow configurations without overburdening the timing to approve requisitions. Continued discussions and testing are needed to determine the best balance of oversight approvals and timeliness for requisitions impacting multiple city agencies. Finance staff plan to have this work effort concluded by the end of October.

Following final acceptance by Common Council of this internal audit report, Finance staff will enter manual journal and/or budget entries into Munis to reclassify the original transactions to the correct project ledger account strings thus restoring the Fire Department’s capital program.

Implementation Date
December 31, 2025

Risk Rating
High

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Reference 2: Improper Use of P-Card for Capital Purchases

Finding

Our review of the Fleet Services' protocol for ensuring compliance with the City of Madison's policies and procedures regarding the reimbursement and timely reconciliation of P-Card (Purchasing Card) expenses and invoices found the following:

- P-Card expenses and invoices are properly reviewed and approved;
- Receipts and supporting documentation are consistently attached;
- Expenses are accurately categorized in accordance with City guidelines;
- P-Card and invoice charge amounts match the corresponding receipt totals; and
- P-Cards and invoices are reconciled in a timely manner.

However, we identified two instances where P-Card purchases for parts and equipment exceeded the $10,000 threshold for asset acquisition. This finding indicates a need for either additional staff training or enhanced review controls to ensure ongoing compliance with the City's P-Card policy.

Transaction ID	Charge Date	Vendor Number	Document Number	Transaction Amount	Commodity Code Desc.
382187	3/1/2024	704697	989453	$ 10,991.54	Parts and Accessories, Automotive, Miscellaneous (Not Otherwise Classified)
394954	6/18/2024	700198	1016370	$ 11,127.32	General Maintenance and Repair, Vehicle (Not Otherwise Classified), to Include Oil Changes, Lubrication, Guaranteed Maintenance Programs, etc. (See 928-88 for Tune-Ups)

This practice circumvents established procurement protocols, increases the risk of inadequate vendor evaluation, and may result in missed opportunities to leverage negotiated payment terms, which could assist the Treasury team in optimizing cash flow.

Criteria

All P-Card transactions must comply with the City's P-Card policy, including limits on transaction amounts, approved types of purchases, and documentation requirements. According to the P-Card Policy Manual, the thresholds for purchases are as stated below:

Purchases of Capital Assets

City of Madison P-Card Policy prohibits the use of P-Cards for purchases of an asset that is greater than $10,000, or building improvements over $25,000, or construction of infrastructure over $50,000.

Recommendation

The Fleet Services management should reinforce compliance with P-card purchasing thresholds. Any asset or equipment purchases exceeding $10,000 should go through the formal procurement process.

Finance should enhance staff training on P-Card policies and consider system-based preventative controls that flag or block P-Card transactions exceeding the capitalization threshold.

Management Response

Fleet Service management acknowledges that these two transactions exceeded the $10,000 threshold for purchases using a p-card. We will remind all p-card holders of the purchasing guidelines they must follow. At least one member of the management team attends the regular Purchasing Group meetings organized by Finance, and if there are any announcements or changes to procedures shared in that group, we relay that information to all our p-card holders.

The two flagged transactions are not for capital assets. The first transaction was for two vehicle parts (including core charges that were credited back to us when we turned in the replaced part), and the second transaction was for autobody repair of a damaged asset. All our capital asset purchases are made using the purchase order process, following the established purchasing policies.

At the next Purchasing Contacts user group meeting in October, Procurement staff will provide additional training updates regarding prevention against using p-cards for buying capital assets and the importance of proper tracking for purchases, disposals, and timely reporting to Finance department staff.

It has not yet been determined that the practice of using p-cards for capital assets is occurring amongst agency staff therefore Finance staff do not foresee immediate work efforts to add further system-level controls but will continue to educate agency staff regarding p-card policies for capital assets.

