



Internal Audit Report

Emergency Equipment Requisition Process

TxDOT Office of Internal Audit

Objective

To determine if a process exists that ensures equipment can be obtained during emergency winter weather and hurricane events.

Opinion

Based on the audit scope areas reviewed, control mechanisms are effective and sustainable and substantially address risk factors and exposures considered significant relative to impacting operational execution. The organization's system of internal controls provides reasonable assurance that key goals and objectives will be achieved despite improvement opportunities identified. Improvement opportunities identified include minor enhancements that would improve achievement of business objectives but are not currently resulting in negative impacts to the organization.

Overall Engagement Assessment

Satisfactory

No findings were identified through the course of fieldwork; however, an observation with a recommendation has been provided which could further improve operations.

Control Environment

Fleet Operations Division (FOD) has implemented processes to reduce the risk of equipment unavailability during winter weather and hurricane events. The processes include staging equipment in key locations across the state and implementing global positioning system (GPS) tracking technology to locate the equipment. In November 2014, FOD added a new fleet manager position to oversee management of the assets and ensure coordination between FOD and the relevant districts. FOD personnel in each district are also available to aid in identifying and obtaining equipment as needed.

Summary Results

The engagement fieldwork identified no findings. The following control activities were reviewed and evaluated to be satisfactory for the scope areas noted:

Finding	Scope Area	Evidence
None identified	Emergency Response Pool Equipment	Various control activities were reviewed and the following results were noted: <ul style="list-style-type: none"> • FOD has drafted an emergency hurricane plan and they are in the process of developing a comprehensive winter emergency plan. • In relation to the comprehensive plans, there was supporting evidence that the sampled emergency equipment was positioned at its home district and maintenance was up-to-date. • The 11 districts reviewed have current plans in place with updated emergency contact lists; as a result of these lists, planning and process for business continuity (should a hurricane or winter weather event occur) was reviewed and found to be satisfactory for equipment requisition. • Maintenance Division and FOD both have emergency operation centers to monitor events, and district FOD personnel are present in the districts' emergency operation centers. • FOD embraces recommendations that would help reduce risk further as they continue to improve their process.
	Emergency Rental Equipment	Review of the blanket purchase order contracts reflected no limitation on the delivery or length of time to rent equipment in the event it is needed.

An audit observation and recommendation were created for this audit report to discuss the inclusion of a post emergency review (i.e., project post mortem) to identify areas that were successful or areas that will require improvement based on lessons learned.

Audit Scope

The engagement included an evaluation of winter weather and hurricane policies and plans for FOD and 11 districts most likely to be impacted by winter weather and hurricane emergencies. The audit focused on the requisition processes to ensure necessary equipment was available during these weather emergencies, either through the fleet emergency pool or through rental agreements. The processes evaluated included Fleet Operations Division (FOD) and the processes at northern and coastal districts (specifically, Amarillo, Childress, Wichita Falls, Fort Worth, Paris, Atlanta, Beaumont, Houston, Yoakum, Corpus Christi, and Pharr). In addition, the scope included evaluation of equipment movement through November 14, 2014 and processes in place for the 2014 winter and hurricane seasons.

The audit was performed by Dennis Frazier, Keith Laird, and Jill Emery (Engagement Lead). The audit was conducted during the period from September 30, 2014 to November 21, 2014.

Methodology

The methodology included selecting districts in areas prone to winter weather and hurricane emergencies and evaluating their processes for emergency preparedness. Processes reviewed included the FOD emergency response pool (including equipment capacity, movement, and maintenance) and rental contracts used to supplement equipment.

Procedures used to complete the objectives of this audit included:

- Review of policies and procedures
- Research of Texas Administrative Code and Administrative Memorandums
- Interviews of key personnel in FOD and in the districts
- Review of emergency plans for FOD and the districts
- Review of equipment repairs, maintenance, and utilization
- Testing a sample of equipment using GPS tracking to determine location
- Review of blanket purchase order contracts for rental equipment

In one district, a case study of the December 2013 ice storm was performed. This study included examination of the equipment used and its origination during that event. The study also included verification that the same equipment was available to date. This district used equipment augmented with FOD rentals for the event, and the same equipment is positioned and available currently along with rental agreements. In addition, the district has established a performance based contract with a vendor to supply additional equipment within a 2 hour period of time.

Background

This report is prepared for the Texas Transportation Commission and for the administration and management of TxDOT. The report presents the results of the Emergency Equipment Requisition Process audit which was conducted as part of the Fiscal Year 2015 Audit Plan.

