

DEPARTMENT OF GENERAL SERVICES

**FOR THE YEARS ENDED
JUNE 30, 1995, AND JUNE 30, 1994**

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October 20, 1997

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Larry N. Haynes, Commissioner
Department of General Services
Suite 900, Tennessee Tower
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the compliance audit of the Department of General Services for the years ended June 30, 1995, and June 30, 1994.

Consideration of the internal control structure and tests of compliance disclosed certain deficiencies, which are detailed in the Results of the Audit section of this report. The department's administration has responded to the audit findings; the responses are included following each finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
96/091

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Compliance Audit

Department of General Services

For the Years Ended June 30, 1995, and June 30, 1994

AUDIT OBJECTIVES

The objectives of the audit were to consider the department's internal control structure; to test compliance with certain laws, regulations, contracts, or grants; and to recommend appropriate actions to correct any deficiencies.

INTERNAL CONTROL FINDINGS

The Property of the State of Tennessee (POST) System Not Fully Utilized

Costs were not recorded in the proper period and discounts were not reflected. In addition, monthly reconciliations of POST with the State of Tennessee Accounting and Reporting System (STARS) were not performed (page 10).

Inadequate Controls Over POST Assets

There appear to be few controls to prevent the unauthorized retirement of assets in POST (page 13).

Data-Processing Security Not Adequate

Not all Resource Access Control Facility (RACF) security features have been set (page 14).

COMPLIANCE FINDINGS

Maintenance on Motor Vehicles Not Performed at Required Intervals*

Many vehicles did not have preventive maintenance performed at the required intervals, or not all maintenance was performed (page 15).

The Office of Internal Audit Has Not Complied With Established Policies

The Office of Internal Audit has not followed its policies on reviews of divisions and contract audits (page 11).

* This finding is repeated from prior audits.

PAST FINDING NOT ACTED UPON BY MANAGEMENT

Prior audits of the Department of General Services have contained a finding concerning noncompliance with state law relating to the coordination and administration of state personal property. The Department of Transportation (DOT) uses its own property management system. Department of General Services management indicated that they have tried to work with DOT to incorporate their property into the statewide system but that DOT is not yet incorporated due to their lack of cooperation.

Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
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AUDIT REPORT
DEPARTMENT OF GENERAL SERVICES
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

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DEPARTMENT OF GENERAL SERVICES
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the compliance audit of the Department of General Services. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the department’s internal control structure to determine auditing procedures for the purpose of testing compliance with certain laws, regulations, contracts, or grants;
2. to test compliance with certain laws, regulations, contracts, or grants; and
3. to recommend appropriate actions to correct any deficiencies.

SCOPE OF THE AUDIT

The audit is limited to the period July 1, 1993, through June 30, 1995, and was conducted in accordance with generally accepted government auditing standards. In addition, the audit scope is limited to concentrating on compliance with laws and regulations relevant to the Office of Internal Audit, the Motor Vehicle Management section, the Property of the State of Tennessee (POST) system, and the department’s equipment section.

BACKGROUND AND ORGANIZATION

LEGISLATIVE HISTORY

The Department of General Services was established by statute in 1972. Section 4-3-1103 of *Tennessee Code Annotated* states:

The department of general services shall coordinate and administer the state's purchases, personal properties, printing and motor vehicle facilities, surplus property, postal services and general public works services, and will provide for state agencies all additional support services which are not assigned by law to specific departments.

The commissioner has been given the authority to assign to divisions the department's functions and duties and may combine, consolidate, or abolish any of the divisions in the department or create divisions necessary to carry out duties.

ORGANIZATION

The Department of General Services consists of the commissioner's administrative staff, the personnel division, the Office of Internal Audit, the legal staff, and three functional groups: Purchasing Management, Administrative Services, and Property Management.

Purchasing Management

The Purchasing Division is responsible for the centralized procurement of goods and services used by departments and agencies in the state. Most state departments and agencies are required by law to procure goods and services through this division. The inspection and control section has been created to coordinate and implement legislative requirements.

The Postal Services Division provides central mail service for the various state agencies, including delivering and collecting messenger mail; metering, inserting, presorting, and bar coding of United States mail for state agencies; and operating a United States contract post office and a facility for the United Parcel Service.

The Printing Division provides centralized printing services for state agencies. The division provides quick-print services as well as standard types of printing. Photographic Services and Graphic Art, subsections of the Printing Division, provide photographic and design services to state agencies.

