City of Dallas

Audit of Internal Controls of the Department of Transportation and Public Works

June 22, 2026

Mamatha Sparks
Interim City Auditor

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Executive Summary

On October 1, 2024, the City formally consolidated legacy Transportation and Public Works departments into one department—Transportation and Public Works. This consolidation aimed to streamline infrastructure management and mobility services (services that allow citizens to travel within the city such as bus lanes, smart traffic lights and sidewalks) to establish a single point of contact for the citizens and achieve budgetary savings through the realignment of administrative and support functions. Transportation and Public Works is led by the former Director of Transportation.

The audit assessed internal controls over 10 functional areas within Transportation and Public Works and evaluated whether efficiencies from the consolidation were realized. Although certain internal controls are in place, deficiencies were identified across multiple functional areas. The areas included:

a. Contract Monitoring of Services
b. Procurement of Goods and Services
c. Payment Approval and Authorization – Inspection Workflow
d. Purchase and Travel Card Usage
e. Fleet Management
f. Warehouse Inventory Management
g. Low-Value Equipment Tracking
h. Timekeeping
i. Mobile Phone and Communication Expenditures
j. Fuel Usage

The scope of this audit covers Fiscal Years 2023, 2024, and 2025.

The audit was requested by the Director of Transportation and Public Works. The Office of the City Auditor retained Baker Tilly Advisory Group, LP to perform this audit. See Appendix B – Baker Tilly Advisory Group, LP Report. Also, staff from the Office of the City Auditor assisted Baker Tilly Advisory Group, LP in the performance of some control tests.

Objectives and Conclusions

1. Are controls in place to ensure effective management of fiscal resources for Transportation and Public Works functional areas?

   Generally, No. Transportation and Public Works established certain internal controls; however, significant deficiencies were identified across multiple functional areas that limit the effective management of fiscal resources. See Appendix B – Baker Tilly Advisory Group, LP Report, Observations A-J.

2. Were operational synergies or efficiencies realized as a result of the consolidation?

   Generally, No. Although the consolidation reduced certain administrative overhead costs, legacy Transportation and Public Works processes are creating silos limiting the full realization of operational efficiencies. See Appendix B – Baker Tilly Advisory Group, LP Report, Observations A-J.

Recommendations

See the Summary of Observations and Recommendations in Appendix B – Baker Tilly Advisory Group, LP Report.

Risk Summary

Refer to Risk Rating System in Appendix B – Baker Tilly Advisory Group, LP Report for risk classification.

Classification	Recommendation(s)	Management's Response
● High	16	Management agreed to 14 of 16 recommendations.
● Moderate	21	Management agreed to 21 of 21 recommendations.
● Low	5	Management agreed to 5 of 5 recommendations.

Audit Results

Both City Council Resolution 88-3428 and Administrative Directive 4-09, Internal Control, prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

The audit was requested by the Director of Transportation and Public Works. The Office of the City Auditor retained Baker Tilly Advisory Group, LP to perform this audit. See Appendix B – Baker Tilly Advisory Group, LP Report. Below is a summary of the functional areas reviewed, risk rating for each functional area, summary of observations and recommendations, and management response.

Contract Monitoring			
No	**Concurrence**	**Action Plan**	**Implementation / Follow-Up Date**
Summary of Observations: Contract management responsibilities are handled independently by individual teams and divisions, leaving inconsistences in contract administration activities			
Summary Recommendations: Centralize contract management oversight including ownership and responsibilities; Implement contract monitoring protocols for documentation, payment, and approval			
A.1	Agree	The Department of Transportation and Public Works (TPW) hired a Senior Procurement Specialist who has begun the process of collecting and centralizing contract management functions. A dedicated Grant Compliance Specialist will enhance a standardized and centralized structure across all divisions, in part by developing robust department-wide contract monitoring procedures.	3/31/2027 / 6/30/2027
A.2	Agree	TPW will develop robust procedures that assign ownership for centralized contract monitoring. In addition, TPW will assign and train backups for key contract monitoring roles to help ensure seamless operations in the event of staff turnover in key positions.	3/31/2027 / 6/30/2027
A.3	Agree	TPW will implement a searchable, centralized electronic repository, accessible to appropriate personnel. TPW's procedures will reinforce the use of the repository to ensure systematic and structured contract documentation.	6/30/2027 / 9/30/2027

Contract Monitoring

No	Concurrence	Action Plan	Implementation / Follow-Up Date
A.4	Agree	TPW will leverage the process used by the legacy Transportation department to ensure a standardized process across the department for ensuring payments are accurate, supported, and aligned with contract terms. As further enhancement to the process, TPW may explore software options to enhance the process.	9/30/2026 / 12/31/2027
A.5	Agree	TPW has a process for ensuring federally funded projects have a formal invoice approval system requiring documented verification that billing rates align with contract terms and budget is available prior to payment. This process will be expanded across all engineering and professional services and documented in procedures.	3/31/2027 / 6/30/2027

Procurement of Goods and Services

No	Concurrence	Action Plan	Implementation/ Follow-Up Date
Summary of Observations: Procurement workflows are missing audit trails for approvals, and segregation of duties are bypassed			
Summary Recommendations: Establish a unified process for procurement and post procurement practices including segregation of duties, and tiered approval threshold; Provide training to personnel on new processes			
B.1	Agree	TPW will establish a centralized database to capture all purchases and contracts across the department. However, the department will use existing City systems and cannot attest, at this time, to other specific functionality of the system.	3/31/2027 / 6/30/2027
B.2	Agree	TPW will coordinate and train appropriate staff to address short-term and continuous understanding of the legal and fiscal necessity of the new procurement workflow. In addition, TPW will consider creating decision matrices or enhancing procedures to further ensure consistency.	3/31/2027 / 6/30/2027
B.3	Agree	TPW will enhance existing procedures to clarify expectations for different procurement methods, including the distinction between one-time Purchase Orders and Delivery Orders against existing Master Service Agreements.	3/31/2027 / 6/30/2027
B.4	Agree	TPW believes the single occurrence of a segregation of duty conflict identified by the auditors is an anomaly. However, TPW will enhance training and incorporate guidance into procedures on segregation of duties. Additionally, TPW will incorporate a monitoring process for procurements, such as via a checklist, that separates the request from the approval.	3/31/2027 / 6/30/2027
B.5	Agree	TPW has created and will implement tiered approval thresholds. The thresholds will be documented in TPW's procedures and require escalating any procurement exceeding $50,000 to an Assistant Director. While TPW is confident this risk will be mitigated, the approval process in the near term will be a manual process and is not committing to an automatic (e.g., system-based workflow) escalation process.	3/31/2027 / 6/30/2027

Payment Approval and Authorization – Inspection Workflow

No	Concurrence	Action Plan	Implementation/ Follow-up Date
Summary of Observations: Inspection workflows revealed systemic failures of payment before verification of work completion, missing inspection evidence, illegible documentation, and no segregation of duties			
Summary of Recommendations: Enforce approval process requiring time-stamped inspection reports and verifying links to financial records before authorizing invoice payments; Implement a standardized reconciliation protocol for high-value, bundled invoices; Implement segregation of duties			
C.1	Agree	TPW hired a program manager with the merger and has begun taking measures to enforce approval, requiring daily inspection reports and quantity verification. TPW will enhance this process by ensuring periodic, sample-based monitoring is conducted to verify and document (e.g., checklist) the completeness and accuracy of all required support (e.g., Quantity Verification forms). Additionally, TPW may consider if software enhancements could be leveraged to assist with quality control measures.	3/31/2027 / 6/30/2027
C.2	Agree	TPW will implement a specific deadline in the workflow where invoices cannot be processed in the financial system without a verified link to completed and reviewed inspection records.	3/31/2027 / 6/30/2027
C.3	Accept Risk	TPW has not yet fully vetted the feasibility of leveraging a system, like Power QV, to facilitate reconciling line items for bundled contractor invoices of $1,000,000 or more to the Quantity Verification forms. While TPW anticipates this can be done, and will strive to implement the recommendation, it is not comfortable committing to implementing the recommendation at this time.	N/A
C.4	Agree	TPW will enhance its procedures to require periodic spot checks of bundled contractor invoices exceeding $1,000,000 to supporting field evidence.	3/31/2027 / 6/30/2027
C.5	Agree	TPW will refine roles to ensure the individual performing the field inspection does not have permission to provide final approval in the system.	12/31/2026 / 3/31/2027
C.6	Accept Risk	At this time, TPW cannot commit to developing a dashboard to track work-in-progress and unbilled quantities but will investigate the feasibility of developing these capabilities.	N/A

Purchase and Travel Card Usage

No	Concurrence	Action Plan	Implementation/ Follow-Up Date
Summary of Observations: Documentation gaps in recording purchase card activity and splitting costs were prevalent			
Summary of Recommendations: Establish a centralized digital repository for purchase and travel card supporting documentation; Perform periodic desk reviews; Monitor cost splitting activities			
D.1	Agree	TWP will develop a digital repository for all OneCard transaction documentation to ensure records are accurately maintained and available in the future.	3/31/2027 6/30/2027
D.2	Agree	TWP will implement periodic desk reviews of the coordinator reconciliation activities. TWP will document the review process, such as through a checklist or procedure, including the relevant criteria and required supporting documentation.	3/31/2027 6/30/2027
D.3	Agree	TWP will regularly analyze cardholders' spending trends to identify high-volume vendors and transition those purchases into formal Master Agreements. TWP will document the analysis process the criteria used.	3/31/2027 6/30/2027

