



**John L. Greene, CIA, CIG,
CGAP, CGFM
Chief Audit Executive**

March 2021

**DeKalb County Government
Fleet Management Division**

SPLOST VEHICLES AUDIT

FINAL REPORT

Audit Report No. 2019-008-PS

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John Greene
Chief Audit Executive

**FLEET MANAGEMENT DIVISION
SPLOST VEHICLES AUDIT
AUDIT REPORT NO. 2019-008-PS**

FINAL REPORT

HIGHLIGHT SUMMARY

Why We Performed the Audit

In accordance with the Office of Independent Internal Audit (OIIA) Annual Audit Plan, we conducted a performance audit of the purchase of public safety vehicles using County Special Purpose Local Option Sales Tax (SPLOST) funds.

The objectives of the audit were to:

- Review and assess whether adequate controls existed over the vehicles purchased with SPLOST funding and identify opportunities to strengthen the effectiveness and efficiency of those procedures.
- Assess compliance with the existing procedures for vehicles purchased with SPLOST funds.

How We Performed the Audit

The audit focused on public safety vehicle expenditures, using SPLOST funds, from March 1, 2018, through December 31, 2019.

Our methodology included but was not limited to the following:

- Reviewed current policies and procedures for purchases of vehicles with SPLOST funds.
- Tested for compliance with existing procedures.
- Reviewed supporting documentation.
- Examined a selected sample of vehicles purchased with SPLOST funds.
- Interviewed appropriate County personnel and external parties.
- Reviewed any other applicable documentation and information.

Background

The SPLOST is an optional one percent county sales tax used to fund capital outlay projects proposed by the county government and participating qualified municipal governments.¹ A DeKalb County referendum implemented a SPLOST to fund public safety projects, including the purchase of police vehicles (\$5,606,300), Fire Quick Response Units (\$2,000,000), and related upfitting items. The DeKalb County Board of Commissioners (BOC) authorized appropriations from the SPLOST funds totaling \$7,524,590 to procure 100 police vehicles and ten Fire Quick Response Units and related upfittings.

What We Found

Audit Objectives	Results
1. Verify the physical existence of the purchased police vehicles and Fire Quick Response Units.	
2. Determine if the purchases made with SPLOST funds complied with the County's procurement policy and procedures.	
3. Determine if the monthly reporting on the SPLOST vehicle purchases provided to the BOC by the SPLOST program managers were accurate.	
4. Determine if total expenditures for the police vehicles and Fire Quick Response Units exceed the \$7,606,300 authorized by the referendum.	
5. Determine if the appropriations from the SPLOST funds for police vehicles and Fire Quick Response Units were approved by the BOC.	
a) Police vehicles	
b) Fire Quick Response Units***	
No exceptions were noted.	
Recommendation to improve internal controls.	
An exception was noted	

*** \$71,380 (\$55,077.50 originally purchased using existing contracts which was later reimbursed from the SPLOST fund) of the total \$1,989,670 used to purchase Fire Quick Response Units was expensed using SPLOST funds without approval from the BOC.

What we Recommend

We recommend that the Fleet Management Division's management establish procedures to help ensure that purchases comply with BOC authorization and that BOC approval is obtained for expenditures outside of the BOC's authorization. In addition, to help ensure compliance, we recommend Finance implement procedures to verify BOC authorization prior to processing payments.

How Management Responded

Management agreed with finding and plan to implement actions to address the recommendations by August 31, 2021.

