

BOARD OF COUNTY COMMISSIONERS
SARPY COUNTY, NEBRASKA
RESOLUTION ACCEPTING THE AGREED UPON PROCEDURES FOR THE FLEET
SERVICES DEPARTMENT

WHEREAS, pursuant to Neb. Rev. Stat. §23-104(6)(Reissue 2007), the County has the power to do all acts in relation to the concerns of the County necessary to the exercise of its corporate powers; and,

WHEREAS, pursuant to Neb. Rev. Stat. §23-103(Reissue 2007), the powers of the County as a body are exercised by the County Board; and,

WHEREAS, the attached Agreed Upon Procedures for the Fleet Services Department has been developed based on a review performed by the firm of HSMC-Orizon.

NOW, THEREFORE, BE IT RESOLVED, By the Board of Commissioners of Sarpy County, Nebraska, that the attached Agreed Upon Procedures for the Fleet Services Department of Sarpy County is hereby accepted and the Sarpy County Clerk is hereby directed to file such report.

The above Resolution was approved by a vote of the Sarpy County Board of Commissioners at a public meeting duly held in accordance with applicable law on the 14th day of May, 2013.

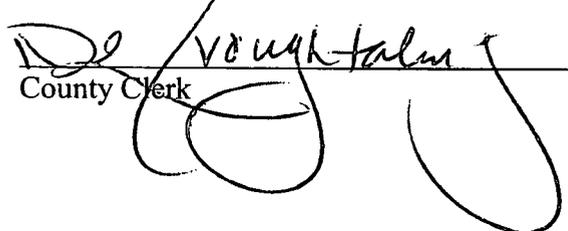


Sarpy County Board Chairman

Attest:

SEAL





County Clerk

Sarpy County Board of Commissioners

1210 GOLDEN GATE DRIVE
PAPILLION, NE
593-4155
www.sarpy.com

ADMINISTRATOR Mark Wayne
DEPUTY ADMINISTRATOR Scott Bovick
FISCAL ADMIN./PURCHASING AGT. Brian Hanson



<u>COMMISSIONERS</u>
Don Kelly District 1
Jim Thompson District 2
Tom Richards District 3
Brenda Carlisle District 4
Jim Warren District 5

MEMO

To: Sarpy County Board

From: Brian Hanson

Re: Agreed Upon Procedures for Fleet Services Department

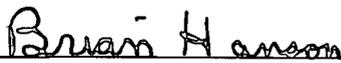
At the May 14, 2013 Board meeting, the County Board will be asked to accept the attached Agreed Upon Procedures for the Fleet Services Department. The report makes some specific recommendations for the Fleet Services Department including a recommendation for a written procedures document. A Parts Purchasing Policies and Procedures document that has been developed for the Fleet Services Department is also attached.

Recommendations have also been made for the Public Works Department regarding controls over fuel tanks. The response from the Public Works Department is included in the report.

The final recommendation is for Sarpy County to notify employees of the County's Whistle Blower policy. That policy is also attached and will be forwarded to all County employees.

Please let me know if you have any questions.

May 9, 2013



Brian E. Hanson

BEH/dp

cc: Mark Wayne
Scott Bovick
Deb Houghtaling
George Funderburke
Denny Wilson

SARPY COUNTY, NEBRASKA
AGREED-UPON PROCEDURES
FLEET SERVICES DEPARTMENT

HSMC ORIZON LLC
CPAs, BUSINESS & TECHNOLOGY CONSULTANTS
16924 FRANCES STREET
OMAHA, NEBRASKA 68130



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January 11, 2013

INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners
Sarpy County, Nebraska

We have performed the procedures as specified in the attached report, to which Sarpy County, Nebraska has agreed. We have performed these procedures solely to assist Sarpy County, Nebraska in monitoring the compliance with certain procedures within their Fleet Services Department. Sarpy County, Nebraska is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion, on compliance with the certain procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of Sarpy County, Nebraska's management for the purpose listed in the first paragraph, and is not intended to be, and should not be, used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

HSMC Orizon LLC
HSMC ORIZON LLC

COMPLIANCE PROCEDURES AND FINDINGS

COUNTY COMPLIANCE REQUIREMENT: Purchases made on the BP charge card are required to be fuel purchases for the specific county issued vehicle for which that card relates.