Implementation Date

December 31, 2025

Risk Rating

High

(This Section Was Intentionally Left Blank)

Reference 3: Absence of Formal Protocol for Regular Fleet Inventory

Finding

Our review of the City's fleet management practices revealed that there is no existing policy or formal protocol requiring regular inventory of City-owned vehicles. This gap exposes the City to several operational and financial risks, including:

1. Asset Misappropriation or Misuse: Without regular physical verification, unauthorized use, loss, or theft of vehicle parts, equipment, or entire units may go undetected.
2. Inaccurate Financial Reporting: Failure to update fleet records in a timely manner may result in the overstatement or understatement of asset values in the City's financial statements. For example, scrapped or disposed vehicles may continue to be reported on the balance sheet.
3. Ineffective Fleet Oversight: The lack of periodic inventory impairs the City's ability to monitor vehicle usage, fuel efficiency, maintenance trends, idle time, and cost per mile—hindering informed decision-making and performance optimization.

Criteria

The City should have a fleet inventory policy that includes scheduled physical inventory checks and reconciliation with the official asset registry, lifecycle tracking of each vehicle, from acquisition to disposal, integration with maintenance, fuel, and telematics systems to monitor operational efficiency, and defined roles and responsibilities for inventory management, including audit trail documentation to ensure accountability.

Recommendation

The City should develop and implement a comprehensive fleet inventory policy that includes:

1. Scheduled physical inventory checks and reconciliation with the official asset registry.
2. Lifecycle tracking of each vehicle, from acquisition to disposal.
3. Integration with maintenance, fuel, and telematics systems to monitor operational efficiency.
4. Defined roles and responsibilities for inventory management, including audit trail documentation to ensure accountability.

Management Response

Fleet Service recognizes the importance of regularly checking all assets in the fleet. To that end, our established preventative maintenance (PM) cycles on all assets help us ensure almost every asset is evaluated by our technicians at minimum once per year. Given we are managing a fleet of almost 1500 assets throughout the year, integrating the goals of an inventory process with our regular maintenance procedure is the most effective strategy. The PM cycles are set in the asset management software when each new asset is put into service and can be based on time or by the vehicle's meter (miles or engine hours), depending on the maintenance required. Our asset management system is linked to the fuel management system to get updated meter readings on all vehicles when they fuel at one of our fuel sites. In addition, staff submit regular meter reports on any vehicles or equipment that are not fueling at a site set up with the automated fuel system. We have an established procedure to review the upcoming PM's due each week and schedule the vehicles and equipment for maintenance in one of our shops.

At the same time, we recognize that a certain subset of the fleet (trailers) is now scheduled for PM service every two years. In addition, scheduling vehicles for PM service can be challenging at certain times of the year based on the workload of the department to which the vehicle is assigned. Fleet Service will explore the feasibility of creating a targeted annual inventory process that could help us review any equipment that has not been inspected by a technician in one of our shops (or at an authorized vendor for repairs) within the prior six months.

Furthermore, we will continue to explore options for more automated integration between our asset management, fuel management, and telematics systems, as well as the electric vehicle (EV) charging software the

Engineering Division is transitioning all City-owned EV charging stations to. There are many challenges to work through that require coordination with our vendors and the Information Technology Department, as well as potential budget implications, but we see the importance of having a streamlined asset management system that combines all sources of our data.

Implementation Date
March 31, 2026

Risk Rating
High

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Reference 4: Assets with Discrepancies in Value

Finding

Discrepancies were identified between the Finance and Fleet records for certain vehicles due to additional components (e.g., specialized attachments – trucks with a plow and a wing, or trucks with a spreader box) that were necessary for the vehicles to be operational. Fleet recorded the full cost, including the costs of these components, while Finance excluded them because the separate individual components fell below the City's capitalization threshold.

In addition, the city does not have a formal process to reconcile Finance costs with Fleet costs. There is no documented procedure outlining how these costs should be aligned. As a result, certain costs were expensed by the Finance team rather than being capitalized, while the Fleet team recorded these same costs as part of asset values on their books. This discrepancy could lead to inconsistencies in financial reporting and asset valuation.

This practice understates the total cost of the vehicles in the Finance records, reducing transparency regarding the true cost of assets and misaligning with the principle of capitalizing costs required to bring an asset to its intended use. In addition, documenting the process will keep the procedures aligned with the industry's best practices and ensure that operational efficiencies are continuously improved upon.

Criteria

According to Generally Accepted Accounting Principles (GAAP) / Governmental Accounting Standards Board (GASB) Guidance, which states that all costs necessary to place an asset into service should be capitalized as part of the asset's recorded value. This includes required components, attachments, or modifications essential to making the asset operational.