Fleet Management

No	Concurrence	Action Plan	Implementation/ Follow-Up Date
Summary of Observations: Inventory is unreliable for department-owned assets, maintenance records are not consistently maintained, and significant security gaps for all assets include lack of surveillance			
Summary of Recommendations: Catalog and integrate all department-owned equipment into the AssetWorks M5 system including life cycle management; Install high-definition surveillance and enforce standardized physical key-control protocols across all facilities			
E.1	Agree	TPW will conduct a full physical inventory of all fleet and equipment units under its control, including both department-owned and Equipment and Fleet Management-owned units.	12/31/2026 / 6/30/2027
E.2	Agree	TPW will utilize AssetWorks M5 as its system of record for department-owned fleet and equipment observed during the inventory.	12/31/2026 / 6/30/2027
E.3	Agree	TPW will collaborate with Equipment and Fleet Management when transitioning department-owned fleet and assist with AssetWorks M5 data transfer to leverage the system's GPS tracking and asset lifecycle management features.	9/30/2027 / 12/31/2027
E.4	Agree	TPW will leverage the AssetWorks M5 system for documenting maintenance and repair work on department-owned fleet and equipment.	3/31/2027 / 6/30/2027
E.5	Agree	TPW will request that surveillance cameras be installed at the locations referenced in the audit and will repair fencing. In addition, TPW will strengthen the controls over vehicle keys.	9/30/2027 / 12/31/2027

Warehouse Inventory Management

No	Concurrence	Action Plan	Implementation/ Follow-Up Date
Summary of Observations: Inventory errors due to manual tracking, unrecorded removals, fragmented storage, poor surveillance and inadequate access controls are present			
Summary of Recommendations: Require that all inventory management activities are performed using AssetWorks M5 system; Strengthen physical security by installing surveillance, implementing badge-restricted access, and repairing fencing at facility grounds			
F.1	Agree	TPW will transition to a consistent inventory management process using AssetWorks M5 and supported by revised procedures that clearly describe responsibilities and the process.	6/30/2027 / 9/30/2027
F.2	Agree	TPW will configure automated thresholds in AssetWorks M5 to set proactive reorder points and quantities. TPW will review the thresholds on a periodic basis to determine if the thresholds should be adjusted.	6/30/2027 / 9/30/2027
F.3	Agree	TPW's revised procedures will incorporate cycle count schedules.	6/30/2027 / 9/30/2027
F.4	Agree	TPW's revised procedures will address monitoring activities to identify and enforce formal sign-off procedures. In addition, warehouse staff will receive periodic training.	6/30/2027 / 9/30/2027
F.5	Agree	TPW will request security cameras for higher-risk areas in its warehouses.	6/30/2027 / 9/30/2027
F.6	Agree	TPW will request physical security enhancements, including the use of badge-restricted access.	6/30/2027 / 9/30/2027
F.7	Agree	TPW will enhance physical security at warehouses, including enhancing fencing.	6/30/2027 / 9/30/2027

Low-Value Equipment Tracking

No	Concurrence	Action Plan	Implementation/ Follow-up Date
Summary of Observations: Inventory management and oversight is decentralized			
Summary of Recommendations: Perform physical inventory to establish a baseline; Establish a centralized digital tracking system			
G.1	Agree	TWP will conduct a department-wide physical inventory of all low-value equipment and reconcile existing discrepancies to establish a baseline.	3/31/2027 6/30/2027
G.2	Agree	TWP will develop and implement a comprehensive procedure that establishes a centralized, standard process around tracking low-value equipment. TWP will consider the use of the M5 system and research other systems to track low-value equipment to ensure consistent oversight across all facilities.	3/31/2027 6/30/2027
G.3	Agree	TWP will develop a formal procedure for the check-in/out process, periodic reconciliation audits tracking equipment life cycles, improve employee accountability, and monitor assets assigned to field crews or work trucks.	3/31/2027 6/30/2027

Timekeeping

No.	Concurrence	Action Plan	Implementation/ Follow-Up Date
Summary of Observations: Overtime approvals were inconsistently documented, and budgetary reviews were not consistently performed before overtime was authorized			
Summary of Recommendations: Use existing forms to strengthen internal controls over approvals and review of approved time against budget requirements			
H.1	Agree	TWP will consistently use the overtime *Approval Request Form* for non-emergency overtime pay transactions. Specifically, TWP will ensure overtime costs are documented and authorized at least 24 hours in advance and that Assistant Directors perform a documented review of labor costs, equipment, and material costs prior to work beginning.	12/31/2026 / 3/31/2027
H.2	Agree	TWP will implement the use of the *Approval Request Form* for unplanned emergency events to provide a standardized, auditable record.	12/31/2026 / 3/31/2027
H.3	Agree	TWP will create and implement fiscal thresholds establishing mandatory executive-level approval. The thresholds will be documented in TWP's procedures.	12/31/2026 / 3/31/2027

Mobile Phone and Communication Expenditure

No	Concurrence	Action Plan	Implementation/ Follow-Up Date
Summary of Observations: Inactive equipment and little oversight over issued devices and additional stipend payments			
Summary of Recommendations: Realign stipend management under the department-wide Mobile Device Coordinator; Implement a unified quarterly reconciliation of device usage and stipends			
I.1	Agree	TWP will expand the existing quarterly reconciliation process to include all divisions from the legacy Transportation department. The reconciliation will facilitate a comparison between device usage and stipend eligibility. TWP will document the reconciliation process and include managers certification of the continued business purpose. In addition, TPW will terminate or decommission underutilized communication devices and services.	12/31/2026 6/30/2027

Fuel Usage

No	Concurrence	Action Plan	Implementation / Follow-Up Date
Summary of Observations: Formal oversight roles and reconciliation procedures for fuel card usage were not established			
Summary of Recommendations: Appoint a Fuel Coordinator to centralize accountability, manage the card lifecycle, and establish monthly reconciliation processes			
J.1	Agree	TPW will request the establishment of a Fuel Coordinator role. If the position is provided, procedures will be developed to formalize their role and responsibilities, including serving as the primary liaison with Equipment and Fleet Management.	12/31/2026 / 6/30/2027
J.2	Agree	TPW will assign responsibility for issuing, tracking, and canceling fuel cards. This will be supplemented with procedures that formalize the process for requesting and approving fuel cards.	12/31/2026 / 6/30/2027
J.3	Agree	The procedures referenced above will also assign responsibility for monitoring fuel usage.	12/31/2026 / 6/30/2027
J.4	Agree	TPW will perform analytical procedures on fuel usage and supplement this sampled reconciliations of fuel card usage to mileage reports.	12/31/2026 / 6/30/2027

Methodology

The audit methodology included: (1) interviewing personnel from the Department of Transportation and Public Works and Office of Procurement; (2) reviewing procedures, applicable Administrative Directives, and best practices; and (3) performing limited internal control testing, where applicable. In addition, all five components of *Standards for Internal Control in the Federal Government* were considered.

Government Auditing Standards Statement

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Report Classification

Final Report – For Public Use

This report is a product of the Office of the City Auditor and is issued in accordance with the Texas Public Information Act (Texas Government Code, Chapter 552).

Major Contributors

Chris Kalafatis, Principal – Baker Tilly Advisory Group, LP
Nick Martinez, Engagement Manager – Baker Tilly Advisory Group, LP
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Appendix A – Management Acknowledgement Letter

Audit of Internal Controls in the Department of Transportation and Public Works

Acknowledgement Letter begins on the following page.

Memorandum

CITY OF DALLAS

DATE: June 22, 2026

TO: Mamatha Sparks – Interim City Auditor

SUBJECT: Response to Audit of Internal Controls for the Department of Transportation and Public Works

This letter acknowledges the City Manager's Office received the Audit of Internal Controls for the Department of Transportation and Public Works and submitted responses to the recommendations in consultation with the Department of Transportation and Public Works.

Following the consolidation of the legacy Transportation and Public Works departments on October 1, 2024, the director of the Department of Transportation and Public Works proactively requested an audit of the combined operations to ensure a thorough, independent review of department practices and to help the department identify opportunities to align with industry best practices.

The Department of Transportation and Public Works appreciates the breadth of the audit and welcomes the opportunities identified to develop consistent, department-wide processes with strong internal controls.

While the Department of Transportation and Public Works acknowledges significant work remains to be done, the department has already begun implementing improvements identified through this process and is confident the audit recommendations will further refine and strengthen department-wide processes and internal controls.

Sincerely,

Kimberly Bizor Tolbert
City Manager

C: Jack Ireland, Chief Financial Officer
Dev Rastogi, Assistant City Manager
Dr. Ghassan (Gus) Khankarli, Director, Department of Transportation and Public Works

Appendix B – Baker Tilly Advisory Group, LP Report

Audit of Internal Controls of the Department of Transportation and Public Works

Baker Tilly Advisory Group, LP report begins on the following page

City of Dallas, Texas

Audit of Internal Controls in the Department of Transportation and Public Works

April 29, 2026

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Executive Summary

Overview

On behalf of the City of Dallas (the "City") City Council, the Office of the City Auditor engaged Baker Tilly Advisory Group, LP (Baker Tilly) to perform the Audit of Internal Controls in the Department of Transportation and Public Works.

The objectives of the audit were to assess whether controls are in place to ensure effective management of fiscal resources for various Transportation and Public Works functional areas and to identify any observed operational synergies or efficiencies not realized related to the consolidation of the legacy departments. For each functional area, we have documented our overall conclusion on the process and related internal controls gaps based on the rating criteria listed in Appendix A.

The detailed report provides additional information regarding the audit scope and approach, risk ratings, and detailed observations, and recommendations identified during this engagement.