PROCEDURES:

Fifteen transactions, which have not already been identified as inappropriate, were selected from the list of credit card transactions for the BP charge card under discussion. The transactions were analyzed to determine the amount of fuel that was purchased with the card. Due to the fact that the card in question is specifically tied to a 2001 Chevy Lumina, a purchase that was made for more than the tank size of that car would be determined to be inappropriate.

EXCEPTIONS/COMMENTS:

None

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Board of Commissioners
Sarpy County, Nebraska

In planning and performing our agreed-upon procedures engagement for Sarpy County, Nebraska (the "County"), we also reviewed the County's internal controls related to the Fleet Services Department.

Although our agreed-upon procedures engagement was not designed to provide assurance on the internal control structure, we identified opportunities for improvement related to the County's Fleet Services Department accounting and reporting procedures. Accordingly, the accompanying recommendations are designed to help the County improve its procedures and to increase operational efficiencies. Our comments reflect our desire to be of continuing assistance to the County.

Our comments and suggestions regarding those matters are in the form of a schedule, which is attached.

Our comments deal exclusively with operational, accounting and record-keeping systems and procedures, and are not intended to be a reflection on the integrity or capabilities of anyone in the County. Also, our comments have been restricted to possible weaknesses noted, if any, and suggested means of improvement. They are not intended as commentary on the many favorable aspects of the County's operations and procedures.

We appreciate the opportunity to serve the County and the assistance we received from County personnel throughout our agreed-upon procedures engagement and in connection with developing these recommendations.

Should you have any questions about our recommendations, please contact us.

Sincerely,


HSMC ORIZON LLC

COMMENTS AND SUGGESTIONS

FLEET SERVICES DEPARTMENT

Finding:

We noted that the Fleet Services Manager has complete control of many responsibilities essential for the smooth and efficient operation of the Fleet Services Department. Executive skill and knowledge of critical areas should not be centralized in any single employee, because this substantially increases the potential risk of loss in the event of that employee's termination of employment and does not provide the County with appropriate segregation of duties.

Recommendation:

We strongly recommend that the Fleet Services Department ensure continuity of its operations through a better segregation of duties. We suggest that the Fleet Services Department consider a redistribution of responsibilities to ensure an appropriate segregation of duties is maintained:

- Separate the purchasing from the receiving – whoever places the purchase should not also be receiving the purchase.
 - The Fleet Services Manager should be in charge of all ordering and quote selection procedures. All quotes whether used or not then should be maintained with the purchase order.
 - When an item is received, then someone other than the Fleet Services Manager and Office Administrator should be in charge of handling and processing the incoming deliveries.
 - The individual, who received the item, then should review the receiving ticket and package and verify the item for reasonableness, sign-off the receiving document and give the receiving document to the Office Administrator.
 - The Office Administrator will then compare and reconcile the purchase order with the receiving document to verify that all items that are received are in agreement with what was ordered and resolve any discrepancies.

We also suggest the additional two improvements:

- Develop a written process for orders – develop a list of approved vendors and/or require that bids from three vendors be obtained. These bids should be maintained for each purchase and the reason for the vendor used should be documented on the bids.
- Prepare a written procedures document detailing all the controls of the department. Providing a mechanism that allows for other employees to back up one another can be very effective means ensuring employees are performing their job function and also assist them when they have to perform another employee's job function.

County's Response:

Sarpy County Fleet Services Department has established a Parts Purchasing Policies and Procedures to address the issues identified above. The segregation of duties is being implemented wherever possible. Where not possible, review procedures are being implemented.

COMMENTS AND SUGGESTIONS, CONTINUED

PUBLIC WORKS DEPARTMENT

Finding:

The Public Works Department oversees and maintains records for the fuel tanks located at each of the 4 locations: Main Shop, Gretna Shop, La Platte Shop and Giles Shop. All of these shops carry diesel fuel, and the main shop also carries regular fuel.