The City of Madison Capitalization Policy states that assets and related costs must be recorded in accordance with the City's established capitalization threshold and accounting policies. Items falling below the threshold should not be capitalized separately if they are standalone assets but should be capitalized if they are integral to a larger asset.

Best Practices in Asset Management is that policies and procedures should be formally documented to ensure that reconciliation processes are performed regularly, responsibilities are clearly defined, and asset records remain accurate and reliable.

Recommendation

Finance should review its capitalization policy in consultation with Fleet Services to ensure that essential components directly tied to a vehicle's functionality are capitalized together with the vehicle. The policy should clarify that all essential components required to bring a vehicle to operational status be capitalized as part of the asset value. This will improve transparency, accuracy of reporting, and alignment with industry best practices. Where policy changes are not feasible, Finance should at minimum maintain supplementary records that capture these costs for reconciliation and reporting purposes.

The Finance and the Fleet team should develop a documented procedure to reconcile Finance and Fleet costs on a regular basis, clearly defining which costs should be capitalized versus expensed.

The Finance and the Fleet team should schedule periodic reviews of reconciliations (annually and before the final accounts were prepared for external audit purposes) to ensure accuracy, completeness, and timely adjustments to financial records. During these periods, they should also confirm that all VIN and Fleet Number data for new assets is correct and matches between both databases. This will help maintain a link between the two systems so they can more easily be cross referenced.

Management Response

Fleet Service management acknowledges that having matching records with Finance is an overall goal. However, the records we maintain in our asset management system, Faster, and Finance's records in Munis serve different purposes. Fleet's asset records capture all equipment components and specifications for the assets in the fleet, allowing us to maintain accurate maintenance records and aid in future acquisition planning in terms of equipment components we need to include in future assets. The records we maintain in Faster are not the official financial records of our fleet.

Fleet services staff maintain their subsidiary system for inventory purposes or other valuation decisions, and do not have the objective nor reporting requirements to adhere to GAAP and GASB. While Finance staff follow both GAAP and GASB reporting requirements. It should be noted that this kind of discrepancies should be anticipated and it is quite common that agency's staff track equipment/capital assets using different criteria and/or methodologies, especially given higher capitalization thresholds, budget strategies, vehicle replacement schedules, and component disposals.

We recognize that greater coordination between Finance and Fleet in terms of our asset register is beneficial. To that end, Fleet will continue to mark all invoices involving capital asset expenses processed for payment in Munis with the known asset number. Finance uses these invoices to update asset value records throughout the year.

The capitalization policy is reviewed annually by both Finance staff and the City's current external auditors. The policy does state that all capital asset components and other expenses required to bring a capital asset into working order or service should be capitalized. No further revision of the policy is needed for financial statement reporting.

Fleet and Finance staff will work more closely together annually (perform annual reconciliation in February of each year) to ensure that capital asset additions are properly valued and classified for the year for financial statement purposes, including specialized attachments (any vehicle body or extra equipment purchases for assets that have previously been titled but were still going through the set-up process), confirming VIN and Fleet number data for new vehicles and major movable equipment, and matching other data between databases. This will help to maintain system-level controls between the two current systems to more easily cross reference capital assets for inventory versus financial statement reporting.

Implementation Date

February 28, 2026

Risk Rating

High

Reference 5: Assets with Closed Status

Finding

Our review of the Finance Department's asset listing for the audit period identified 103 vehicles, with a Net Book Value (NBV) of $35,339, that were no longer in use by the City. Some of these vehicles had last been used or disposed of as far back as **2012**, yet they remained recorded as active assets in the financial records.

Leaving disposed assets in the City's records has the risk of overstating the value of motor vehicles in the Balance Sheet, while charging depreciation expenses on disposed vehicles reduces the City's net income and overall financial position.

This issue was brought to the attention of the Finance Department during the audit. In response, Finance has since corrected the records by moving the vehicles to "disposed" status.

Criteria

Generally Accepted Accounting Principles (GAAP) for State and Local Governments maintains that capital assets should be reported at historical cost and adjusted for disposal in a timely manner to ensure the accuracy of financial statements.

Governmental Accounting Standards Board (GASB) require governments to maintain accurate records of capital assets, including additions, disposals, and transfers, to ensure proper financial reporting.