Summary of Observations and Recommendations

Overall, we concluded that Transportation and Public Works does have some controls in place to ensure effective management of fiscal resources; however, there are certain areas that need improvement.[1]

Process Area	Summarized Observations	Summarized Recommendations	Risk Rating	Report Reference
Contract Monitoring	Contract management responsibilities are handled independently by individual teams and division, leaving inconsistences in contract administration activities	Centralize contract management oversight including ownership and responsibilities Implement contract monitoring protocols for documentation, payment, and approval	High	Observation A
Procurement of Goods and Services	Procurement workflows are missing audit trails for approvals, and segregation of duties are bypassed	Establish a unified process for procurement and post procurement practices including segregation of duties, and tiered approval threshold Provide training to personnel on new processes	High	Observation B
Payment Approval and Authorization – Inspection Workflow	Inspection workflows revealed systemic failures of payment before verification of work completion, missing inspection evidence, illegible documentation, and no segregation of duties	Enforce approval process requiring time-stamped inspection reports and verifying links to financial records before authorizing invoice payments Implement a standardized reconciliation protocol for high-value, bundled invoices Implement segregation of duties	High	Observation C
Purchase and Travel Card Usage	Documentation gaps in recording purchase card activity and splitting costs were prevalent	Establish a centralized digital repository for purchase and travel card supporting documentation Perform periodic desk reviews Monitor cost splitting activities	Medium	Observation D
Fleet Management	Inventory is unreliable for department-owned assets, maintenance records are not consistently maintained, and significant security gaps for all assets include lack of surveillance	Catalog and integrate all department-owned equipment into the AssetWorks M5 system including life cycle management. Install high-definition surveillance and enforce standardized physical key-control protocols across all facilities	Medium	Observation E
Warehousing Inventory Management	Inventory errors due to manual tracking, unrecorded removals, fragmented storage, poor surveillance and inadequate access controls are present	Require that all inventory management activities are performed using AssetWorks M5 system Strengthen physical security by installing surveillance, implementing badge-restricted access, and repairing fencing at facility grounds	Medium	Observation F
Low-value Equipment Tracking	Inventory management and oversight is decentralized	Perform a complete physical inventory to establish an accurate baseline for all low-value equipment.	Medium	Observation G

[1] See Appendix A for the rating system used to conclude on the risk rating.

Process Area	Summarized Observations	Summarized Recommendations	Risk Rating	Report Reference
		Establish a centralized digital tracking system and formal check-in/out protocols		
Timekeeping	Overtime approvals were inconsistently document, and budgetary reviews were not consistently performed before overtime was authorized	Use existing forms to strengthen internal controls over approvals and review of approved time against budget requirements	Medium	Observation H
Mobile Phone and Communication Expenditures	Inactive equipment and little oversight over issued devices and additional stipend payments	Realign stipend management under the department-wide Mobile Device Coordinator Implement a unified quarterly reconciliation of device usage and stipends	Low	Observation I
Fuel Usage	Inadequate reconciliation of fuel usage activity	Appoint a Fuel Coordinator to centralize accountability, manage the card lifecycle, and establish monthly reconciliation processes	Low	Observation J

Detailed report

Background and Objectives

The objectives of the audit were to:

- Assess whether controls are in place to ensure effective management of fiscal resources in the following functional areas:
  - Contract Monitoring
  - Procurement of Goods and Services
  - Purchase and Travel Card Usage
  - Payment Approval and Authorization – Inspection Workflow
  - Fleet Management
  - Warehouse Inventory Management
  - Low – Value Equipment Tracking
  - Timekeeping
  - Mobile Phone and Communications expenditures
  - Fuel Usage
- Identify any observed operational synergies or efficiencies not realized related to the consolidation of former Transportation and Public Works departments

The scope of this audit covers Fiscal Years 2023, 2024, and 2025. As part of this audit, staff from the Office of the City Auditor assisted Baker Tilly in the performance of some control tests.

The conclusions were gathered through department personnel interviews, controls and compliance testing, best practices, and an analysis of relevant City documents.

Transportation and Public Works
On October 1, 2024, the City formally consolidated legacy Transportation and Public Works departments into one department—Transportation and Public Works. This consolidation aimed to streamline infrastructure management and mobility services (services that allow citizens to travel within the city such as bus lanes, smart traffic lights and sidewalks) to establish a single point of contact for the citizens and achieve budgetary savings through the realignment of administrative and support functions. Transportation and Public Works is led by the former Director of Transportation.

As part of the consolidation, administrative activities for functional areas including finance, budget and human resources, were combined to reduce operational overhead. However, the integration introduced challenges even as the legacy departments continue to transition former cultures, workflows, and control environments, into viable oversight mechanisms.

The legacy departments frequently continue to operate in silos. Throughout the engagement, auditors observed that legacy departments frequently maintained their historical workflows and methodologies rather than adopting a unified departmental standard. This trend suggests that while the organizational structure has changed, full functional integration of processes remains a work in progress.

Engagement Approach
For the purposes of this engagement and report, specifically within the **Background** and **Observations** sections, Transportation and Public Works are referred to and were examined as "legacy departments" where appropriate. The approach of this evaluation was to identify effective processes and controls within the legacy departments and identify new operational synergies or efficiencies for incorporation into the newly consolidated Transportation and Public Works department.

Contract Monitoring
Contract monitoring practices vary by legacy departments and their needs, leading to inconsistent expectations and decentralized oversight. Following the consolidation, the volume of contracts has grown significantly, highlighting a critical need for a robust monitoring framework and specialized contract management expertise.

Currently, the department-wide monitoring environment is largely informal. Formerly, legacy Transportation department was supported by a dedicated Contract Administrator responsible for post-award contract monitoring; however, this position was vacant for the duration of this audit. Consequently, monitoring responsibilities shifted to finance staff, Project and Program Managers, and Supervisors. These monitoring activities are tracked through manual MS Excel spreadsheets leading to inconsistencies in execution, use of tools, and systems to manage encumbrances, ensure compliance with contract terms, and track vendor performance.

Monitoring practices also vary based on the type of goods or services procured. For goods and supplies, master service agreements are commonly used, and contract monitoring activities are tracked manually. Department supervisors are expected to identify performance challenges as they arise, given their direct interactions with vendors. In contrast, engineering and professional services contracts are more structured. Project and Program Managers perform oversight activities such as monthly meetings to document completed project milestones and verification of necessary documentation for compliance. Performance metrics for these professional service contracts are primarily based on milestone completion and the Project Managers' assessment of whether the vendor met contractual obligations.

Procurement of Goods and Services
Transportation and Public Works must adhere to citywide procurement standards set by administrative directives and executed by the Office of Procurement Services.

Transportation and Public Works staff are responsible for drafting technical specifications for all procurements regardless of dollar value. If procurements are larger than $100,000, then a formal bid process is required. The formal bid process involves preparation of and seeking Request for Qualifications or Request for Proposal which are further guided by bid structure (lowest bid or best value). During the bid process, Transportation and Public Works is responsible for providing technical answers to the vendors via the Office of Procurement Services. Most bids generally use the lowest bid approach. If a low bidder is disqualified due to poor past performance or technical issues, Transportation and Public Works must provide formal documentation and justification to select the next lowest bidder.

For smaller procurements of less than $100,000, Transportation and Public Works must obtain informal solicitations from at least three vendors. If an informal solicitation cannot be achieved, then the Office of Procurement Services will initiate an informal request in the Bonfire portal for four days.

The Office of Procurement Services will review bids and recommend viable procurement options such as Purchase Orders for goods, Administrative Action Service Orders for one-time services, Delivery Orders for existing master service agreements and Administrative Actions for short-term service contracts. The Office of Procurement Services serves as a final check for the procurement of goods or services to ensure all required procurement steps have been completed.

Note: The formal bidding threshold increased to $100,000 in Fiscal Year 2026 as of October 8, 2025. However, the audit scope covers Fiscal Years 2023 through part of Fiscal Year 2025, during which time the bidding threshold was set at $50,000. Testing and evaluation were based on the $50,000 bidding threshold.

Purchase and Travel Card Usage
Transportation and Public Works currently manages 37 active purchase cards, including 35 purchase cards and two travel cards shared between the legacy Transportation and Public Works departments. Purchase cards are assigned to individual employees while travel cards are dedicated exclusively to airline and lodging for City-sponsored travel. Purchase cards carry a $3,000 single-transaction limit and a monthly spending cap—typically $10,000—that can be adjusted based on cardholder requirements. Following the merger of these legacy divisions, card functions have been centralized under a single coordinator.

The procurement workflow follows a standardized three-step approval hierarchy consisting of the cardholder, the supervisor, and the Purchase Card Coordinator. All cardholders must adhere to City administrative directives and are responsible for all purchases made with their cards. They must also route digitized receipts via electronic signature for formal verification and managerial approval. At the end of each month, cardholders submit a signed log sheet to the Purchase Card Coordinator, who enters the data into the Citi Manager application with all supporting receipts. This centralized reconciliation process ensures correct general ledger and fund allocation before completed logs are forwarded to the City Controller's Office.

To maintain a strict segregation of duties, supervisors with their own purchase cards are prohibited from approving their own transaction logs. Additionally, purchase cards and travel cards utilize merchant category codes to prevent unauthorized spending. The Purchase Card Coordinator monitors compliance, identifies irregularities, and escalates policy infractions to departmental leadership or the City Controller's Office.

Payment Approval and Authorization – Inspection Workflow

Transportation and Public Works' primary expenditures are related to road paving inspections related to street maintenance and capital improvement projects.

In Fiscal Years 2024–2025, the City targeted or completed 710 lane miles of street maintenance. To address ongoing infrastructure needs, the Fiscal Year 2025–2026 budget was increased to support an expanded target of 750–759 lane miles. Transportation and Public Works also manages a diverse portfolio of capital improvements. As of second quarter, Fiscal Year 2025, active projects included over 100 individual street segments—ranging from full-depth asphalt treatments to slurry seals, and approximately 16 active bridge maintenance projects.

<u>Street Treatment</u>

The resurfacing program is led by a Program Administrator who oversees a specialized inspection team organized by funding source and preservation method. The inspection team is structured for granular oversight, comprise of a supervisor and multiple inspector levels.