This Public Works Department does have written procedures for how individuals who fill up County vehicles are to report their fuel to the department; however there does not appear to be strong enough controls over the actual fuel tanks themselves. For example, through our discussions with County personnel, it does not appear that a monthly reconciliation is being performed that would rollforward a monthly inventory of fuel at each tank. This reconciliation would take the prior month ending inventory, add the fuel purchased during the current month and subtract the fuel used during the current month to get the ending monthly inventory at each tank. Through our discussions, we were informed that the main reason a reconciliation is not currently being performed is because not all fuel purchased receipts are being submitted timely from the vendors. For instance, the Public Works Department has requested that Conway Oil submit invoices more timely, but they have not exactly complied.

Recommendation:

We recommend that the Public Works Department continue to strengthen their controls over the fuel tanks by incorporating some of the suggestions below:

- Update the current written procedures once the electronic system is installed at the Main Shop to ensure that all employees know exactly how these procedures are different from the other locations.
- If electronic systems are not purchased for the other locations, then require a weekly reconciliation be performed to ensure that the purchase receipts obtained are reasonable in comparison to the reduction of inventory.
- Set a strict policy with all fuel vendors that they will submit invoices weekly or at least every other week.
- Create a policy to maintain a record for fuel that goes into a tank in the truck bed that is then delivered to an on-site vehicle.

County's Response:

Sarpy County Public Works Department will comply with the recommendations given above. In addition Public Works will take the following steps:

1. Each fuel tank will be measured with a dipstick to compare the actual fuel on hand with the fuel shown on the monthly inventory.
2. Public Works will require fuel vendors to submit invoices immediately after filling the fuel tanks.
3. An electronic fuel card system will be installed at the Gretna Shop as soon as possible.
4. The fuel tank at the Giles Shop will be removed.
5. Fuel Cards will be assigned to the fuel tanks that are in the bed of trucks and those tanks will only be filled at the 84th Street shop.

COMMENTS AND SUGGESTIONS, CONTINUED

SARPY COUNTY IN GENERAL

Finding:

The County has developed a Whistle Blower policy and this has been provided to the County employees; however, through our discussion with employees during our procedures, we noted that although there is a policy in place, the employees either do not feel protected by the policy or they are not sure how to communicate their concerns.

Recommendation:

The County should consider having an annual training session for all employees County wide to reinforce the policies and procedures established by the County, especially the Whistle Blower policy and help employees understand the process of reporting suspected fraud (i.e. who should they report to), helping them understand that it is a confidential process, and help them understand that when you report something it is only "suspected" and, therefore, someone will not automatically lose their job just because they have been reported, but instead, the County will conduct a thorough investigation before any final decisions are made.

County's Response:

Sarpy County agrees with the recommendation and will comply.

SARPY COUNTY FLEET SERVICE

PARTS PURCHASING POLICIES AND PROCEDURES

April 2013

SCOPE:

This policy applies to all Sarpy County Fleet Personnel.

PURPOSE:

The purpose of this policy is to ensure Sarpy County Fleet Personnel follow standard procedures when requesting, ordering, receiving and stocking parts, tools and equipment for servicing and repairing Fleet vehicles and equipment.

POLICY:

Sarpy County Fleet Personnel shall ensure the following procedures, regulations, general rules and responsibilities are adhered to when requesting, ordering, receiving, stocking, and returning parts or equipment.

INTERNAL CONTROLS:

Internal controls are an important part of any office policy and procedures. Internal controls are necessary to safeguard against errors or abuse in completing and recording transactions. One of the most important features of internal controls are the segregation of duties. Segregation of duties ensures that one person does not have conflicting responsibilities that would allow for unauthorized use of Count Assets. While it is difficult to provide for the segregation of duties in a small department, this policy will provide for the segregation of duties wherever possible, and where not possible, the transactions will be reviewed by the Fleet Manager or designated personnel.