¹ <https://www.accq.org/library/legal/SPLOST%202016.pdf>



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BACKGROUND AND INTRODUCTION

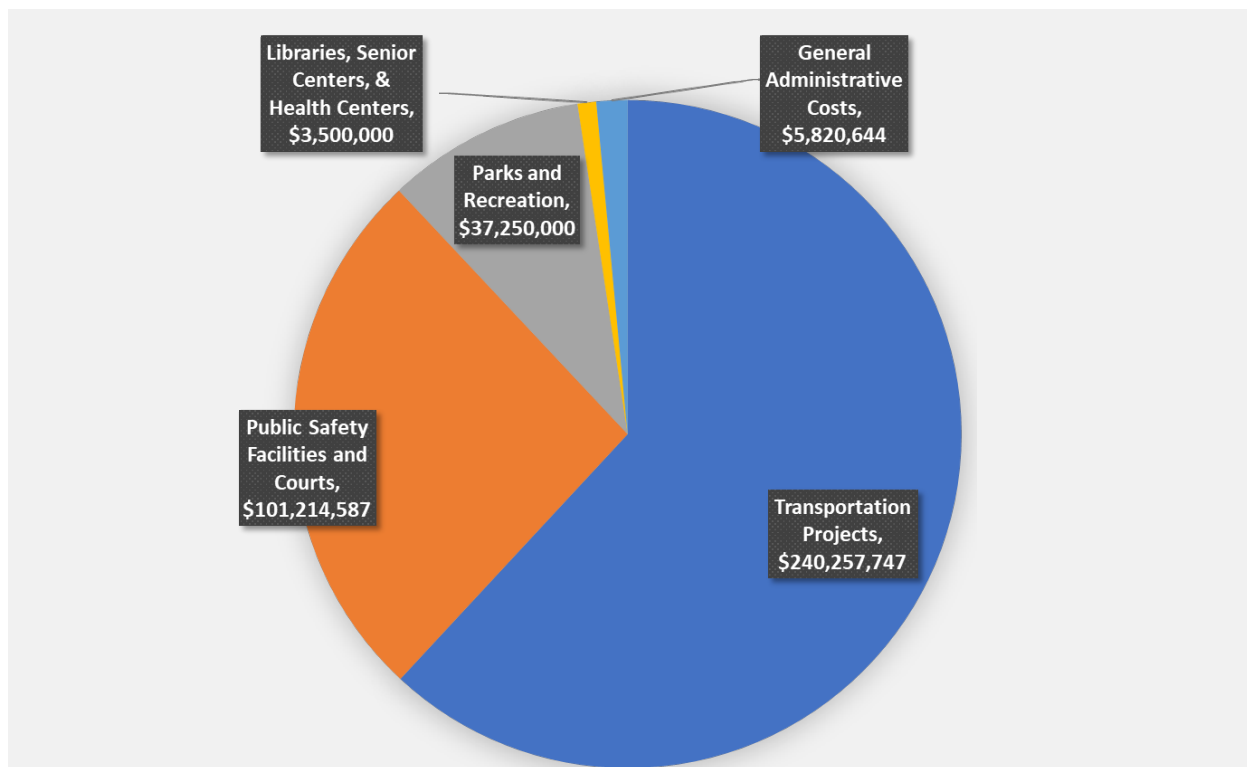


"The Special Purpose Local Option Sales Tax (SPLOST) is an optional one percent county sales tax used to fund capital outlay projects proposed by the county government and participating qualified municipal governments."² SPLOST proceeds should not be used to finance operating expenses or maintain SPLOST projects. In November 2017,

DeKalb County (County) voters approved a referendum to implement a tax called for by the DeKalb County Board of County Commissioners (BOC) in conformance with the Official Code of Georgia Annotated (OCGA) 48-8-111³. The referendum runs from 2018 through 2024, and the County's SPLOST contains a requirement that 85 percent of the funding generated must be spent on transportation-related or public safety projects. The SPLOST Public Safety project list includes projects for the County's fire and police departments.

The SPLOST is expected to generate approximately \$636,762,354 over six years for capital improvements. The County is expected to receive a total of \$388,042,978, which was allocated, as outlined in exhibit 1⁴.

Exhibit 1: Categories of SPLOST funds allocation³



² <https://www.accg.org/library/legal/SPLOST%202016.pdf>

³ <https://law.justia.com/codes/georgia/2010/title-48/chapter-8/article-3/part-1/48-8-111/>

⁴ <https://www.dekalbcountyga.gov/sites/default/files/user2021/FINAL%20SPLOST%20Project%20List.pdf>



SPLOST funded a total of \$7,606,300⁵ for the purchase of police vehicles (\$5,606,300) and fire quick response units (\$2,000,000), including related upfittings. Purchases from the SPLOST funds require BOC authorization.⁶ The BOC authorizes the specific expenditures from the funds.

Exhibit 2: Examples of vehicles and upfittings purchased.



Source: Client provided, and auditor photos were taken on March 19, 2020

Between 2018 and 2020, the BOC authorized expenditures from the SPLOST funds totaling \$7,524,590 to procure 100 police vehicles and ten fire quick response units and related upfittings.