- *Bond Resurfacing*: Projects funded by the Fiscal Year 2024 Bond Program with specific project limits and dedicated funding
- *Maintenance Resurfacing*: Funded by the general fund. The mill and overlay process removes the cracked top layer of asphalt and replaces it with a fresh surface. It restores smoothness and seals the road against water infiltration, targeting streets that are deteriorating but still structurally sound
- *Micro-slurry (seal coat):* A cost-effective preventative treatment that seals the asphalt surface to protect against weather and wear, extending pavement life without requiring full reconstruction

<u>Capital Improvement Projects</u>

Capital improvement projects are directed by an assigned Construction Manager per project who oversees contractor operations and technical specifications. The division manages the broader engineering lifecycle, including:

- *Design and Specifications*: Internal engineers develop project specifications and manage advertising, while third-party firms are utilized for complex designs
- *Technical Compliance*: The group establishes rigorous material testing requirements to ensure infrastructure longevity
- *Administrative Oversight*: The Construction Manager conducts final reviews of contractor data in the PowerQV system and serves as the final approval authority for personnel timekeeping, ensuring labor costs align with project progress

<u>The Inspection Workflow</u>

The integrity of the department's fiscal resources relies on a connection between digital records and the physical work happening on the street that is facilitated by the PowerQV system. This serves as the primary repository for all work documented by contractors and city crews. The workflow contains three critical control points:

- *Unique Identification:* Every project is assigned a unique project number in the PowerQV system before work begins. This ensures independent tracking and prevents "bundled" reporting that could obscure site-specific failures
- *Field Entry and Verification:* Inspectors use mobile interfaces to log real-time data, such as labor hours and material quantities (e.g., concrete or asphalt yardage). This documentation ensures digital records correspond directly to physical work

- *Financial Gatekeeping:* As primary fiscal control, invoices are locked within the PowerQV system. They cannot be exported to the finance division for payment until the inspector's field logs and the contractor's claims are fully reconciled. This ensures the City only pays for verified, completed work

Fleet Management
Transportation and Public Works uses a diverse fleet of vehicles and capitalized equipment to support City operations. This fleet is managed through a bifurcated ownership structure, consisting of assets owned by Transportation and Public Works and the City's Equipment and Fleet Management department. Effective fiscal resource management of these assets relies on the coordination between manual departmental tracking and the Equipment and Fleet Management AssetWorks M5 system.

Transportation and Public Works' fleet consists of approximately 250 department-owned units in addition to a larger population of Equipment and Fleet Management-owned assets. Inventory ranges from standard road vehicles (service, bucket, and dump trucks) to specialty niche equipment (lawnmowers, Bobcats, tree trimmers, and trailers). A segment of the department-owned inventory, particularly trailers, includes fleet purchased in the 1980s and 1990s, presenting unique maintenance and replacement challenges. The table below summarizes the process.

Feature	Transportation and Public Works-Owned	Equipment and Fleet Management-Owned
Tracking System	Manual spreadsheets built internally	Automated via AssetWorks M5
Maintenance	Ad-hoc; performed but not quantifiable	Proactive; tracked via Global Positioning System and fuel islands
Data Collection	Manual collection; lacks electronic tracking	Automatic mileage and engine hour pulls
Current Status	Ongoing 2-year project to establish inventory	Fully organized and integrated

Warehousing Inventory
<u>Legacy Public Works Warehouse Facilities</u>
Legacy Public Works operates a network of storage sites, primarily divided into East and West warehouses, with the East location managing the highest volume of activity. Key satellite sites include the Southeast Service Center (D1) for concrete crew staging, Valeria (D2) for specific departmental items like rock and salt, and Northwest Service Center (D3) for bulk materials. Currently, these facilities rely on manual, paper-based tracking and basic tools like MS Excel and MS Access, as there is no formal inventory management system.

Supervisors must use paper tickets to bill materials to specific jobs, and management performs physical reconciliations at the end of each month. This approach ensures that materials like flex base and specialized equipment are accurately tracked and repurposed whenever possible.

<u>Legacy Transportation Warehouse Facilities</u>
Legacy Transportation operates primarily out of the Canton, Harry Hines (Bachman warehouse), and Logan facilities. To manage inventory, the department uses AssetWorks M5 system to monitor inventory levels against established minimum and maximum thresholds. To support financial oversight, all materials issued from these warehouses are tied to a specific work order or project, ensuring all costs are accurately charged to the correct account.

While AssetWorks M5 system provides a digital framework, inventory management continues to rely heavily on manual documentation, with staff using paper job tickets to track units and assignments. As a primary quality control measure, engineers review and approve all work orders to verify that inventory requests align with actual project requirements and usage.

Low-Value Equipment
Transportation and Public Works defines low-value equipment as items generally valued under $5,000. Because assets must typically exceed this threshold to receive an official asset number, these items fall outside the scope of the City's formal asset management system. Consequently, there is no centralized or formal inventory management process for low-value equipment leading to inconsistent and manual tracking methods across various facilities. Across both legacy departments, the reliance on decentralized, manual record-keeping creates a gap in the department's ability to effectively monitor the location, condition, and retention of these fiscal resources.

Timekeeping
The timekeeping process primarily utilizes a dual-system approach involving Kronos and Workday. Field staff and laborers record their attendance by swiping badges in the Kronos system, which operates on a preset schedule to identify anomalies such as missed swipes. This data is systematically transferred to Workday every Wednesday morning. Supervisors and managers serve as the frontline timekeepers, reviewing and approving entries for their specific divisions while maintaining manual crew timesheets to track granular details like work locations and equipment usage.

While field staff and laborers use the badge-swipe system in Kronos, salaried employees and office-based staff typically interface directly with Workday. These employees are generally not required to swipe for individual shifts but are still subject to the 80-hour-per-pay-period requirement. For salaried staff, the focus of the internal controls shifts from tracking incremental time to managing leave exceptions—such as vacation, sick time, or jury duty—and ensuring that total hours meet the bi-weekly threshold for accurate payroll processing.

The final verification layer is managed by the Timekeeping Coordinator, who reviews comprehensive reports, including those identifying employees with fewer than 80 hours or unusually high wages, to ensure all staff are paid accurately before Workday closes for payroll on Thursday mornings.

Overtime pay follows a distinct manual workflow. Supervisors must submit formal request forms to management for approval. These requests undergo budgetary review by Senior Program Managers, as these costs are tracked against specific division budgets.

Mobile Phone and Communications Expenditures
Transportation and Public Works manages all inventory of mobile equipment across its integrated operations. This inventory—which includes mobile phones, iPads, hotspots, and two specialized Trimble survey units—is distributed as follows:

- Public Works: Approximately 250 units
- Transportation: Approximately 130 units

Historically, these departments operated under separate structures with parallel processes and dedicated coordinators. To improve fiscal management and streamline expenditures, responsibility for all mobile devices has been consolidated under one coordinator.

To maintain inventory integrity, the departmental coordinator conducts quarterly usage reviews to identify devices with no data activity. When an inactive device is flagged, the coordinator verifies that the device remains in the assigned employee's possession. Mobile device inventory is currently tracked manually in an MS Excel spreadsheet, while any unassigned equipment is stored in a secure, locked location. Notably, technical assistance for these devices is managed through Verizon representatives rather than the City's Information and Technology Services department.

Fuel Usage

Transportation and Public Works is responsible for the cost and oversight of fuel consumed by its assigned assets. While Equipment and Fleet Management manage the City's fuel infrastructure, Transportation and Public Works is responsible for ensuring that fuel is used only for official city business and for safeguarding any cards issued to their personnel. Transportation and Public Works relies on Equipment and Fleet Management usage reports and financial forecasting to ensure adherence to the annual budget.

To maintain a robust audit trail, each physical fuel card is tied to an individual's employee identification number. At the fuel island, employees must use their City-issued identification card and enter their employee identification number to register the transaction. While Equipment and Fleet Management monitors irregularities, such as transactions exceeding a vehicle's tank capacity, Transportation and Public Works is responsible for ensuring efficient fuel use in accordance with City policy.

As of June 2025, Transportation and Public Works had a total of 122 fuel users: one card assigned to department administration; 113 cards assigned to legacy Public Works and eight cards assigned to legacy Transportation.

Scope and Approach

The scope of this audit included an assessment of legacy Public Works and Transportation practices and associated documentation covering the Fiscal Years 2023, 2024, and 2025. Baker Tilly's audit approach consisted of the following phases:

Phase I: Planning

- Confirm the project's objectives, work plan, and timeline
- Confirm deliverables including expectations regarding the form and level of detail

Phase II: Information Gathering

- Conduct a thorough analysis of a variety of materials to gain a holistic understanding of the Transportation and Public Works fiscal processes and procedures as well as any applicable state laws
- Develop initial list of documents and information to be analyzed for the in-scope areas for the department:
    - Recent internal or external studies and reports
    - Governing policies, mandates, and laws
    - Any existing documented policies/procedures, narratives or flowcharts
    - Organizational charts
    - Tools/templates used for timekeeping
    - List of all procurements for the audit period
    - List of all active contracts for the audit period
    - Documentation of all procurement card transactions for the audit period (card statements)
    - List of all employees with a procurement card
    - List of all warehouse equipment and supplies in inventory
- Meet with key staff in the department who oversee these fiscal processes to better understand the processes, challenges and opportunities, roles and responsibilities

Phase III: Fieldwork

- Evaluate the design of controls to determine whether they adequately mitigate relevant risks and raise concerns to management in areas where they do not
- Ensure controls are aligned with applicable regulations, internal/external policies and industry-leading practices
- Complete process-level risk assessments covering key risks and operational areas
- Test to assess whether controls are operating effectively

Phase IV: Reporting

- Develop a report that summarizes the methodology and highlights key risks and observations
- Discuss any observations and process improvement recommendations with management

Government Auditing Standards Statement

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Observations and Recommendations

During this audit, observations were identified and classified as high, medium, or low[2].