I. PARTS STOCKROOM SECURITY

Structure

The Inventory Technician has overall responsibility for the parts stockroom operation under supervision of the Fleet Service Manager

Responsibility

The Inventory Technician is responsible for ensuring proper stockroom operations. This responsibility includes ordering, receiving, issuing and returning parts and cores.

The Technicians are responsible for creating work orders for the unit they are servicing or repairing. The Technician will also be responsible for verifying the accuracy of the information on the work order before requesting the issuance of parts.

Security

Only Fleet Service Personnel are allowed in the Parts Stockroom.

II. VENDOR RELATIONS AND ETHICS

Stockroom personnel must maintain a professional business relationship with vendors and potential vendors. Potential vendors will be referred to the Inventory Technician and will be required to register with the Administrative Assistant. Vendors are not permitted in the stockroom without proper authorization from the Fleet Service Manager.

Orders will be placed based on minimum/maximum price, availability/quality of parts and/or fluctuating consumption rates. These decisions will be made by the Inventory Technician with the approval of the Fleet Manager or based on bid approval when applicable. The decision will not be made as a result of a vendor's influence.

III. ORDERING OF PARTS, SUPPLIES, SERVICES AND SHOP EQUIPMENT

All parts must be ordered and authorized by the Inventory Technician or in his absence the order may be placed by the Fleet Service Manager or Administrative Assistant.

All orders for Fleet shop equipment or tools must be made by the Fleet Service Manager. The Inventory Technician will initial the invoice to verify receipt of the equipment or tools. The Administrative Assistant will process the invoice as described in Section VII.

A purchase order or unit number will be indicated on a vendor invoice on any purchase of parts, services, tools, supplies or equipment exceeding \$500.00.

A blanket purchase order will be used when a vendor supplies routine parts or services when it is anticipated that multiple purchases will be made with that vendor over a specified period of time.

3 quotes will be received from vendors on items exceeding \$300.00 and the quotes will be inserted in the **NOTES** section on the work order. This does not apply to Law Enforcement vehicles where the standard is Original Equipment Manufacturer (OEM).

For purchases between \$5,000 and \$20,000 the quotes must be filed with the County Purchasing Department. On purchases over \$20,000 the purchase must be made through the County Purchasing Department with competitive sealed bids.

IV. RECEIVING OF PARTS, SUPPLIES AND EQUIPMENT

Primarily parts will be received by the Inventory Technician. When the Inventory Technician is not available, either the Fleet Manager or the Administrative Assistant will receive the parts.

Parts are received in several ways. The Inventory Technician picks up parts from a vendor, they are delivered from the vendor via delivery driver or by mail service.

The Administrative Assistant will compare parts shown on vendor invoices with the work orders that have been initialed by the Technicians to verify that the parts being paid for have actually been received. The receipt of parts placed into stock will be verified through the Inventory process described in Section VIII.

Vendor deliveries are to take place during normal business hours. Person(s) receiving the order will verify that the order is correct by matching items received to the vendor invoice. All orders will be verified when they are delivered to Fleet Service as to appropriate quantity, quality, price and condition. If there is a discrepancy it must be noted on the vendor invoice.

V. STOCKING OF PARTS AND SUPPLIES

Once the order is received and entered into the Fleet System as inventory the parts are placed in the appropriate location in the stock room.

VI. ISSUANCE OF PARTS AND SUPPLIES

If applicable, the Technician will provide a work order at the time a part is ordered. Before a part is issued the Technician must accurately identify the part that is required.

When the Technician receives the parts from the Inventory Technician, the Technician will supply a valid work order number for the parts that they have received. The Inventory Technician will post all the parts to the appropriate work order. If there is no work order the Technician will not receive the parts until one is created.

After the Technician has completed the vehicle repairs or maintenance they are to verify that all the information and parts that were received are correctly listed on the work order. The Technician will then initial the work order in the top right corner and mark it as **WORK FINISHED** in the Fleet Focus system. The work order is then turned in to the Inventory Technician for processing.