City of Madison Financial Policies require that assets no longer in use or disposed of be removed from the active asset listing promptly to prevent overstated balances.

Recommendation

Finance should implement an annual reconciliation process with Fleet Services to identify closed or disposed vehicles in a timely manner, this could include periodic reviews of the asset listing to verify the accuracy and completeness of reported assets.

Additionally, a control mechanism (e.g., automated alerts from the Faster system to Finance) should be developed to prevent recurrence.

Management Response

Fleet Service management recognizes the importance of updating the status of assets removed from service in a timely manner. Fleet Service and Finance have developed a procedure to jointly reconcile our closed asset lists. This will happen annually, generally in February to ensure all data is captured, to review records for the previous year. Fleet staff will continue to enter data into a shared spreadsheet tracking auction proceeds from closed assets throughout the year, which will allow Finance staff time to periodically update their records. The annual reconciliation meeting will ensure all closed vehicles are accurately captured in Finance's records. Fleet will record this joint reconciliation procedure in our standard operating procedures.

In addition, Fleet Service will research the possibility of sending automated alerts to Finance whenever an asset is placed into closed or disposed status in our asset management system.

Implementation Date

December 31, 2025

Risk Rating

Moderate

Reference 6: Absence of Completed Preventative Maintenance Checklists

Finding

Our review of the Fleet Services preventative maintenance (PM) process revealed that each vehicle has a comprehensive checklist of required maintenance items. However, the completed work orders do not include a completed checklist. The work orders only listed parts that were replaced and do not indicate all required maintenance items according to the PM checklist.

Failure to complete and maintain preventative maintenance checklists increases the risk of undetected mechanical issues, reduced vehicle reliability, and potentially unsafe operating conditions. Additionally, incomplete maintenance records may expose the City to liability in the event of an accident involving a vehicle with undocumented or overdue maintenance. The lack of documentation also limits management's ability to monitor technician performance and assess maintenance quality.

Criteria

The Fleet Services technicians should be required to complete a standardized checklist during each scheduled maintenance service to ensure all critical systems and components are inspected and serviced appropriately. This is also consistent with industry best practices outlined by the Government Fleet Management Alliance (GFMA) and the National Association of Fleet Administrators (NAFA), which emphasize the importance of documented maintenance for vehicle safety, performance, and compliance.

Recommendation

Fleet Services management should implement the requirement to complete and file PM checklists as part of every scheduled maintenance service. This should include:

- Training for all technicians and supervisors on the importance of documentation.
- Periodic supervisory review of checklist completion.
- Systematic enforcement through spot audits and performance evaluations.
- Consideration of electronic checklist tools to streamline and track compliance.

Management Response

Fleet Service employees hold vehicle maintenance and safety in the highest regard. It is why we have developed thorough PM checklists for all maintenance intervals on the assets within the fleet. Our technicians are trained on the importance of thoroughly completing each checklist, and supervisors regularly spot check the performance of technicians on the thoroughness of their repairs. We also regularly evaluate the time technicians take to perform maintenance based on the time billed on each work order, and require notes from technicians documenting any issues they found during the service.

Fleet Service management believes requiring documentation of a completed checklist is not a good use of our employee time and will not result in improved maintenance outcomes, for several reasons:

- Checklists like this are often completed by simply drawing a straight line down through all items, and do not prove they were all completed thoroughly.
- Our shops have worked diligently to eliminate most of the paper used in our operations, and we do not see the benefit of printing out a checklist each time, checking each item, and then scanning and attaching the checklist to the digital work order. We could work to train employees to update the PM checklists digitally, save a copy, and upload it to the work order, but the time invested in that effort will likely not result in many technicians actually fulfilling that expectation.
- Our supervisors' time is better spent continuing to spot check services and repairs with a physical inspection of the vehicle. This focus on reviewing actual work completed not only ensures the work is being completed as expected, but also alerts management to any training needs for employees and allows supervisors to coach our technicians for improved performance.

Fleet Service will update our internal procedures to ensure supervisors are regularly conducting these inspections of completed services and documenting the work orders they inspected. We believe this documentation of our internal checks will not only provide evidence of the checks we are doing, but also result in more quality services and repairs being completed.