The Fleet Management Division recorded the vehicle purchases in the FASTER application. FASTER is a fleet maintenance solution that provided preventative maintenance scheduling, inventory management, and detailed reporting of work performed on vehicles. The Oracle application is utilized to capture the cost related to construction-in-process and capital assets (vehicles).

In July 2018, the County contracted with Moreland Altobelli Associates LLC (now Atlas) to manage the SPLOST program initiatives. The County initiated the acquisition of the 100 police vehicles and ten fire quick response units included in this audit prior to the contract with the program manager.

AUDIT RESULTS

This report documents the results of the audit. The audit's primary focus was to ensure that SPLOST funds are well managed and used appropriately. The list below outlines the overall results of the audit work.

- The physical existence of a sample of 15 police vehicles and four fire quick response units and related upfittings was verified.
- Although the procedures used to process the transactions complied with the County's procurement policy and procedures, internal controls can be improved by Accounts Payable verifying that transactions comply with BOC authorizations prior to processing payments.
- The monthly reporting on the SPLOST vehicle purchases provided to the BOC by the SPLOST program managers was accurate.
- The total expenditures for the police vehicles and fire quick rescue units did not exceed the \$7,606,300 fund authorized by the referendum.

⁵ <https://www.dekalbcountyga.gov/sites/default/files/user2021/FINAL%20SPLOST%20Project%20List.pdf>

⁶ DeKalb County, Georgia -Code of Ordinance/ Organizational Act, Section 9.



- The purchase of the 100 police vehicles and related upfittings was made with BOC authorizations from the SPLOST funds and the department's operating funds. The police department did not request reimbursement from the SPLOST funds for the purchases made using its operating funds. The fire department made some of the purchases initially using their operating funds and later reimbursed their operating fund using SPLOST funds without BOC approval.

The details of this finding and the corresponding recommendation is outlined below.

Finding 1: Purchases Made Using SPLOST Funds Without BOC Approval

The SPLOST referendum implemented a tax to fund public safety projects. The BOC authorized \$1,918,290 to purchase fire quick response units and related upfittings as provided in the DeKalb County, Georgia-Code of Ordinance/ Organizational Act, Section 9.

Exhibit 3: Quick Response Unit and Radio



Source: Client/ Auditor photo - March 19, 2020, Fleet Management Lot

Exhibit 4 provides details of the actual purchases. Expenditures noted in (Column C) exceeded funding authorized by the BOC. In some instances, these expenditures were incurred with monies available on the department's existing operating funds. However, the user department later requested and received reimbursement from the SPLOST funds without approval from the BOC.

Not obtaining BOC approval for the excess expenditures from the SPLOST funds increases the risk that the funds may not have been used in accordance with DeKalb SPLOST law.

Recommendation

We recommend that the Fleet Management Division's management establish procedures to help ensure that purchases comply with BOC authorization and that BOC approval is obtained for expenditures outside of the BOC's authorization. In addition, to help ensure compliance, we recommend Finance implement procedures to verify BOC authorization prior to processing payments.

Management Response (Fleet Management Division):

Management Agreement	Description of Management's Action Plan to Address Finding	Estimated Timeline to Implement Action Plan
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	Will implement in the current procedure that if any request falls outside of the normal purchasing process to confirm with Purchasing & Finance that all processes are in compliance.	Effective Immediately
Reason for Disagreement:		



Management Response (Finance Department):

Management Agreement	Description of Management's Action Plan to Address Finding	Estimated Timeline to Implement Action Plan
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	The Accounts Payable standard operating procedures are being updated to include specific procedures that require staff processing invoices to verify BOC authorization prior to processing payments.	The final draft procedures are scheduled to be completed and implemented by August 31, 2021.
Reason for Disagreement:		