Fleet Operations Division (FOD) was established in March 2013 and operates with 311 full-time employees and an annual budget for FY15 of \$56.4 million. FOD transitioned from the four previously established “regions” and became the primary custodian for all of TxDOT’s fleet vehicles and equipment inventory (over 15,000 assets), including their utilization and maintenance. To increase equipment utilization while decreasing maintenance and repair costs, FOD and the districts identified equipment whose utilization was low or could readily be obtained through rentals. This equipment was to be sold or salvaged by FOD. After removing over 3,300 assets, FOD retained 389 assets as an emergency response pool to ensure that the districts had the assets needed during winter or hurricane emergencies. FOD identified that some of this equipment could be utilized “off season” by other districts state-wide (i.e., trucks used to plow snow in the north could be used in the summer months in other districts). Although winter weather assets remain in their home district during the winter months, they are part of the emergency response pool to be repositioned in the summer months to improve utilization.

Each district has equipment for its day-to-day operations; however, if additional equipment is needed, they contact their district FOD supervisor who is responsible for assisting the districts in locating equipment that can be borrowed from another district or rented. FOD participates in annual hurricane and winter weather meetings before each season to anticipate any potential needs and to emphasize that the districts must communicate those needs to the FOD supervisor.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* and in conformance with the *International Standards for the Professional Practice of Internal Auditing*. 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. Recommendations to mitigate risks identified were provided to management during the engagement to assist in the formulation of the management action plans included in this report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Internal Audit transitioned to Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework version 2013 in December 2013.

A defined set of control objectives was utilized to focus on operational goals for the identified scope areas. Our audit opinion is an assessment of the health of the overall control environment based on (1) the effectiveness of the enterprise risk management activities throughout the audit period and (2) the degree to which the defined control objectives were being met. Our audit opinion is not a guarantee against operational sub-optimization, particularly in areas not included in the scope of this audit.

Best Practices

Fleet Operations Division (FOD) has introduced a mobile mechanic piloted in the Houston District. This mechanic is supplied with the tools needed to do on-site maintenance or repairs at the location of the equipment, eliminating the need to transport the equipment to the shop and back. FOD plans to utilize this practice in other districts in order to keep vital equipment assets in locations they best serve during emergency events.

FOD has also secured a blanket purchase order contract for repair parts with the stipulation that the parts will be delivered within two days. The result is that the contract reduces time and paperwork associated with credit card purchases and parts are received timely.

Observations and Recommendations

Audit Observation (a): Post-Emergency Review

The Fleet Operations Division (FOD) does not currently have a documented process established to review and document lessons learned specifically related to the requisitioning and positioning of equipment after emergency events.

Effect/Potential Impact

Without a documented follow-up process to review and discuss the impacts from winter weather and hurricane events (i.e., areas that went well and areas needing improvement), FOD and the districts may not utilize vital information in areas to help improve their future performance and readiness for requisitioning and positioning of equipment in these emergency situations.

Audit Recommendation

FOD and the districts impacted should jointly conduct and document lessons learned with all applicable FOD and district personnel. The information accumulated should also be made available to TxDOT Administration for decision-making and budgeting purposes.

Summary Results Based on Enterprise Risk Management Framework

Audit Results Dashboard			
Emergency Equipment Requisition Process			
Business Objectives (Reporting, Operational, Compliance)		Scope Areas Evaluated	
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ERM Component	Control Activities	Emergency Response Pool Equipment	Emergency Rental Equipment
Control Environment	Organizational Tone		
	Planning		
	Forecasting		
	Goal-Setting		
	Cost-Benefit Analysis		
Risk Assessment	Business Continuity		
	Evaluations/Analysis		
	Management Action Plans		
Control Activities	Policies/Procedure Development & Maintenance		
	Approvals/Authorizations		
	Supporting Evidence/Records Availability		
	Segregation of Duties		
	Safeguarding Assets		
Information & Communication	Information Classification		
	Information Input		
	Information Processing		
	Output/Reporting and Messaging		
Monitoring	Exception Reporting Review		
	Reconciliations/Root-Cause Analysis	(a)	
	Peer Reviews		
	Management Representations		
Scope Area Assessment			

Rating Assessment Grid	Exemplary	Satisfactory	Needs Improvement	Unsatisfactory
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Closing Comments

The results of this audit were discussed with Fleet Operations Division management and staff and employees in the districts. We appreciate the assistance and cooperation received from the Fleet Operations Division and the districts contacted during this audit.