Observation A	Contract Monitoring

Observations	With the consolidation of the legacy Transportation and Public Works departments, dedicated contract management and monitoring functions are not formally established. Contract management responsibilities are handled independently by individual teams and divisions rather than through a centralized oversight function.
	
	To facilitate contract monitoring for goods and supplies contracts, the legacy Transportation department utilizes the AssetWorks M5 system which allows the input of Master Service Agreement terms and prices. AssetWorks M5 Inventory and Parts module automatically applies negotiated pricing to specific line items, prevents generic retail rates, and includes automated budget controls. This ensures all purchases align with City financial policies and Master Service Agreement terms. The legacy Public Works department does not utilize an information system to monitor goods and supplies contracts but instead relies on manual contract monitoring processes.
	
	Neither legacy department has a consistent process for monitoring professional services and engineering contracts.
	
	Effective contract administration should include:
	• A centralized and complete contract inventory (single source of truth)
	• Clearly assigned contract ownership (e.g., Project Manager/Contract Manager)
	• Standardized documentation requirements for monitoring contract performance
	• Centralized storage of contract and monitoring documentation (e.g., SharePoint/OneDrive)
	• Processes to ensure:
	    o Verification of goods/services received (inspection and acceptance)
	    o Three-way match (Purchase Order, receiving report, invoice)
	    o Price reconciliation against contract terms
	    o Monitoring of deliverables and contract milestones
	    o Verification of available budget prior to payment
	
	Observations
	<u>No Centralized Contract Repository</u>
	Transportation and Public Works does not maintain a single, centralized repository of approved contracts. Auditors were provided with eight different contract listings across legacy divisions, which were often contradictory and could not be reconciled. Without a validated and complete list of active contracts, management may be unable to ensure that vendors are operating under valid, unexpired agreements or that expenditures remain within authorized limits.
	
	<u>Unidentifiable Contract Ownership</u>
	There is no centralized registry identifying the assigned Project Manager or Contract Manager for individual contracts. Auditors experienced delays in identifying responsible personnel for selected samples. In some cases, management indicated that assigned individuals had transferred or left the City without a transition of contract monitoring

[2] See Appendix A for the rating system used to assign the risk level.

Observation A	Contract Monitoring

	responsibilities as there is not a defined process for the transition. This lack of defined ownership reduces accountability for contract execution.
	
	<u>Inadequate Contract Documentation</u>
	No standardized protocol exists to define required documentation for contract monitoring activities. Documentation practices vary by division and individual manager. As a result:
	• Monitoring documentation (e.g., daily work reports, progress reports, milestone signoffs) is not centrally maintained
	• Documentation is often stored on individual hard drives rather than shared systems (e.g., SharePoint or OneDrive). In one instance, critical documentation was unavailable after an employee left the City, preventing management from explaining invoice approvals and fund reallocations
	
	<u>Inconsistent Contract Monitoring Activities</u>
	Goods and Supplies: Sample testing of 15 payments across five contracts for control monitoring activities and processes was performed for:
	• *Legacy Transportation*: 9 payments (three contracts; 3 payments per contract)
	• *Legacy Public Works*: 6 payments (two contracts; 3 payments per contract)
	
	Testing showed that documentation was inconsistent.
	• *Legacy Transportation*
	  ○ 100 percent (9 of 9) included documented evidence of inspection, three way match between the Purchase Order, receiving report, and invoice, and evidence of price reconciliation via initialed AssetWorks M5 reports referencing Master Service Agreement pricing.
	• *Legacy Public Works*
	  ○ 100 percent (6 of 6) did not have evidence of inspection for received goods; documentation consisted primarily of signed invoices and DEQM timesheet reports used to track project materials
	  ○ 50 percent (3 of 6) had no evidence of a three-way match between the Purchase Order receiving report, and invoice
	  ○ 100 percent (6 of 6) had no documented evidence of price reconciliation against contracted rates
	
	Engineering and Professional Services: Sample testing of monitoring activities for 18 payments across six contracts and their payments for legacy Transportation and Public Works Engineering and Professional Services for Fiscal Years 2024–2025 was completed.
	• *Legacy Transportation*: 9 payments (three contracts; 3 payments per contract)
	• *Legacy Public Works*: 9 payments (three contracts; one contract with 5 payments, 2 contracts with 2 payments each)
	
	Testing showed that neither legacy department was able to provide sufficient documentation to support review of compliance with statement of work requirements, progress or status reporting, percentage-of-completion tracking, verification of billing rates against approved contract terms, and documentation supporting budget adjustments or funding reallocations.

Risk: High	Decentralized contract management and fragmented recordkeeping can lead to unclear ownership, a reduction in transparency and accountability and increased risk of contracts continuing without proper renewal, inconsistent price verification, unsupported payments, and unauthorized spending.

Observation A	Contract Monitoring
Recommendations	We recommend the **Director of Transportation and Public Works:** **A.1:** Establish centralized contract management oversight and eliminate the current reliance on fragmented, divisional activities **A.2:** Assign ownership and responsibility of contract monitoring to a designated Contract Manager with appropriate cross-training to ensure that institutional knowledge and oversight responsibilities are seamlessly transferred when personnel leave the City **A.3:** Implement a uniform protocol for contract monitoring documentation that requires all records to be stored in a centralized, shared digital repository such as SharePoint **A.4:** Standardize payment controls across all divisions to ensure payments are accurate, supported, and aligned with contract terms. This should include: • A required three-way match (purchase order, receiving documentation, and invoice) for all goods and supplies • Consistent price verification against contract rates or master service agreements • Expansion of the AssetWorks M5 system, or equivalent controls, to enforce pricing and budget validation across the department **A.5:** Implement a formal invoice approval control for engineering and professional services requiring documented verification that billing rates align with contract terms and that sufficient budget is available prior to payment authorization
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation B	Procurement of Goods and Services

Observations	Procurement authorization workflows serve as critical front-end controls to prevent mismanagement of public funds. Within Transportation and Public Works' high-value operations, procurement entails navigating complex supply chains, acquiring specialized equipment, and managing distributed field operations. Effective authorization establishes accountability and enforces chain of command over financial decisions.
	
	Auditors identified existing control mechanisms within individual legacy departments that are supportive of procurement practices.
	• *Fiscal Impact Form:* Legacy Transportation uses this routing form which provides a documented approval trail, completeness of procurement practices including review and authorization from requestor to management and enforces segregation of duties. The form includes details such as:
	    o Direct references to Delivery Orders, Purchase Orders, and invoices
	    o Project/job associations and funding details
	• *Procurement Encumbrance Checklist:* Legacy Public Works uses this checklist to validate key requirements prior to purchase, including:
	    o Available funding and proper cost center allocation
	    o Confirmation of the required number of quotes
	    o Validation of existing Master Service Agreements
	    o Purchase descriptions, justifications, and supporting comments
	
	While these tools have not yet been standardized across Transportation and Public Works, the strengths of these two tools lie in their complementary approach to risk management. The legacy Public Works *Procurement Encumbrance Checklist* strengthens compliance with procurement requirements ("how") and the legacy Transportation *Fiscal Impact* strengthens oversight and accountability through approval workflows ("who.")
	
	Observations
	<u>Inconsistent Post-Merger Procurement</u>
	With the consolidation of legacy departments into a single unit, procurement expectations and authorization processes remained fragmented. Transportation and Public Works has not implemented a unified standard, allowing legacy processes to persist across different cost centers. Additionally, providing training to staff about the unified process would improve compliance with internal controls.
	
	<u>Data Integrity and Transparency Gaps</u>
	A comprehensive, centralized universe of procurements for Fiscal Years 2023–2025 is not in place. This limits visibility into spend patterns and limits the effectiveness of fiscal monitoring.
	
	<u>Segregation of Duties and Tiered Approvals</u>
	Testing of 20 sampled expenditures across Fiscal Years 2023–2025 identified breakdowns in the authorization controls:
	• *Conflict of Interest:* 5 percent (1 of 20) of samples showed the same individual acted as both the requester and the approver bypassing segregation of duties
	• *Threshold Bypass*: 22 percent (2 of 9) of procurements over $50,000 did not have documented approval by an Assistant Director or higher. These exceptions were found exclusively within legacy Public Works cost centers
	• *Undocumented Workflows:* 35 percent (7 of 20) of samples did not have documented evidence of a formal approval process (such as a standardized form or tool) to justify the purchase or confirm funding availability

Observation B	Procurement of Goods and Services
Risk: High	Decentralized procurement processes and the absence of a comprehensive procurement record limit management's ability to verify that purchases are properly authorized, received, and aligned with contract terms. Inconsistent workflows and weak segregation of duties increase the risk of unauthorized or unsupported expenditures, including off contract purchases and bypassed approval thresholds. These conditions elevate exposure to fraud, noncompliance with procurement requirements, and budget overruns.
Recommendations	We recommend the **Director of Transportation and Public Works**: **B.1:** Establish a centralized procurement database or tracking system to capture all purchases and contracts across the department. This system should be designed to require all procurement to be recorded in a searchable, auditable format **B.2:** Conduct training for all cost center personnel to ensure a full understanding of the legal and fiscal necessity of the new procurement workflow. This training should emphasize the importance of maintaining an auditable approval trail and the specific technical requirements for different spend thresholds **B.3:** Develop a procurement process that defines expectations for different procurement methods, including distinguishing between one time Purchase Orders and Delivery Orders against existing master service agreements **B.4:** Enforce segregation of duties during approval process to prevent a single individual from acting as both requester and approver **B.5:** Implement tiered approval thresholds, automatically escalating any procurement exceeding $50,000 to the Assistant Director or higher for mandatory sign-off
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation C	Payment Approval and Authorization – Inspection Workflow

Observations	The inspection workflow functions as the City's primary control point for validating work completion prior to payment. A significant financial risk is value leakage—paying for materials not used, labor not performed, or work that does not meet required quality standards.
	