The Central Stores Division is responsible for the procurement, warehousing, and distribution and overall management of supplies and materials for eight departments. This division also provides goods and services for six other departments/agencies.

The Open Office Furniture Division supports the Facilities Revolving Fund by administering the Open Office Furniture refurbishing program.

Administrative Services

The Fiscal Services Division is responsible for the preparation, administration, and supervision of all fiscal matters in the department.

The Information Systems Division is responsible for the operation and maintenance of the various divisions' information processing systems and for their interfaces to other departments' applications. The division is also responsible for developing new system applications and entering data required for various operations.

The Division of Property Utilization is composed of the Federal Surplus Property Section and the State Surplus Property Section. Both sections transfer property to eligible recipients. In addition, the State Surplus Property Section maintains an inventory of state-owned personal property and operates a typewriter repair facility.

The Records Management Division consists of four sections: Records Center Operations, Publications Management, Forms Management, and Micrographics. The Records Center provides a low-cost storage facility for state agencies in which they may store records and documents until the records' final disposition. Publications Management is the support staff for the State Publications Committee and assists in the review and approval of publication requests. The Forms Management Section's purpose is to reduce the number of forms and amount of paperwork necessary to operate the various functions of state government. The Micrographics Section's responsibility is to film source documents for storage in place of hard copy or paper records. The division is also the support staff for the Public Records Commission.

Property Management

Property Services Management is charged with monitoring the department's contracts for services such as building management and security and custodial services in state-owned buildings.

The Motor Vehicle Management Division coordinates ground transportation for state employees performing state business and is responsible for dispatching, housing, and repairing vehicles.

The Contract Management Division is responsible for planning, designing, and building a contract services support program within the Department of General Services. This program addresses all leased and state-owned buildings in the Facilities Revolving Fund.

The Facility Support Services Division supports the Facilities Revolving Fund in energy management, maintenance management, and tenant services.

The Capitol Facility Division manages the maintenance and operation of the State Capitol.

The Department of General Services is part of the general fund of the State of Tennessee. The department operates six internal service funds: Postal Services, Motor Vehicle Management, Printing, Purchasing, Central Stores, and Facilities Revolving Fund. It also operates an enterprise fund, Property Utilization.

The department is responsible for the following divisions and allotment codes:

321.01	Administration
321.02	Postal Services
321.04	Property Utilization
321.06	Motor Vehicle Management
321.07	Property Management
321.09	Printing
321.10	Purchasing
321.15	Systems Management
321.17	Records Management
321.18	Central Stores
501.01	Facilities Revolving Fund

An organization chart of the department is on the following page.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of General Services filed its report with the Department of Audit on June 7, 1995. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the department has corrected previous audit findings concerning improving management of and control over the central stores inventory, improving controls over federal and state surplus property inventories, following established procedures in the Division of Property Utilization, improving controls over the use of gasoline credit cards, submitting the department's annual report in a timely manner, and notifying the Comptroller's office about all federal audit engagements.

REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning performing and documenting maintenance of vehicles in the Motor Vehicle Management fleet. This finding has not been resolved and is repeated in this report.

PAST FINDING NOT ACTED UPON BY MANAGEMENT

Prior audits of the Department of General Services have contained a finding concerning noncompliance with state law relating to the coordination and administration of state personal property. The department's duty to coordinate and administer state property is mandated in Section 4-3-1103, *Tennessee Code Annotated*. Furthermore, Section 4-3-1105(4), *Tennessee Code Annotated*, states that the department shall have the power and shall be required to

Supervise and regulate the making of an inventory of all removable equipment and other movable property belonging to the state government or any of its departments, institutions or agencies, with the exception of those institutions expressly exempted from the operation of title 12, chapter 3, and keep the same current.

The Department of Transportation (DOT) uses its own property management system. Department of General Services management indicated that they have tried to work with DOT to incorporate their property into the statewide system but that DOT is not yet incorporated due to their lack of cooperation.

OBSERVATIONS AND COMMENTS

Tennessee Code Annotated, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and

each June 30 thereafter. For the year ended June 30, 1995, the Department of General Services filed its compliance report and implementation plan on June 30, 1995, and for the year ended June 30, 1994, on August 16, 1994.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for the Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor is currently evaluating which office in the Executive Branch will be the new monitoring agency.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report, *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

We considered the internal control structure to determine auditing procedures for the purpose of testing compliance with certain laws, regulations, contracts, or grants related to the Office of Internal Audit, the Motor Vehicle Management Section, the Property of the State of Tennessee (POST) system, and the department's equipment section. The report on the internal control structure is on the following pages. Certain deficiencies, along with recommendations and management's responses, are detailed in the findings and recommendations, which follow the report on the internal control structure.