Exhibit 4: Fire Quick Response Units Purchases

SPLOST Fund Purchases - Fire Quick Response Units				
BOC Agenda Item#	A Authorizations	B Actual Purchases	C Excess [B-A]	Explanation of Excess
2020-0010	\$19,710.00	\$19,710.00	0	
2018-2547	\$1,496,580.00	\$1,496,580.00	0	
2018-1695	\$402,000.00♦	\$418,302.60	\$16,302.60	The excess noted in column [C] is due to changes in the Fire Quick Response Units configuration as the previous configuration was no longer available. The excess was charged directly to the SPLOST fund without obtaining BOC authorization.
-	0	\$15,411.00	\$15,411.00	Purchases for the Fire Quick Response Units were striped and decaled for the CEO's SPLOST press release pictures. These expenditures were initially charged to the department's operating fund but later reimbursed from the SPLOST fund without obtaining BOC authorization.
-	0	\$39,666.50	\$39,666.50	Ten radios purchased for the Fire Quick Response Units were initially charged to the department's operating fund but later reimbursed from the SPLOST fund without obtaining BOC authorization.
Total	\$1,918,290.00	\$1,989,670.10	\$71,380.10	

Source: <https://dekalbcountyga.legistar.com/Calendar.aspx>

- ♦ Agenda item **2018-1695** approved appropriations of SPLOST funds totaling \$2,307,122 (\$402,000 was allocated for the purchase of Fire Quick Response Units and \$1,905,122, specifically earmarked for police vehicles.)



APPENDICES

Appendix I – Purpose, Scope, and Methodology

Purpose

The objectives of this audit were to:

- Review and assess whether adequate controls existed over the vehicles purchased with SPLOST funding and identify opportunities to strengthen the effectiveness and efficiency of those procedures.
- Assess compliance with the existing procedures for vehicles purchased with SPLOST funds.

Scope and Methodology:

The audit focused on public safety vehicle expenditures, using SPLOST funds, from March 1, 2018, through December 31, 2019.

Our methodology included but was not limited to the following:

- Reviewed current policies and procedures for purchases of vehicles with SPLOST funds.
- Tested for compliance with existing procedures.
- Reviewed supporting documentation.
- Examined a selected sample of vehicles purchased with SPLOST funds.
- Interviewed appropriate County personnel and external parties.
- Reviewed any other applicable documentation and information.



Appendix II – Management Response

DeKalb County, Georgia



Public Works Department
Fleet Management Division

5350 Memorial Drive, Stone Mountain, GA 30083
Phone 404-297-3282 Fax 404-297-3295

Date: February 3, 2021

John Greene
Chief Audit Executive
Office of Independent Internal Audit 1300
Commerce Drive, Suite 300
Decatur, Georgia 30030

RE: **Management Response to "SPLOST Vehicle Audit" Draft Report**

Dear Mr. Greene:

In accordance with DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit, this is our response to the audit named above provided in this document. As required by the ordinance, our response includes 1) statement regarding our agreement or disagreement along with reasons for any disagreement, 2) our plans for implementing solutions to issues identified, and 3) the timetable to complete such plans.

Fleet Management and the Fire Department acknowledge that proper procedures were not followed in expending additional SPLOST funds required for vehicles and upfitting of equipment. Due to the urgency of obtaining the SPLOST vehicles for the County, all procedures for SPLOST were not in place and the departments followed the procedures in place for purchasing from County approved contracts. To address this finding, a ratification has been submitted to DeKalb leadership to be submitted to the BOC to approve the additional SPLOST funds expensed in the amount of \$71,380.10.

The timetable for the completion of the ratification is contingent on the approval of the COO.

If you have any questions about this response, please contact Robert L. Gordon, Deputy Director, Fleet Management.



Sincerely,

Digitally signed by Robert Gordon Date: 2021.02.03 09:42:25 -05'00'

Robert Gordon



**Audit Finding 1 - Purchases Made Using SPLOST Funds Without BOC Approval:
Recommendation**

We recommend that the Fleet Management Division's management establish procedures to help ensure that purchases comply with BOC authorization and that BOC approval is obtained for expenditures outside of the BOC's authorization. In addition, to help ensure compliance, we recommend Finance implement procedures to verify BOC authorization prior to processing payments.