	Auditors reviewed documentation to verify:
	• *Inspection evidence*: Ensure Daily Inspection Reports are time-stamped, dated, and performed with proper segregation of duties, inspected and reviewed by two different people
	• *Quantity Verification*: Ensure Quantity Verification forms contain descriptions and items that reconcile directly to invoices
	• *Payment authorization*: Ensure Daily Inspection Reports are reviewed and approved before invoices are authorized for payment
	
	Using populations provided by program administrators, the audit team selected 18 samples from Fiscal Years 2023-2025 across two primary workstreams:
	• *Street Resurfacing*: 8 individual projects (durations of 2–7 weeks)
	• *Capital Improvement Projects*: 10 months of activity from 2 different projects (durations of months to years)
	
	Observations
	<u>Street Resurfacing</u>
	Testing of 6 samples identified:
	• 17 percent (1 of 6) included a Quantity Verification form that could not be tied to an invoice because the items listed did not appear on the provided billing
	• 50 percent (3 of 6) could not be reviewed because the supporting documentation for quantity verification was blurry or illegible
	• 33 percent (2 of 6) showed invoices signed for approval before the corresponding daily inspection reports were reviewed and approved
	
	<u>Capital Improvement Project</u>
	Testing of 10 samples identified:
	• 10 percent (1 of 10) did not have any documentation available for review.
	• For the remaining nine samples:
	  ○ 56 percent (5 of 9) showed that the same individual created, submitted, and reviewed the daily inspection reports
	  ○ 100 percent (9 of 9) failed to provide Quantity Verification forms that could be reconciled to specific construction work or invoices
	  ○ 11 percent (1 of 9) had an invoice approved before the daily inspection reports were finalized
	  ○ 33 percent (3 of 9) did not have documented evidence of inspection (timestamps, dates, or submission records); they did have screenshots of time statements and assorted photos to show activity occurred; this also made it impossible to determine if inspection work was verified before payment

Observation C	Payment Approval and Authorization – Inspection Workflow
	Reconciliation of Bundled Invoices. The Quantity Verification form is the primary control for verifying work. An approved status signifies that work items are ready for payment. However, current processes create significant blind spots. Current invoicing practices lack project-level itemization, as documentation is only generated for billable quantities that bundle various tasks—such as concrete cutting or excavation—into single pay items. Consequently, the department must perform complex manual reconciliations to map line items from bundled monthly invoices, which often exceed $1,000,000, back to individual approved Quantity Verification forms to verify billed amounts. Also, management noted a significant time gap in the financial trail. Project funding reports and invoice tracking often run two months behind the actual work performed, severely complicating real-time budget oversight and project management.
Risk: High	Transportation and Public Works may be: • Paying for unverified quantities of materials • Paying for labor activities that are not performed because bundling invoices makes reconciliation of activities to invoice quantities difficult. • Paying for unapproved invoices due to absence of segregation of duties creating potential for fraud. Additionally, a time gap in financial reporting severely diminishes management's ability to maintain real-time budget oversight and project accountability.
Recommendations	We recommend the **Director of Transportation and Public Works**: **C.1:** Enforce approval requiring all Daily Inspection Reports and Quantity Verification forms to be electronically timestamped and approved by the designated inspector and supervisor prior to the authorization of any related invoices **C.2:** Implement a specific deadline in the workflow where invoices cannot be processed in the financial system without a verified link to completed and reviewed inspection records **C.3:** Establish a standardized reconciliation protocol for bundled contractor invoices exceeding $1,000,000, requiring a mandatory crosswalk document that maps every billed line item to its specific, legible Quantity Verification form **C.4:** Conduct periodic spot-checks of these reconciliations to verify that all activities and bundled pay items are accurately supported by field evidence, reducing the impact of the current documentation gap **C.5:** Implement segregation of duties by restricting system permissions to ensure that the individual performing the field inspection is never the same individual who provides the final administrative review and approval **C.6:** Develop a dashboard that tracks work-in-progress and unbilled quantities, allowing for more proactive budget oversight and a reduced reliance on lagging project funding reports
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation D	Purchase and Travel Card Usage

Observations	Procurement and travel card procedures require that all purchase cards and travel cards receive prior management approval. At the end of each month, cardholders are required to submit a transaction log—including all original receipts and supporting documentation—to the designated card coordinators for reconciliation and oversight.
	
	An analysis of the population for both legacy departments for Fiscal Years 2023–2025 was completed and the following representative sample sizes were selected to verify compliance.
	• *Legacy Public Works*
	    ○ Purchase Card: 25 samples selected from a total population of 2,277 transactions
	    ○ Travel Card: 12 samples selected from a total population of 205 transactions
	• *Legacy Transportation*
	    ○ Purchase card: 10 samples selected from a total population of 785 transactions
	    ○ Travel card: 3 samples selected from a total population of 44 transactions
	
	Observations
	<u>Purchase Card</u>
	Purchase card transactions revealed varying levels of compliance for supporting documentation and approval. Legacy Transportation exhibited a 60 percent discrepancy rate as supporting documentation for six of the 10 samples was not available. Legacy Public Works demonstrated 100 percent compliance across all 25 samples.
	
	<u>Travel Card</u>
	Legacy Transportation did not meet any of the requirements for travel card procedures. No documentation was provided for selected samples, representing a significant internal control gap.
	
	Legacy Public Works testing determined that:
	• 17 percent (2 of 12) of the receipts did not match the recorded transaction
	• 17 percent (2 of 12) did not have the required Transaction Log form (used to document card review and approval)
	
	<u>Cost-Splitting</u>
	The audit team performed a data analysis of purchase card and travel card transactions to identify potential cost splitting—the practice of dividing a single large purchase into multiple smaller transactions to circumvent established spending limits. Analysis identified:
	• Two instances in Fiscal Year 2023 where a single cardholder made duplicate purchases on the same transaction date at the same merchant. Both transactions were for identical amounts and charged to the same organization number and object code
	• 30 instances where identical purchases (same amount, merchant, organization number, and object code) were made on the same date by different cardholders in Fiscal Years 2024 – 2025. All 30 potential cost-splitting instances involved six specific vendors. These purchases were primarily for supplies and materials related to street, roadway, and highway maintenance. While standard procedures may have been followed, supporting documentation could not definitively determine if internal controls were intentionally circumvented

Observation D	Purchase and Travel Card Usage
Risk: Medium	Missing receipts and undocumented approvals weaken internal controls and increase the risk of undetected fraudulent or personal purchases, circumvention of procurement thresholds, undermining established controls and off-contract purchases. Limited oversight further elevates the risk of misappropriated funds and budget overruns.
Recommendations	We recommend the **Director of Transportation and Public Works:** **D.1:** Centralize a digital repository for purchase and travel card transaction documentation to ensure records are readily available for management review and future audits **D.2:** Implement periodic desk reviews of coordinator reconciliation activities. These reviews will verify that all required documentation is properly submitted by cardholders and consistently maintained according to policy **D.3:** Perform regular analysis of cardholder spending trends to identify high-volume vendors and transition those purchases into formal Master Agreements.
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation E	Fleet Management

Observations	Transportation and Public Works fleet consists of approximately 971 units, including 250 department-owned units and 721 Equipment and Fleet Management-owned units. Inventory management practices differ significantly between the two departments.
	
	Equipment and Fleet Management-owned assets are tracked through the AssetWorks M5 system, which provides automated inventory management and clear status reporting. This population includes145 units (20 percent) for Transportation; 576 units (80 percent) for Public Works and is considered current and well-maintained.
	
	The 250 department-owned assets rely on manual spreadsheets without a centralized electronic tracking system. Transportation and Public Works indicated that the current inventory list is incomplete and cannot be relied upon for accuracy, as it is being developed from scratch without original titles or historical records. These assets are categorized by various statuses, including active inventory, auction/salvage, and unconfirmed items. The absence of a formal inventory system limits visibility and reliability.
	
	To determine the nature and extent of physical inventory gaps with fleet equipment, comprehensive physical field testing was performed. This process included:
	• *Physical Existence (sample-to-floor)*: Selected units from the inventory ledgers are verified for their physical location and serial numbers in the field
	• *Completeness (floor-to-sheet/ghost asset):* Equipment at various facilities is randomly selected and traced to master inventory lists for omission
	
	Observations
	Physical inventory testing identified weaknesses in inventory accuracy and completeness between recorded assets and assets observed in the field.
	
	Physical Existence (sample-to-floor)
	Auditors tested 60 units (30 department-owned units; 30 Equipment and Fleet Management-owned units) to verify that recorded units could be physically located and matched to system records. While Equipment and Fleet-owned units were consistently tracked and verified through Global Positioning System data, department-owned assets showed gaps in accuracy and physical existence.
	