Implementation Date
December 31, 2025

Risk Rating
Moderate

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Reference 7: Absence of Assigned Vehicle Monitoring

Finding

Our review of the Fleet Services assigned vehicles process revealed that Fleet Services does not actively monitor the status of assigned vehicles. Fleet Services has relied on Central Payroll tracking employees who took cars home and were required to reimburse the City for mileage.

Without assigned vehicle monitoring, the City is unable to:

- Detect underutilized or misused vehicles.
- Ensure vehicles are maintained in a safe and operable condition.
- Hold users accountable for damage, excessive wear, or policy violations.
- Optimize vehicle assignments based on actual needs.

This results in increased risk of vehicle misuse, reduced asset accountability, and potentially higher fleet operating and replacement costs.

Criteria

Best practices in public fleet management—as outlined by the National Association of Fleet Administrators (NAFA) and the Government Finance Officers Association (GFOA)—recommend ongoing oversight of assigned vehicles, including usage monitoring, mileage tracking, and periodic condition assessments.

Additionally, according to APM 2-13, the City's vehicle and driver policy, both Fleet Services and Central Payroll should maintain a list of all regular assigned vehicles and staff.

Recommendation

Fleet Services should implement a formal program for monitoring assigned vehicles. At minimum, this program should include:

- Clear assignment and documentation of monitoring responsibilities (Fleet vs. departments).
- Regular reporting on mileage, fuel use, and maintenance status.
- Periodic physical inspections of assigned vehicles.

Additionally, the City should establish utilization thresholds and reassess assignments for vehicles that do not meet minimum usage standards.

Management Response

Vehicles and equipment in the fleet are assigned to specific departments. Department and agency heads have the right to assign those vehicles within their department as they see fit in order to complete their work. Fleet Service receives regular updates on mileage, engine hour meters (if applicable), and fuel use through our fueling system, or through monthly reports by the department. These meter updates drive the preventative maintenance cycle and allow Fleet to call in the vehicle for service when it becomes due. All maintenance and repair of assets is managed by Fleet, and the departments alert Fleet staff whenever they have issues that need to be addressed. Furthermore, department staff are responsible for ensuring all pre-trip inspections for commercial vehicles are completed. Fleet will continue to work directly with assigned department staff to determine utilization thresholds for all assets and assess reassignments as needed.

Fleet Service management acknowledges that we can improve our tracking of vehicles approved for commuter use by employees. We will update our internal procedures to ensure we:

- Regularly request updated lists of vehicles used for commuting purposes from department and division heads.

- Verify which employees are eligible for a mileage reimbursement waiver by their department or division head.
- Collaborate with Central Payroll to reconcile our lists of employees approved to commute in a City vehicle and ensure all mileage reimbursements for commuting are accurately set up.

Implementation Date
March 31, 2026

Risk Rating
Moderate

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Reference 8: Lack of Documentation in Vehicle Replacement Process

Finding

Our review of the Fleet Services vehicle replacement process revealed that Fleet Services does have a formal documented process to maintain supporting records detailing the evaluation process, such as lifecycle cost analysis, mileage thresholds, maintenance cost trends, or operational necessity. Replacement justifications appear to be based largely on informal discussions and staff judgment rather than a standardized, documented process.

Without documentation of the replacement decision process:

- The City cannot demonstrate that vehicle replacements are cost-effective or aligned with operational needs.
- Replacement decisions may be inconsistent, potentially resulting in premature replacement or extended use of high-cost, unreliable vehicles.
- Opportunities for lifecycle cost savings may be missed.
- The City's decision-making process is vulnerable to perceptions of bias or lack of transparency.

Criteria

Industry's best practices from the Government Fleet Management Alliance (GFMA) and the National Association of Fleet Administrators (NAFA) recommend that agencies use documented lifecycle replacement schedules and cost-benefit analyses to guide replacement decisions and maintain transparency.

Recommendation

Fleet Services should implement and enforce a documented vehicle replacement process that:

- Establishes and applies objective, measurable criteria for replacement decisions.
- Requires supporting documentation for all replacement recommendations.
- Utilizes fleet management software or other tools to track replacement eligibility and prioritize replacements.
- Provides management review and approval of all vehicle replacement proposals.

Documentation should be retained in the vehicle's asset file to support future audits and decision reviews.