Management Response (Fleet Management Division):

Management Agreement	Description of Management's Action Plan to Address Finding	Estimated Timeline to Implement Action Plan
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	Will implement in the current procedure that if any request falls outside of the normal purchasing process to confirm with Purchasing & Finance that all processes are in compliance.	Effective Immediately
Reason For Disagreement:		



Chief Financial Officer
Dianne McNabb

Michael J. Thurmond
Chief Executive Officer

Board of Commissioners

District 1
Robert Patrick

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Steve Bradshaw

District 5
Mereda Davis Johnson

District 6
Edward "Ted" Terry

District 7
Lorraine Cochran Johnson

February 12, 2021

John Greene
Chief Audit Executive
Office of Independent Internal Audit
1300 Commerce Drive, Suite 300
Decatur, Georgia 30030

RE: Management Response to "SPLOST Vehicle Audit" Draft Report

Dear Mr. Greene:

In accordance with DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit, this is our response to the audit named above provided in this document. As required by the ordinance, our response includes 1) statement regarding our agreement or disagreement along with reasons for any disagreement, 2) our plans for implementing solutions to issues identified, and 3) the timetable to complete such plans.

If you have any questions about this response, please contact Andria A. Williams, Controller.

Sincerely,

Dianne McNabb, Chief Financial Officer
Finance Department

**Audit Finding 1 - Purchases Made Using SPLOST Funds Without BOC Approval:
Recommendation**

Management Response to "SPLOST Vehicle Audit" Draft Report



To help ensure compliance with policies and procedures, we recommend Finance implement procedures to verify BOC authorization prior to processing payments.

Management Response (Finance):

Management Agreement	Description of Management's Action Plan to Address Finding	Estimated Timeline to Implement Action Plan
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	The Accounts Payable standard operating procedures are being updated to include specific procedures that require staff processing invoices to verify BOC authorization prior to processing payments.	The final draft procedures are scheduled to be completed and implemented by August 31, 2021.
Reason For Disagreement:		



Appendix III – Definitions and Abbreviations

Acronyms and Abbreviation

CEO: Chief Executive Officer.

BOC: Board of Commissioners.

VIN: Vehicle Identification Number.

SPLOST: Special Purpose Local Option Sales Tax.

Key Definitions

ORACLE: The software used by the County to manage financial transactions.

FASTER: Fleet Asset Management Software.

UPFITTING: To customize, make, or change something according to the buyer's or user's needs.

BUILD-OUT-DATE: The last calendar date that a model shall be manufactured for a particular model year.

REFERENDUM: A general vote by the electorate on a single political question referred to them for a direct decision.



DISTRIBUTION

Action Official Distribution:

Robert L Gordon, Director, Fleet Management Division

Dianne McNabb, Chief Financial Officer

Statutory Distribution:

Michael L. Thurmond, Chief Executive Officer

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Jeff Rader, Board of Commissioners District 2

Larry Johnson, Board of Commissioners District 3

Steve Bradshaw, Board of Commissioners District 4

Mereda Davis Johnson, Board of Commissioners District 5

Edward "Ted" Terry, Board of Commissioners District 6

Lorraine Cochran-Johnson, Board of Commissioners District 7

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Claire Cousins, Audit Oversight Committee

Lisa Earls, Audit Oversight Committee

Harmel Codi, Audit Oversight Committee

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Fire Chief Darnell Fullum, Fire Rescue Department

Jason G. Smith, Deputy Chief, Fire Rescue Department

Mirtha V. Ramos, Chief of Police, Police Department

Curtis Williams, Chief of Staff, Police Department

Stacey Kalberman, Ethics Officer, DeKalb Board of Ethics



PROJECT TEAM

This report was submitted by:

Clenty C Hinton
Clenty Hinton, CGAP
Internal Auditor, Senior.
Office of Independent Internal Audit

3/3/2021

Date

This report was reviewed by:

Lavois Campbell
Lavois Campbell, CIA, CISA, CFE, CGA
Internal Audit Manager
Office of Independent Internal Audit

3/3/2021

Date

Yolanda Lockett
Yolanda Lockett, CIA, CISA
Deputy Chief Audit Executive
Office of Independent Internal Audit

03/03/2021

Date

The report was approved by:

John L. Greene
John Greene, CIA, CIG, CGAP, CGFM
Chief Audit Executive
Office of Independent Internal Audit

03/03/2021

Date



STATEMENT OF ACCORDANCE

Statement of Accordance

The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient county government and uniting the citizens of DeKalb County.

The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.

This performance audit was prepared pursuant to DeKalb County, Georgia – Code Ordinances/Organizational Act Section 10A- Independent Internal Audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.

Please address inquiries regarding this report to the Office of Independent Internal Audit at 404-831-7946.