	• *Department-Owned Units*
	    ○ *Legacy Transportation:* 100 percent (3 of 3) of units were accounted for
	    ○ *Legacy Public Works*: 92 percent (25 of 27) of units were accounted for (24 units were located, one unit reported as stolen, and two units could not be located)
	• *Equipment and Fleet Management-Owned Units*
	    ○ *Legacy Transportation*: 100 percent (8 of 8) of units were accounted for (one unit identified as stolen in the system
	    ○ *Legacy Public Works*: 100 percent (22 of 22) of units were accounted for
	
	Completeness (floor-to-sheet/ghost asset)
	Auditors conducted inspections at four facilities, selecting 14 units observed in the field and tracing them to inventory records.
	• 64 percent (9 of 14) were successfully traced to inventory records (eight Equipment and Fleet Management-owned units; one department-owned unit)
	• 29 percent (4 of 14) were not recorded in any inventory system
	• 7 percent (1 of 14) did not have identification and could not be traced to any record

Observation E	Fleet Management
	These results indicate that approximately 36 percent of sampled assets (5 of 14) could not be reconciled to existing inventory records. Maintenance Records – Life Cycle Management The audit revealed a significant disparity in how maintenance is documented based on asset ownership. For department-owned units, there is no centralized system or quantifiable history to verify that regular servicing occurs, and because repairs and preventative maintenance intervals are not tracked, asset health is managed reactively. This limits overall visibility into asset condition and long-term viability. Equipment and Fleet Management-owned units are tracked within the AssetWorks M5 system, which provides comprehensive and accessible maintenance records. These records include service history, mileage and usage data, and evidence of scheduled preventative maintenance, enabling effective monitoring of asset performance and lifecycle. Physical Security Physical security assessments at the Municipal, Canton, Sales Lot, and Northwest Service Center facilities identified control gaps that weaken asset protection. The most significant deficiency is the absence of surveillance cameras across all locations, limiting oversight of access points and eliminating the ability to monitor or investigate unauthorized activity. While fencing and lighting are generally adequate, vulnerabilities remain at the Municipal facility due to 6-foot fencing gaps and inconsistent gate controls, increasing exposure to unauthorized access. Physical Key and Equipment Sign-out Procedures A standardized, department-wide process for assigning equipment and vehicles to staff is not in place. Custody is managed inconsistently across teams, resulting in varying levels of incomplete chain of ownership. In the absence of a uniform sign-out process, asset tracking relies on informal practices that differ by location and department. Controls over fleet physical keys are similarly inconsistent and largely dependent on individual supervisors. While supervisors are responsible for key management, implementation varies: • *Canton Facility:* Physical keys are maintained by supervisors, with checkouts formally tracked using QR codes and supporting documentation • *Municipal Facility*: Controls are less structured; auditors observed a whiteboard used for vehicle assignments and an unlocked drawer containing multiple physical keys
Risk: Medium	Manual, incomplete tracking of department-owned assets increases the risk of ghost assets, theft, and inaccurate financial reporting. Missing maintenance tracking limits proactive servicing, increasing the risk of failures, shortened asset life, and safety issues. Weak physical and access controls expose fleet and equipment to unauthorized use and limit the ability to investigate incidents.

Observation E	Fleet Management
Recommendations	We recommend the **Director of Transportation and Public Works:** **E.1:** Perform a physical audit of all fleet and equipment units for both department-owned and Equipment and Fleet Management-owned units to identify and establish a baseline inventory **E.2:** Centralize tracking of all assets into the AssetWorks M5 systems **E.3:** Collaborate with Equipment and Fleet Management to transition as much of the remaining general-purpose vehicles and equipment into the Equipment and Fleet Management AssetWorks M5 system to leverage their existing Global Positioning System tracking and robust lifecycle management controls **E.4:** Require all maintenance activities for department-owned equipment—including service dates, work performed, and costs—to be consistently documented and maintained within a AssetWorks M5 system, or similar electronic system **E.5:** Strengthen physical security controls by installing surveillance cameras at all facilities, repairing fencing gaps at the Municipal location and other storage sites, and implementing a standardized key control process to ensure accountability over fleet assets
Management Response(s)	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation F	Warehouse Inventory Management
Observations	Both legacy departments and their warehouse inventory management identified inventory and physical security gaps. Legacy departments continue to operate independent warehousing facilities that house specialized assets essential to their unique functions. The inventory stored in these locations is critical hand tools, supplies, and specialized replacement parts that are essential for maintaining operations . <u>Legacy Transportation</u> Legacy Transportation uses the AssetWorks M5 system, a more robust platform capable of automated minimum/maximum tracking and proactive re-order notifications. This system is designed to trigger weekly cycle counts based on item activity, and provides a stronger audit trail through automated cycle, activity, and re-order reports. While AssetWorks M5 system provides for a detective control environment, warehouse staff indicate that operational execution is inconsistent. Ideally, cycle counts should be performed weekly, triggered by AssetWorks M5 system Activity Reports that flag items for physical verification whenever movement is recorded. Due to chronic staffing and time constraints, the team can struggle to meet these weekly requirements, leading to less frequent periodic inventories. Consequently, there can be a massive year-end attempt to complete a full wall-to-wall physical inventory. <u>Legacy Public Works</u> Conversely, legacy Public Works operates under a high-risk manual environment with no automated inventory interface. Tracking relies on localized MS Excel spreadsheets that are not reviewed, do not have automated triggers, or data backups. Upon review of the MS Excel spreadsheets, auditors observed frequent manual errors, including broken formulas and unlinked cells, which further undermine data integrity. While staff are expected to monitor stock levels monthly, there are no formal processes, documented schedules, or management-led reviews of quarterly and monthly physical counts. Currently, cycle counts are performed on an ad hoc basis without formal management oversight or sign-off. Although management noted during the audit that a complete inventory had recently been performed, the department has yet to establish formal procedures or expectations regarding year-end and annual inventory reconciliations. **Observations** <u>Warehouse Inventory Management</u> Inventory testing was completed for physical existence (system-to-floor) and completeness (floor-to-system/ghost) for warehouse inventory for both legacy departments. For legacy Transportation, physical inventory testing identified warehouse inventory gaps with: • *Canton Warehouse:* 10 percent error rate (3 of 30) for physical existence (system-to-floor); 40 percent error rate (4 of 10) for completeness (floor-to-system/ghost) • *Harry Hines Facility*: 13 percent error rate (2 of 16) for physical existence of inventory (system-to-floor) For legacy Public Works, testing identified inventory items in the system but not on shelves and unrecorded inventory where items are on shelves but not in the system. • *Southeast Service Center*: 60 percent error rate (18 of 30) for physical existence (system-to-floor); 60 percent error rate (6 of 10) for completeness (floor-to-system/ghost)

Observation F	Warehouse Inventory Management
	• *Northwest Service Center*: 40 percent error rate (12 of 30) for physical existence (system-to-floor); 70 percent error rate (7 of 10) for completeness (floor-to-system/ghost) The following reasons for inventory discrepancies were cited: • Human errors in data entry and physical counting processes • Decentralized storage, as inventory kept in multiple locations complicates tracking and oversight • Administrative oversights in recording received items, resulting in variances between system records and physical shelf counts • Unrecorded inventory removals by field staff without the creation of required activity tickets • Missing transfer records that fail to document the movement of inventory between locations • Incomplete purchase order entries in the AssetWorks M5 system, leading to unrecorded inventory increases Physical Security Both legacy Transportation and Public Works face systemic security vulnerabilities that compromise inventory integrity. • *Legacy Transportation* protocols do not provide sufficient accountability for warehouse access. Individual badge-restricted access is currently limited to the main building entrances and has not been extended to the warehouse itself, leaving the facility reliant on physical keys held by various supervisors and staff. During non-working hours when personnel are on call, access to the warehouse and inventory removal is documented manually with a note for removed items. This manual process is not consistently followed, leading to undocumented inventory variances. • *Legacy Public Works* facilities do not have necessary surveillance infrastructure to monitor asset movement and protect facility grounds. There is no surveillance cameras installed at these facilities. This makes it difficult to document the physical arrival and unauthorized removal of all inventories—especially mechanical bay tools—many of which are the personal property of the mechanics.
Risk: Medium	Discrepancies between system records and physical inventory due to miscounts and omitted system updates increase the risk of inaccurate financial reporting and operational delays. Manual tracking and inconsistent cycle counts elevate the risk of phantom inventory, leading to unnecessary purchases or stockouts. Weak physical controls further expose assets to theft, misappropriation, and unauthorized use.

Observation F	Warehouse Inventory Management
Recommendations	We recommend that the **Director of Transportation and Public Works:** **F.1:** Transition from manual MS Excel spreadsheet tracking to AssetWorks M5 system to centralize and automate inventory processes and reduce inventory errors for both departments **F.2:** Configure AssetWorks M5 system to include automated minimum/maximum thresholds, proactive re-order notifications, and mandatory activity triggers to eliminate phantom inventory and unrecorded inventory **F.3:** Establish mandatory, management-approved schedules for cycle counts to replace the current ad-hoc process **F.4:** Enforce formal sign-off procedures and provide staff training to ensure all inventory removals and transfers are documented immediately **F.5**: Enhance physical security controls at all warehouse facilities by installing high-definition surveillance to cover parking lots, entry points, and tool bays for a visual audit trail and deter unauthorized asset removal **F.6:** Replace physical keys and shared codes with individual badge-restricted access to ensure granular accountability for facility entry, especially during off-hours **F.7:** Secure facility grounds with improved fencing or gated access to strengthen physical security
Management Response(s)	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation G	Low-Value Equipment Tracking

Observations	Transportation and Public Works tracks low-value equipment in various capacities.
	
	<u>Legacy Transportation</u>
	Legacy Transportation does not maintain a formal inventory for low-value equipment primarily because the department utilizes different types of equipment, largely consisting of heavy-duty manual equipment stored in secured cages.
	
	<u>Legacy Public Works</u>
	Legacy Public Works' low-value equipment includes generators, lawnmowers, blowers, weed eaters, and power saws which is managed through decentralized and manual processes supported by MS Excel spreadsheets that vary by location.
	
	Observations
	<u>Decentralized Oversight</u>
	Transportation and Public Works does not use a centralized, formal inventory management process for low-value equipment. This has resulted in a fragmented approach where individual facilities developed their own inventory tracking methods. This makes it difficult to quantify the overall value of low-value equipment purchased and recorded in the general ledger and an inability to effectively monitor the location, condition, and retention of low-value equipment.
	