VII. INVOICE PROCESSING

The Inventory Technician will review each vendor invoice and indicate what account and/or work order the invoice is to be charged to and initial the invoice. The completed invoice will be forwarded to the Administrative Assistant who will check the invoices for proper vendor, part or supply, purchase order, vehicle asset number, date, quantity and price. The Administrative Assistant will then verify that the invoice has been properly charged out to the appropriate work order and will then set up the invoice for payment and give all documentation to the Fleet Service Manager. The Fleet Service Manager will review all documentation for completeness and appropriateness. The Administrative Assistant will then forward the original copy of all invoices to the County Clerk with the Weekly Payable Batch.

Returns and Credits

When it is necessary to return a part(s) for credit, the Inventory Technician will return the part to the appropriate vendor. Once the part has been returned the Inventory Technician will receive a credit memo/credit invoice, which will be given to the Administrative Assistant for processing. The Administrative Assistant will ensure that proper credits are received for all returned parts.

Cores

A core is a part which has the potential to be rebuilt and retains value to the vendor. In most cases the core must be returned in the original box for full credit. The original box must be marked "core".

The vendor will pick up the core or the Inventory Technician will return the core to the nearest vendor location for a credit memo/invoice. Refer to Returns and Credits under Section VII for processing of credit memo/invoice.

The Administrative Assistant will review credit memos to verify that credits are received for returned cores.

VIII. INVENTORY

A physical count will be conducted monthly based on a specific parts group (e.g., hydraulic parts, filters, lights, brake parts, fluids, etc). A complete comprehensive physical inventory of all parts will be completed once a year on June 30. The Administrative Assistant will be responsible for completing the physical inventory. The Fleet Service Manager may assign personnel other than the Inventory Technician to assist in the physical inventory count if necessary.

Adjustments

Inventory adjustments will not be made more often than monthly.

Adjustments may also be made after a physical inventory. Adjustments are to be authorized by the Fleet Manager and entered by the Administrative Assistant and an explanation will be noted on the adjustment entry. A copy of all adjustments will be provided to the Deputy County Administrator.

WHISTLE BLOWER POLICY

Purpose

To prohibit supervisory personnel from taking adverse action against an employee as a result of the employee's good faith disclosure of alleged wrongful conduct. An employee who discloses and subsequently suffers adverse personnel action as a result is subject to the protection of this policy.

Alleged Wrongful Conduct

No adverse personnel action may be taken against a Sarpy County employee in knowing retaliation for any lawful disclosure of information on a matter which the employee in good faith believes evidences: (1) a violation of any law, (2) a misappropriation of Sarpy County resources, (3) an abuse of authority, or (4) a violation of the Sarpy County Policies and Procedures Manual; collectively referred to as "alleged wrongful conduct." Adverse personnel action is an employment-related act or decision by an Elected Official, Department Head or supervisor which negatively affects an employee.

Making a Disclosure

An employee who becomes aware of alleged wrongful conduct is encouraged to make a disclosure to the Elected Official, Department Head or the Personnel Coordinators as soon as possible. An employee must make the disclosure no later than 365 days after becoming aware of the alleged wrongful conduct. In order to allow the Elected Official, Department Head or the Personnel Coordinators an opportunity to review alleged wrongful conduct and to take the necessary corrective action, employees are encouraged to report the alleged wrongful conduct in writing. A form for reporting alleged wrongful conduct is available in the Personnel Department.

False Allegations of Wrongful Conduct

An employee who knowingly makes false allegations of alleged wrongful conduct to an Elected Official, Department Head or the Personnel Coordinators will be subject to discipline in accordance with Sarpy County Disciplinary Procedure.

Legitimate Employment Action

This policy may not be used as a defense by an employee against whom an adverse personnel action has been taken for legitimate reasons or cause under Sarpy County Policies and Procedures. It will not be a violation of this policy to take adverse personnel action against an employee whose conduct or performance warrants that action separate and apart from that employee making a disclosure of alleged wrongful conduct.