Management Response

Fleet Service management maintains that we make decisions on purchasing replacement vehicles and equipment using a thorough evaluation process. We utilize our fleet management software to designate lifecycle replacement schedules, track replacement eligibility, and prioritize replacements in coordination with representatives from the departments using the vehicles. We also analyze reports from our asset management system to evaluate an asset's maintenance history, anticipated cost of future repairs, utilization of the asset, and more. We acknowledge that we can update our procedures to ensure this information is documented for each replacement decision. We will update our internal standard operating procedures related to the vehicle acquisition process to codify the previously mentioned evaluation steps we currently follow and add a documentation piece to record how the replacement decisions were made.

Implementation Date

December 31, 2025

Risk Rating

Moderate

Reference 9: Outdated P-Card Policy Manual

Finding

During our review of the P-Card process, we observed that the City's current P-card manual has not been reviewed or updated since April 23, 2021. The review should include stating allowable and disallowable expenses, etc.

Outdated procedures may not reflect current purchasing practices, regulatory requirements, or system capabilities, increasing the risk of misaligned internal controls.

Criteria

Best practices in internal control (as outlined by COSO and GAGAS) require policies, SOPs and work instructions to be reviewed and updated and approved periodically (at least annually or whenever there are significant changes to applicable policies, regulations, systems, or operations) to ensure they remain current, accurate, and effective.

Recommendation

To promote operational consistency, staff accountability, compliance with policy and legal requirements, we recommend that the Procurement team establish and implement a formal process to periodically review, update, and document all SOPs and work instructions. At a minimum, procedures should be reviewed annually, or sooner if there are significant policy, system, or regulatory changes. Each SOP or work instruction should clearly indicate the date of the last review, the responsible party, and the next scheduled review date.

The Internal audit has identified the following as some of the protocols to follow to improve the process of documentation, updates and review of the P-Card policy manual:

1. **Assign Ownership and Accountability**: Management should designate a responsible staff member or team (e.g., a compliance officer or process coordinator) to own the SOP review process, maintain a master log, and ensure that SOPs are reviewed and updated according to the established schedule.

   Assigning ownership improves accountability and ensures that the process does not become ad hoc or overlooked due to competing priorities.

2. **Include Version Control and Revision History**: Management should ensure all SOPs and work instructions include a version number, revision date, and a summary of changes made. Include a sign-off section for the preparer and reviewer/approver.

   A clear revision history enhances document traceability and ensures users are aware of the most up-to-date practices and why changes were made.

3. **Incorporate SOP Review into Staff Onboarding and Training**: Management should integrate a review of relevant SOPs and work instructions into the onboarding process for new employees and include them in annual refresher training for current staff.

   This ensures that all employees understand the correct procedures and reduces the risk of outdated practices being followed.

4. **Establish a Change Management Protocol**: Management should develop a change management process that triggers a review and update of applicable SOPs whenever there are:
   a. System changes (e.g., Munis updates)
   b. Policy revisions
   c. Regulatory changes (e.g., HUD guidance)
   d. Internal audit findings

Proactively adapting SOPs to changes helps ensure they remain aligned with current operations and external requirements.

Management Response
The Procurement team has updated the p-card manual located on EmployeeNet. We will establish a practice of making updates to the p-card manual annually as well as the action steps identified within this report. Additionally, the most current p-card manual will be shared with all attendees at the October Purchasing Contacts user group meeting, as well as sent to the distribution lists “Purchasing Contacts” and “P-Card Users.”

Implementation Date
December 31, 2025

Risk Rating
Moderate

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Reference 10: Driver Eligibility Monitoring

Finding

During our review of the Fleet Services licensing and training processes, we observed that the City's current protocols on the use of the fleet do not include regular checks of employees' eligibility to operate a City-owned vehicle. This implies the absence of a formal requirement or automated system within Fleet Services or HR to periodically validate driver's license status.

Failure to routinely confirm the validity of driver's licenses may result in unauthorized personnel operating City vehicles, potentially exposing the City to liability risks and non-compliance with fleet management policies.

Criteria

Industry's best practices in fleet management recommend periodic verification of employees' driver's license validity to ensure only authorized personnel operate vehicles.

City risk management and internal control principles require processes to mitigate liability and safety risks.