Compliance with Laws and Regulations

With respect to the items tested, the department complied with the provisions of certain laws, regulations, contracts, or grants related to the Office of Internal Audit, the Motor Vehicle Management Section, the Property of the State of Tennessee (POST) system, and the department's equipment section except for certain instances of noncompliance included in the findings and recommendations. The compliance report follows the findings and recommendations.

Report on the Internal Control Structure

September 6, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied procedures to test the Department of General Services' compliance with the provisions of certain laws, regulations, contracts, or grants for the years ended June 30, 1995, and June 30, 1994, and have issued our report thereon dated September 6, 1996. We performed the procedures in accordance with generally accepted government auditing standards.

We considered the department's internal control structure in order to determine our procedures for the purpose of testing the department's compliance with certain laws, regulations, contracts, or grants related to the Office of Internal Audit, the Motor Vehicle Management Section, the Property of the State of Tennessee (POST) system, and the department's equipment section and not to provide assurance on the internal control structure.

The department's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

The Honorable W. R. Snodgrass
September 6, 1996
Page Two

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the department's ability to comply with laws, regulations, contracts, or grants. However, we did note the following deficiencies:

- POST is not fully utilized to properly record and maintain property records.
- Inadequate controls could allow unauthorized retirement of assets.
- Data processing security was not adequate.

These deficiencies are described in the Findings and Recommendations section of this report.

We also noted certain matters involving the internal control structure and its operation that we have reported to the department's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

FINDINGS AND RECOMMENDATIONS

POST IS NOT FULLY UTILIZED TO PROPERLY RECORD AND MAINTAIN PROPERTY RECORDS

1. FINDING:

The Property of the State of Tennessee (POST) system is not fully utilized to properly record and maintain property records for the State of Tennessee. An examination of POST revealed the following weaknesses:

- a. POST does not allow the use of effective dates but instead uses system dates. The effective date is the date on which a transaction occurs, and the system date is the date that the transaction is entered in the system. For example, an item purchased in fiscal year 1995 but not entered into POST until 1996 will appear in the 1996 inventory, not the 1995 inventory. Thus, the ending inventory is understated by the amount of fixed assets with system dates after year-end and effective dates before year-end.
- b. POST does not properly record the cost of assets purchased at a discount through the Tennessee On-Line Purchasing System (TOPS). When an item is purchased through TOPS and a discount is taken, the fields containing the discount are not transmitted to POST. Thus, the cost on POST does not reflect the discount. The only way to detect the incorrect amounts is to reconcile POST with the State of Tennessee Accounting and Reporting System (STARS). The ending inventory may be overstated if discount amounts are not reflected in POST.
- c. Monthly reconciliations of POST with STARS were not performed. Reconciliations of the additions within any given year are critical to ensure that all fixed assets are properly recorded. (The Department of Finance and Administration, Division of Accounts, conducted a reconciliation of POST with STARS for the fiscal year ended June 30, 1995.) Monthly reconciliations provide timely assurance that items are properly entered into POST.

RECOMMENDATION:

POST should be modified to allow proper reporting of fixed assets in relation to the effective date, discount amounts, and component units. In addition, a monthly reconciliation of POST with STARS should be performed to ensure that transactions were properly recorded on POST.

MANAGEMENT'S COMMENT:

- a. We concur. Initially, POST year-end reports did not show prior year purchases. However, the system has been modified and subsequent year-end reports treat prior year purchases as additions for the current year reporting period. System dates no longer have any relevance as the effective date is now utilized. As a result, the ending inventory is not understated.
 - b. We concur. A system modification was made and implemented in February 1997 that takes discounts into account, as well as other increases or decreases to the costs of assets.
 - c. We concur. This responsibility falls under the Division of Accounts in the Department of Finance and Administration. While General Services receives reconciliation documents, they are not timely.
-

THE OFFICE OF INTERNAL AUDIT HAS NOT COMPLIED
WITH ESTABLISHED POLICIES

2. FINDING:

The Office of Internal Audit, which was established to continually test the department's internal controls, has not complied with established policies. During the audit period, the Office of Internal Audit issued reports relating to lost and stolen equipment, Postal-Contract Station accountability, motor vehicle damage, lost or stolen motor vehicle credit cards, year-end inventory, follow-up of findings in the prior State Audit report, telephone reconciliations, Financial Integrity Act, and special requests related to the Property Utilization Division and the Purchasing Division. Although internal audit released several reports, few related to reviews of internal controls in the various divisions. The department's policy on internal auditing states, "To the extent resources are available for such purposes, all principal programs, including administrative, financial, and supporting programs, shall be audited with a report issued by the Office of Internal Audit at least once during each six-year period." During the last six years, the reviews of the various divisions have been limited.