	Across both legacy divisions, there is a little oversight over low-value equipment that leaves secured storage as no formal inventory process exists for tools and equipment stored on work trucks or assigned to field crews.
	
	<u>Low-value Equipment Tracking</u>
	Public Works low-value equipment is tracked inconsistently:
	• *Municipal Facility:* Low-value equipment is tracked via an MS Excel spreadsheet. The process remains highly manual, increasing the risk of data entry errors and administrative inefficiency.
	• *Harry Hines Facility:* Assorted low-value equipment noted within the warehouse system is maintained in an MS Excel spreadsheet. However, the spreadsheet is not used for tracking and counting low-value inventory, as the inventory is managed solely through paper records and manual logbooks. During the audit, staff provided two conflicting versions of paper inventory lists, neither of which reflected the actual items on-site.
	
	<u>Low-value Equipment Physical Inventory Gaps</u>
	Legacy Public Works' physical inventory testing of low-value equipment at storage locations (Southeast Service Center and Northwest Service Center) identified the following:
	• *Southeast Service Center*
	    ○ Physical existence (system-to-floor): 40 percent (6 of 15) of samples had discrepancies
	    ○ Completeness (floor-to-system): 80 percent (4 of 5) of samples had discrepancies
	• *Northwest Service Center*
	    ○ Items were omitted from inventory lists
	    ○ Several assets that could not be physically located
	    ○ No established process to reconcile employee signatures for check out against physical inventory to ensure items are returned

Observation G	Low-Value Equipment Tracking
	Legacy Transportation's primary tracking control is an initial tool list signed by new employees upon hire. Following the initial hand-off, no further tracking occurs. There are no ongoing logs or check-in/out procedures maintained within AssetWorks M5 or any other database to monitor the status or retention of these tools.
Risk: Medium	The absence of centralized oversight for low-value equipment increases the risk of theft, loss, and duplicate purchases. Not monitoring inventory lifecycle management and reconciling further weakens accountability and may delay operations due to limited visibility into equipment availability and condition.
Recommendations	We recommend the **Director of Transportation and Public Works**: **G.1:** Perform department-wide physical inventory of all low-value equipment to reconcile existing discrepancies and establish a firm, accurate baseline for future tracking **G.2:** Develop and implement a centralized, standardized policy that replaces manual and fragmented record-keeping with a digital inventory system, specifically considering the use of the M5 system to track low-value equipment and take advantage of its robust internal controls to ensure consistent oversight across all facilities **G.3:** Establish formal check-in/out procedures and periodic reconciliation audits to track the equipment lifecycle, improve employee accountability, and monitor assets assigned to field crews or work trucks
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works*

Observation H	Timekeeping – Overtime
Observations	Transportation and Public Works is largely composed of an hourly workforce which responds to unpredictable weather, construction delays, and scheduled City events. Because of the nature of this hourly workforce, and the operational complexity of timekeeping, overtime pay poses an inherent risk. During times of unplanned events, established internal controls may be circumvented to meet immediate mission requirements. All overtime requests must be submitted to the Assistant Director for pre-approval**.** These requests undergo budgetary review by Senior Program Managers, as these costs are tracked against specific departmental budgets rather than being documented directly within the Workday system at the request stage. The audit team reviewed 10 overtime pay period reports randomly selected from Fiscal Years 2023–2025. The overtime reports provided a comprehensive list of all overtime worked during a specific pay period (categorized by employee). These 10 reports generated a population of 3,077 employee overtime transactions with Public Works representing approximately 93 percent of all overtime pay transactions. The audit team selected and detail tested a representative, limited sample of 18 transactions from cost centers with the most overtime hours for each legacy department-12 from legacy Public Works and six from legacy Transportation. **Observations** Missing Documented Pre-Approval 83 percent (10 of 12) of legacy Public Works transactions and six of six (100 percent) legacy Transportation overtime pay transactions did not have evidence of pre-approval by an Assistant Director. Absence of Budgetary Review None of the 18 sample transactions had evidence that a formal budgetary review was performed prior to the overtime pay authorization. An overtime *Approval Request Form* that can serve as preventive control before costs are incurred is available but is not used consistently. This form is designed to capture essential data, including the employee requesting overtime, specific job numbers, and estimated costs for labor and equipment. Informal Documentation for Events In cases where overtime was needed by pre-planned special events, weather-related incidents, or specific service requests, management was able to provide informal emails or notes describing the circumstances; however, these justifications were not formally documented, indicating circumvention of authority.
Risk: Medium	Unauthorized overtime increases the risk of unplanned labor costs, weakens budgetary controls, and reinforces deficiencies in approval and monitoring processes, potentially leading to misuse of public funds.

Observation H	Timekeeping – Overtime
Recommendations	We recommend that the **Director of Transportation and Public Works**: **H.1:** Implement the use of the overtime *Approval Request Form* consistently for all non-emergency overtime pay transactions to: • Ensure increased labor costs are documented and authorized at least 24 hours in advance • Validate that Assistant Directors performed a budgetary review on estimated labor, equipment, and material costs before work begins **H.2:** Require post event documentation for unplanned or emergency events using the *Approval Request Form* to replace informal email justifications with a standardized, auditable record **H.3:** Establish specific fiscal thresholds (e.g., when a cost center reaches 75 percent of its annual overtime budget) that trigger a mandatory executive-level review. These reviews should require management to justify continued overtime usage and present a mitigation plan
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works.*

Observation I	Mobile Phone and Communication Expenditures
Observations	On a quarterly basis, a Mobile Device Coordinator performs a comprehensive usage analysis using Verizon reports to identify inactive mobile devices and specialized hardware, such as remote modems or cradles. The list of inactive mobile devices is sent to supervisors to verify the equipment's location and continued business necessity. The list is also used as a secondary check for employee offboarding in the absence of electronic termination notification initiated through Workday. Once reviewed, underutilized lines are formally dispositioned by suspending service, reallocating the hardware to new staff, or sending the units for recycling. This practice was not present in the legacy Transportation department but was used in the legacy Public Works department since June 2022. The use of a Mobile Device Coordinator was adopted in the consolidated department as of August 2025, near the end of the audit scope period. Auditors also evaluated the risk where employees might benefit from both department-issued equipment and receiving a monthly stipend. Cell phone stipends are fixed monthly payments intended to offset the cost of using personal devices for work-related purposes. **Observations** <u>Inactive Accounts</u> Auditors reviewed the results of a mobile device usage monitoring cycle performed by a Mobile Device Coordinator in January 2026. This review identified 21 accounts, the majority from legacy Transportation cost centers, that are eligible for immediate termination. The review also identified unutilized hardware—including Panasonic modems and cradles—found in storage or at field sites. As of this audit, the department plans to decommission these inactive lines. <u>Dual-Benefit Conflict</u> Upon comparing quarterly usage reports against the allowance list, auditors identified an employee who possessed a department-issued cell phone while simultaneously receiving a monthly stipend.
Risk: Low	Decentralized and inconsistent monitoring processes increase the risk of unnecessary expenditures for inactive service lines, the loss of unutilized hardware assets, and the occurrence of dual-benefit conflicts.
Recommendations	We recommend the **Director of Transportation and Public Works:** **I.1:** Implement a quarterly reconciliation process that integrates review of both device usage and stipend eligibility, as well as require managers/supervisors to certify the continued business necessity of device usage and/or stipend eligibility
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works.*

Observation J	Fuel Usage
Observation	Transportation and Public Works is responsible for the cost and oversight of fuel consumed by the department's assigned vehicles and equipment, and Fleet Management provides usage reports and financial forecasting to ensure adherence to the annual budget. Transportation and Public Works has not formalized internal roles or implemented department-specific policies to oversee fuel usage. Interviews with department leadership identified several critical control gaps, including no designated oversight for fuel card management, no formal reconciliation process to verify transactions against vehicle activity, and insufficient monitoring procedures to detect anomalies such as unauthorized or excessive fueling that exceeds the physical or operational capacity of the assigned vehicle or equipment (e.g., tank capacity overages or fueling frequency inconsistencies).
Risk: Low	Without formal monitoring processes, Transportation and Public Works cannot ensure that expenditures align with actual operational needs, leading to inflated fuel budgets and inaccurate performance data. Ultimately, this diminishes institutional accountability and leaves the City vulnerable to long-term fiscal waste.
Recommendations	We recommend the **Director of Transportation and Public Works:** **J.1**: Appoint a Fuel Coordinator to centralize accountability and serve as the primary liaison with Equipment and Fleet Management, ensuring that departmental operations remain aligned with City-wide infrastructure and reporting standards **J.2:** Maintain an accurate inventory of all issued cards and manage the full lifecycle of card issuance and cancellation **J.3:** Monitor fuel usage so that fuel is used exclusively for official City business **J.4:** Perform reconciliations using mileage usage reports regularly to ensure budgetary adherence and improve financial forecasting
Management Response	Refer to Office of the City Auditor's *Audit of Internal Controls in the Department of Transportation and Public Works.*

Appendix A

Appendix A: Risk rating system

The observations in this report were rated based on the specific standards described below:

Rating	Rating description
High	This is a high priority issue. Immediate management attention is required. This is a serious internal control or risk management issue that if not mitigated, may, with a higher degree of certainty, lead to: • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organizational entity or process being audited. • Serious violations of the organization's strategies, policies, or values. • Serious reputation damage, such as negative publicity in national or international media. • Significant adverse regulatory or compliance impact, such as loss of operating licenses or material fines.
Medium	This is a medium-priority issue. Timely management attention is warranted. This is an internal control or risk management issue that could lead to: • Financial losses (stipulate levels). • Loss of control within the organizational entity or process being audited. • Reputation damage, such as negative publicity in local or regional media. • Adverse regulatory or compliance impact, such as public sanctions or immaterial fines.
Low	This is a low priority issue. Routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the organizational entity or process being audited. Risks are limited.

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