Recommendation

To promote operational consistency, staff accountability, and compliance with policy and legal requirements, we recommend that Fleet Services, in collaboration with HR and Risk Management, should implement a periodic (e.g., annual or semi-annual) driver's license verification process to verify the status of all employee driver's licenses with access to City vehicles. This process should be documented, consistently applied, and integrated with employee training protocols.

Additionally, Fleet Services should consider leveraging automated alerts or vendor services that flag expired or revoked licenses in real time.

Management Response

Since vehicles are assigned to specific departments, and department and division heads have the right to assign vehicles within their agencies as they see fit, Fleet Service has no way to verify every City employee with access to City vehicles who has a valid driver's license. It is the responsibility of each department to ensure their employees have a valid license for whatever equipment they are asked to operate for work. This includes any City employee who checks out a pool vehicle to conduct their work.

Fleet is willing to work with Human Resources and Risk Management to further explore a City-wide process for driver's license verification or provide guidance to other departments on best practices for checking the validity of an employee's driver's license.

Implementation Date

December 31, 2025

Risk Rating

Moderate

Reference 11: Absence of Parts Inventory Discrepancies Tracking

Finding

Our review of the Fleet Services parts inventory process revealed that Fleet Services does not have a formal process to identify and reconcile discrepancies in parts inventory. However, none of the discrepancies and reconciliations are tracked or documented.

Without a comprehensive system to track and resolve inventory discrepancies, Fleet Services is exposed to risks such as:

- Theft, fraud, or misuse of parts.
- Inaccurate parts ordering, leading to stockouts or overstocking.
- Increased downtime due to unavailable parts.
- Inefficiencies in budgeting and asset management.

These issues can contribute to higher operational costs and diminished accountability for City-owned inventory assets.

Criteria

Effective inventory control is a fundamental internal control principle and is supported by industry standards such as those from the Government Finance Officers Association (GFOA) and the Institute of Internal Auditors (IIA). These standards require that organizations maintain accurate inventory records and investigate all variances to prevent loss, theft, or mismanagement.

Recommendation

Fleet Services should establish and enforce a formal process for tracking and resolving parts inventory discrepancies. This should include:

- Routine cycle counts and annual full inventory reconciliations.
- Use of exception reports and system alerts for inventory variances.
- Investigation and documentation of all significant discrepancies.
- Assignment of staff responsibility for inventory control and oversight.
- Periodic management review of inventory reconciliation results.

Fleet Services should also explore additional training or system enhancements to improve inventory tracking accuracy.

Management Response

Fleet Service management acknowledges that we can improve our inventory procedures to ensure we track and resolve all inventory discrepancies. Almost ten years ago, Fleet did not have a regular inventory procedure, and we agree we can continue to build on our progress. Our current standard operating procedures (SOPs) require a full annual inventory, as well as monthly cycle counts. The Operations Manager is responsible for inventory control and oversight, through the Parts Technicians and Parts Technician Lead Worker, and the Fleet Superintendent is responsible for periodic review of inventory results.

Fleet Service will:

- Update our Parts Room SOPs to ensure all inventory discrepancies found during the cycle counts and annual full inventory process are documented, investigated, and resolved.
- Hire a Parts Operations Clerk, as included in our operating budget request for 2026, to address gaps in our administrative capacity and improve our ability to perform regular cycle counts and general warehouse management.

- Continue to work with Faster, our asset management system vendor, and Information Technology to ensure we receive timely software updates and have access to the latest system tools and reports. We will also work with Faster to explore the availability of system alerts to better identify significant discrepancies in inventory levels.

Implementation Date
March 31, 2026

Risk Rating
Moderate

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OBSERVATIONS AND DISCUSSION ITEMS

This section is designed to identify areas requiring management's (auditee's) attention that have not risen to the level of an audit finding; the observation owner is a different business unit, department, agency, or external party than the auditee. The Internal Audit Unit recommends that Fleet Services management consider enhancing its internal control processes in the areas of responsibility to avoid potential audit findings in the future associated with the specific internal control objectives outlined below:

1. Out of the 978 vehicles on the Finance asset listing, the audit team selected 50 vehicles for physical verification. All sampled vehicles physically existed, and their details matched in both the Finance and Fleet records. This provides assurance over the existence of vehicles and the reliability of the records, but continued monitoring is necessary to maintain accuracy across the entire fleet.