Another responsibility of the Office of Internal Audit is the contract audit program. The Office of Internal Audit Policy Statement states:

The contract audit program includes the site audit of documentation in support of claims, costs, cost proposals, and cost and pricing data arising from Department of

General Services funded contracts, and other financial agreements entered into or proposed by all units of the Department of General Services.

The department's procedures on contract auditing state:

To the extent resources are available for such purposes, the Office of Internal Audit will audit all cost reimbursement type contracts with costs of or greater than \$150,000 at least once during each two-year period. Depending on the priority of the matter and the availability of resources, the Office of Internal Audit will also audit a sample of other contracts.

The department's policy on contract auditing also allows the Director of Internal Audit to contract with a licensed independent public accountant to perform these contract audits. During the year ended June 30, 1995, the department had 27 contracts of \$150,000 or greater. During the year ended June 30, 1994, the department had 15 contracts of \$150,000 or greater. However, none of these contracts were audited.

During the audit period, the Office of Internal Audit consisted of the director, an auditor 4, and two auditors 2. The office currently consists of the director, an auditor 4, and an auditor 2. Three people can not fully meet the audit needs of a department as large and diverse as the Department of General Services.

RECOMMENDATION:

The Director of Internal Audit should ensure compliance with the department's internal audit policies and procedures. The director should plan the audit work to ensure that all divisions receive a review once every six years. Also, the director should ensure that contracts of \$150,000 or greater are audited either by the Office of Internal Audit or by a licensed independent public accountant. Any vacant internal audit positions should be filled as quickly as possible.

MANAGEMENT'S COMMENT:

We concur in part. While we agree that the Office of Internal Audit should ensure compliance with our internal audit policy, the policy states, "To the extent resources are available for such purposes, . . ." We feel that the Office of Internal Audit has performed in accordance with this statement. Since the current policy has not been revised since the early 1980's, we are in the process of preparing an updated version to more adequately reflect the audit needs of the department in the 1990's. When the original policy was written, the audit staff consisted of a Director, two Auditor 3's, and two Auditor 2's.

Also, there were only about two contracts that were above the \$150,000 ceiling. Now that budget cutbacks have affected all departments, our staff includes and Audit Director, one Auditor 4, and one Auditor 2.

Our office attempts to provide audit coverage to all divisions as necessary, and to audit contracts as required. However, with staffing at the current level, resources are not available to increase audit coverage either with internal staff or with independent public accountants. We do plan to fill one vacant audit position as soon as possible, which should allow us to complete more internal control reviews of the various divisions within the department.

INADEQUATE CONTROLS COULD ALLOW
UNAUTHORIZED RETIREMENT OF ASSETS

3. FINDING:

There appear to be few controls to prevent the unauthorized retirement of assets in the Property of the State of Tennessee (POST) property management system. Nine users have unrestricted access to POST, allowing them to perform tasks such as adding, transferring, and retiring assets. This level of access seems beyond what is necessary for many of them to perform their jobs. For additions and transfers, management provided other compensating controls, such as period ending inventory counts and financial reconciliations. These compensating controls, however, were not in place for retirements. Despite the availability of related reports and supporting documentation, management did not regularly review retirements for proper approval and authorization.

The inadequate system of controls over retirements creates an environment where an unrestricted user could retire and steal an asset without detection. Good management practice requires that control procedures be implemented to guard against the theft of assets.

RECOMMENDATION:

Management should implement system and manual controls to reduce the risk of unauthorized retirements in POST. POST users should be restricted from transactions not required to perform their jobs. Also, management should review reports and supporting documentation regularly to reverify authorization and approval of retirements.

MANAGEMENT'S COMMENT:

We concur. The POST security module has been modified to insure that access is granted only for those requiring it. These changes have been reviewed and approved by the General Services Information Systems Management Director. Also, management reviews of retirement reports are now performed daily.