   We recommend that Fleet Services and Finance should establish a formalized periodic physical verification process (e.g., annual spot checks of a representative sample) and document the results for accountability.

2. Testing of SOC 2[1] reports for third-party service providers was not completed because the necessary SOC 2 documentation could not be obtained from the Vendor. As a result, Audit could not validate whether third-party controls over security, availability, confidentiality, or other relevant Trust Services Criteria are designed and operating effectively. This creates a gap in assurance over outsourced IT services that support key organizational processes.

   We recommend that City IT should strengthen its third-party risk management process by:
   - Establishing a formal requirement to obtain and review all relevant and statutory reports e.g. SOC 2 reports (or equivalent assurance) from all critical IT service providers on a recurring basis.
   - Maintain a repository of third-party compliance documentation to ensure timely availability during audits and reviews
   - Assigning responsibility to a designated function (e.g., IT security, vendor management, or risk management) to collect, review, and retain these necessary reports.
   - Where SOC 2 reports are unavailable, IT should work with the vendor to implement alternative assurance methods (e.g., vendor security questionnaires, contractual certifications, or direct assessments) to provide the necessary assurance on the existence of controls over the security of the City's data and information.

3. The audit team was unable to complete testing on the existence of vehicle underutilization processes and related preventive controls to ensure that every vehicle in the City's fleet is used optimally and supports service delivery standards. This was due to the absence of available data, or a formal process maintained by the Fleet team for the audit period.

   Fleet management indicated that in 2025, a vehicle utilization monitoring process was initiated to capture and identify underutilized vehicles across the fleet system. We commend the management for initiating this process.

   To promote optimal utilization to reduce costs and maximize service delivery capacity, we recommend that the initiated process be fully finalized, documented, and consistently applied across all agencies. Doing so will ensure:
   - Vehicles are maximally utilized to support service delivery.

[1] A System and Organization Controls 2 (SOC 2) report is an independent, third-party attestation report issued under the AICPA's (American Institute of Certified Public Accountants) Attestation Standards that assess whether a service provider has effective controls in place over Security, Availability, Processing Integrity, Confidentiality, and Privacy.

- Inefficient vehicle usage is minimized.
- Maintenance costs are better aligned with operational needs.
- Allocation of vehicles is optimized across City departments.

CONCLUSION

Opportunities were identified to improve the effectiveness and efficiency of the City of Madison Fleet Services operations. These opportunities among many include reinforcing compliance with P-card purchasing thresholds through additional training, instituting an annual or biennial review cycle for the P-card manual to ensure that the policies remain current, relevant, and aligned with best practices, implementing clearly defined single and monthly purchase limits for all P-card holders based on roles, responsibilities, and historical purchasing patterns, establishing a centralized and periodic process to verify the status of all employee driver's licenses with access to City vehicle, providing continuous training for the Fleet Finance and the Finance Department Procurement team on the importance of conducting proper reviews before requisition approvals, establishing a control workflow that requires routing all Fire Budget-related expenses initiated by Fleet Services to the Fire Finance Manager for review and approval, performing a budget correction where the encumbered amount is reviewed and released to restore the appropriate funds back to the Fire apparatus and vehicle project's budget, initiating the necessary journal entries to reverse the misclassified expenditures from the Fire apparatus and vehicle project's budget, and develop and implement a comprehensive fleet inventory policy.

The City of Madison Finance Department, Internal Audit Unit, extends its appreciation to the staff of Fleet Services and all individuals who contributed to the completion of this audit. We are grateful for the courtesy extended, and the cooperation demonstrated throughout the engagement, particularly considering the challenges encountered during the audit process.

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ACKNOWLEDGEMENT

The Fleet Services Division Audit

Compiled by | Brandon Reinders, Internal Auditor
| Kolawole Akintola, Internal Audit and Grant Manager

Reviewed by | David Schmiedicke, Finance Director

Signing below certifies that you have received, read, and acknowledge the audit report prepared above.

David Schmiedicke — 9/25/2025

David Schmiedicke, Finance Director — Date

Rachel Darken — 9/25/2025

Rachel Darken, Assistant Fleet Superintendent — Date
City of Madison Fleet Services Division

APPENDIX

2024 Fleet Services Division Organizational Chart