DATA-PROCESSING SECURITY WAS NOT ADEQUATE

4. FINDING:

The Department of General Services uses Resource Access Control Facility (RACF) security software for its mainframe computer applications. The department has not appropriately set all RACF security features:

- a. The system has not been set to force computer users with high-level access to change their passwords every 30 days. The RACF Security Administrator's assistant had a password interval of 90 days. Delays in changing passwords provide opportunity for others to acquire the passwords.
- b. Seven datasets consisting of POST and motor vehicle management were given the universal security access of "alter." As a result, computer users could access these datasets and make changes. Furthermore, agency management had difficulty identifying the contents of these datasets.
- c. Three datasets consisting of Easytrieve programs and Job Control Language (JCL) for TOPS had RACF warning flags set to "Yes." This setting allows access to any user after a warning message. Management had difficulty identifying the contents of these datasets.

Improper protection of RACF datasets could allow unauthorized users to read, change, or delete vital information.

RECOMMENDATION:

Users with high-level security access should be required by the system to change their passwords every 30 days. Universal access to datasets should be changed to "read" or "none." Warning flags for datasets should be set to "no."

MANAGEMENT’S COMMENT:

- a. We concur. This condition was corrected at the time of the audit. We reviewed all RACF password change intervals this week to ensure that all users with high-level access were set at 30 days. We did find one user that had an interval of 32 days.
- b. We concur. We have changed the universal security from “alter” to “none” and attached groups to these datasets with users that have “read only” access or “update” access for those few that have authority to change the data.
- c. We concur. We changed the warning flag to “no” on these datasets. We have changed the universal security to “none” and have added groups to these datasets with users that have “read only” access. The Easytrieve language normally allows the program to change or alter data. However, Easytrieve at the state does not allow data to be changed. The only way these datasets could have been used would be read only.

THE DEPARTMENT HAS NOT PERFORMED AND DOCUMENTED
MAINTENANCE OF VEHICLES IN
THE MOTOR VEHICLE MANAGEMENT FLEET

5. FINDING:

As noted in the two prior audits, the Division of Motor Vehicle Management has not properly serviced vehicles at the required preventive maintenance intervals. Management concurred with the prior finding and stated that they set maintenance intervals that are more frequent than those the manufacturers recommended. They further stated that any maintenance performed after it is due will have the cause of delay documented. However, 30 of 34 files of vehicles reviewed (88.2%) did not show that preventive maintenance was performed at the required mileage intervals, or not all maintenance listed on the Preventive Maintenance Schedule was performed. No documentation was available indicating the cause of delay in performing the scheduled maintenance.

Not properly maintaining vehicles lowers a vehicle’s resale value and may endanger the lives of its operators.

RECOMMENDATION:

The department should ensure that vehicles are properly maintained and that this maintenance is adequately documented.

MANAGEMENT'S COMMENT:

We concur. Sampling at the time of the audit revealed that 30 of 34 vehicles reviewed (88.2%) did not show that preventive maintenance was performed at the required mileage intervals. On September 15, 1997, Motor Vehicle Management ran an overdue PM report against the entire fleet which revealed 1,108 units of 4,576 or 24% were past the required mileage intervals. This is a substantial decrease; however, the department is not comfortable with the current percentage and will continue its efforts to bring the numbers to an acceptable level. There are several major contributing factors to the problem which are listed below:

1. Indirect control of the statewide fleet.
2. Timely reporting of vehicle mileage reports.
3. Numerous sources performing and reporting PM's (MVM's garage, DOT garages, other department's in-house maintenance, private sector).
4. Interpretation of services performed by the FleetTracker Management System.

Each of these factors are critical and must be resolved in order to insure PM's are performed on schedule. The department has modified the FleetTracker Management System to flag overdue units and also project PM due dates for all other units based on the average monthly miles the unit is traveling. These reports are furnished to the user agencies monthly.

Compliance Report

September 6, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied procedures to test the Department of General Services' compliance with the provisions of certain laws, regulations, contracts, or grants related to the Office of Internal Audit, the Motor Vehicle Management Section, the Property of the State of Tennessee (POST) system, and the department's equipment section for the years ended June 30, 1995, and June 30, 1994. We performed the procedures in accordance with generally accepted government auditing standards.

Compliance with laws, regulations, contracts, or grants applicable to the Department of General Services is the responsibility of the department's management. Our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that the Department of General Services complied with the provisions referred to in the preceding paragraph, except for certain instances of noncompliance included in the Findings and Recommendations section of this report. We also noted other less significant instances of noncompliance that we have reported to the department's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr