



Internal Audit

District Fleet Audit

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Date: May 19, 2025

To: Board of Trustees
Stephanie S. Elizalde, Ed.D., Superintendent

From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: District Fleet Audit

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the District Fleet Audit.

The audit focused on processes and controls surrounding the management of the District's white fleet, which includes commercial vehicles that are typically not engaged in student transportation. Auditors reviewed current practices for purchasing, tracking, and maintaining District vehicles to determine if they are effective, efficient, and in compliance with applicable laws, regulations, policies, and industry best practices.

Opportunities for improvement were identified in the following areas:

Observation	Priority	Recommendation
1	High	Centralize white fleet purchasing and operations to more effectively and efficiently manage the District's vehicles.
2	Medium	Transition from a corrective to a preventive maintenance approach by implementing fleet management that ensures efficient fleet maintenance and facilitates well-informed decision-making
3	Medium	Leverage available tools to ensure accurate reporting of current vehicle values to the insurance company for catastrophic coverage.

Implementation of the recommendations in this report would assist the District in having more cost-effective and efficient management of white fleet.

Background

White fleet consists of District owned commercial vehicles (cars, trucks, and vans). Purchasing of white fleet is currently conducted by the various departments that need them for daily operations such as Maintenance and Facilities, Police, Food and Child Nutrition Services, Athletics, etc. Once purchased, Fleet Services is responsible for tagging and registering white fleet and communicating with the Fixed Assets Department so vehicles can be properly recorded for the financial reporting purposes. As of January 2025, the fixed asset listing had 824 white fleet vehicles with a net book value of approximately \$6.5 million. Table 1 below provides a breakdown of white fleet by department/area:

Table 1 – White Fleet by Department/Area as of January 2025		
Department	Number of Vehicles	Sum of Net Book Value
Operations	569	\$3,713,710
Police	177	\$2,034,370
Athletics	21	\$48,690
EdTech	23	\$122,803
Schools	8	\$253,618
Other	26	\$299,085
Total	824	\$6,472,276

The Fleet Services department is also currently responsible for the maintenance of white fleet. Routine maintenance and inspections are primarily done in house at the District's fleet maintenance service center, where there is a staff of 17 that includes service technicians, oil technicians, small engine technicians, custodial service technicians, and tire technicians. Major repairs of District vehicles are typically conducted by awarded third party vendors.

The fleet service center maintains parts needed for routine maintenance and minor repairs on sight. The process for supplying spare parts to white fleet vehicles has evolved over several years and the department has recently transitioned from utilizing a third party to maintain parts inventory to handling it fully in house. The department is currently in the process of implementing software to track and manage the parts inventory as well as maintenance and repairs work orders.

District vehicles are equipped with GPS to better track and manage usage, location, safety, etc. Currently, most white fleet vehicles are tracked utilizing GPS Insights, with the exception of police vehicles, which use Verizon.

Fleet is covered under the District's self-insured auto policy. Additionally, the District maintains a catastrophe policy with an outside insurer to protect assets (including vehicles) against catastrophic damage resulting from tornados, hailstorms, fires, etc. For vehicles to be properly covered, a listing with details of the assets and their values must be submitted to the insurance provider quarterly.

Scope

The audit period included a review of current processes as of fiscal year (FY) 2024-2025.

Objective

The objective of the audit was to review the processes and controls surrounding management of the District's white fleet.

Methodology

Auditors interviewed key personnel, conducted walkthroughs, and reviewed supporting documents to understand processes and controls surrounding the District's white fleet management.

Detailed audit procedures are noted below:

1. Vehicle Management – To determine if white fleet are properly purchased, tracked, and managed, auditors performed the following:
 - a. Reviewed purchasing documents for white fleet including the BuyBoard agreements for vehicle purchases, purchase orders, and payment details to determine if purchases complied with regulations and obtained the best value.
See Recommendation 1 in this report.
 - b. Obtained and compared vehicle listings from Fleet Services, Risk Management, and Fixed Assets to determine if current vehicles are properly tracked and recorded.
See Recommendation 1 in this report.
 - c. Reviewed Fleet Service's process for registering District vehicles and maintaining current license plates, registrations, decals, etc.
See Recommendation 1 in this report.
 - d. Reviewed the District's Catastrophic Insurance Policy and the listing of vehicles covered as of December 31, 2024, to ensure white fleet are properly covered in the event of a catastrophic event.
See Recommendation 3 in this report.
 - e. Obtained and reviewed data from GPS Insights from January 1, 2024, to December 31, 2024, to identify any unusual vehicle usage or activity as well as any potentially underutilized vehicles.
See Recommendation 1 in this report.
 - f. Reviewed the white fleet vehicle replacement plan for FY 2021-2024 to assess replacement of aging vehicles.
See Recommendation 1 in this report.
2. Vehicle Maintenance – To determine if District vehicles are properly maintained and if maintenance efforts are cost-effective and efficient, auditors performed the following:
 - a. Reviewed process for scheduling, conducting, and documenting routine maintenance, inspections, and repairs.
See Recommendation 2 in the report.
 - b. Reviewed purchasing details for vehicle repairs to analyze cost effectiveness.
See Recommendation 2 in the report.
 - c. Reviewed the process for transitioning parts inventory management to Fleet Services.
No observations were noted; however, results were communicated to management.

Primary criteria used for this audit were:

- 1) Financial Accountability System Resource Guide, 2024
- 2) Texas Administrative Code – Title 43, Part 1, Chapter 31, Subchapter E, Rule 31.53 – Texas Department of Transportation, Public Transportation, Property Management Standards, Maintenance Requirements, February 21, 2008

Audit Observations and Recommendations

Observation 1 – Issues noted regarding the purchasing, tracking, and managing of white fleet.

Condition

Auditors reviewed processes surrounding the purchasing, tracking, and management of white fleet noting the following issues:

1. White fleet vehicles are not properly tracked – Auditors were unable to obtain a reliable listing of white fleet vehicles as purchasing records are not accurately reflected and various manual listings maintained were not consistent and/or contained missing, duplicate, or inaccurate information. For example, auditors obtained three different listings as follows: Fleet Services provided a listing consisting of 770 white fleet vehicles, Risk Management has 749 white fleet vehicles covered under the catastrophic insurance policy as of December 31, 2024, and 824 vehicles were noted on the Oracle fixed asset listing as of January 27, 2025.
2. Expired registrations – Fleet Services is responsible for registering all District white fleet. Auditors were unable to obtain documentation to verify vehicles had current registrations as this is not effectively tracked. Per discussion with Dallas ISD PD, approximately 20% of their white fleet have expired registrations.
3. Ineffective purchasing strategy – Purchasing of District vehicles is conducted by various departments via a cooperative agreement. The agreement allows for fees such as an administrative fee of \$400 per purchase order. As the fee is based off purchase order rather than number of vehicles purchased, more purchase orders result in greater fees. According to purchasing records, the District paid 11 administrative fees in FY24. While this example is monetarily immaterial, it represents potential cost savings that could be leveraged if the purchasing of District vehicles was consolidated and properly planned for.
4. Inefficient fleet utilization – Auditors reviewed vehicle utilization information generated by GPS Insight noting 511 vehicles are listed on the tracking reports. As a complete listing of vehicles could not be obtained, auditors were unable to verify all white fleet were equipped with GPS; however, of the 511 vehicles listed, auditors noted 77 that had no utilization during FY2024. Of the 77, four were noted to be out of service. Additionally, auditors noted 165 vehicles reported on the data were driven 32 days or less during FY 2024.
5. Improper planning for vehicle replacement – auditors noted there is currently no districtwide vehicle replacement plan in place. While Fleet Services and Dallas ISD PD have individual replacement plans in place, they do not appear to cover all white fleet. The Dallas ISD PD replacement plan is bond funded and includes replacement of the entire fleet by 2026-2027. Fleet Services replacement plan for FY 2021-2024 included vehicles for certain departments but is not a comprehensive vehicle replacement plan for the entire white fleet. Additionally, 45 vehicles were scheduled to be replaced according to the replacement plan; however, according to the Risk Management vehicle listing, only 16 vehicles (36%) were replaced and approximately 426 of the 749 vehicles (57%) are currently over 10-years old, with in-service vehicles dating back to 1989.

Cause

Many of the issues noted above can be attributed to the decentralized approach to procuring and managing white fleet. Currently any department with a need and a budget that allows for it can purchase commercial vehicles, and there have been no processes in place to notify Fleet Services, Risk Management, or Fixed Assets of these purchases to ensure vehicles are properly registered, tracked, insured etc.

Effect

The issues mentioned above have resulted in, or could potentially lead to, the following risks:

- Inadequate tracking of white fleet may lead to improper use, increased operational costs, inefficient utilization, and/or theft or loss.
- Expired registrations result in non-compliance with state regulations, potentially resulting in fines or penalties.
- Lack of strategic purchasing can result in unnecessary expenses such as excess fees and missed opportunities to leverage bulk purchasing or discounts for the best value.
- Ineffective utilization of fleet can lead to redundant or wasted resources, resulting in avoidable costs to purchase and manage surplus vehicles.
- Inability to establish an effective vehicle replacement plan can result in an aging fleet, leading to extensive repair costs, downtime, and an increased potential for safety issues.

Recommendation 1

To better manage and maintain District owned vehicles, OIA recommends the District centralize the purchasing, management, and operations for white fleet. Processes and procedures for purchasing, receiving, distributing, tracking, and decommissioning white fleet should be developed and documented.

Additionally, the following should be conducted:

- Implement a robust fleet management software that tracks all vehicle details, including licenses, titles, registrations, and insurance policies. Regular audits can ensure compliance and coverage.
- Identify all current District owned vehicles and document vehicle details, history, and current condition in the software.
- Obtain and centrally store all necessary and required documentation for the vehicles such as titles and registrations.
- Implement a reconciliation process to ensure all vehicles are equipped with GPS and conduct a thorough analysis of vehicle utilization to identify underused assets. Optimize the fleet size by reallocating or disposing of surplus vehicles. Implement usage monitoring to ensure efficient deployment of resources.
- Review fleet purchasing contracts to determine if bulk purchasing or other value can be added with implementation of a centralized fleet.
- Develop a districtwide vehicle replacement strategy based on lifecycle costing. Regularly review and update the plan to account for changing needs and advancements in vehicle technology. Prioritize replacement of high-maintenance and high-risk vehicles.

Risk Level for Observation 1: High¹

Management Response

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response: Currently White Fleet and Yellow Fleet operate two different GPS systems. The Yellow Fleet system offers more details and overall tracking capabilities. In the summer of 2025, White Fleet will transition to the same GPS system utilized by Yellow Fleet. This system includes system alerts for mileage and routine maintenance. The new system will more accurately track vehicle utilization as well.

Management agrees that a centralized approach to replacement of White Fleet vehicles would improve the effectiveness of purchases.

Estimated Implementation Date:

- Reset of current White Fleet GPS System completed in March of 2025
- Installation of new White Fleet GPS System (aligned with Yellow Fleet) by September of 2025

Individuals responsible for implementation: Director of Fleet Maintenance and Manager of Fleet Maintenance.

Observation 2 – Issues noted regarding the maintenance and repair of white fleet vehicles.

Condition

Auditors reviewed processes for maintaining the District's white fleet noting the following issues:

1. Ineffective maintenance schedule – auditors noted vehicle maintenance details such as service history, vehicle mileage, maintenance due is not effectively tracked and there are limited processes in place to ensure routine and preventive maintenance is properly conducted on white fleet. Current processes rely on end users to determine vehicle maintenance needs/requirements and bring vehicles to the service center for routine maintenance when needed rather than more proactive and centralized oversight.
2. Lack of detailed service records - auditors noted maintenance and repairs performed on white fleet are not effectively documented or tracked. Fleet Services is responsible for performing preventive/routine maintenance on white fleet (oil change, tire rotation, air filter replacement, wiper blades, etc.). More complex repairs (i.e., engine, transmission, etc.) are performed by external vendors. Although invoices for third party work performed are properly reviewed and approved, auditors noted third party repairs were not consistently documented for the work performed and the associated vehicles. Work performed by Fleet Services is currently manually maintained in hard copies; however, Fleet Services has

¹ See Attachment 1 for Definition of Risk Level.

software with the ability to track and manage vehicle maintenance and is currently implementing processes to leverage the software.

3. Repair costs are not properly tracked or assessed – auditors noted vehicle maintenance and repair costs are not consistently tied to individual vehicles and therefore cannot be assessed to determine if cost effective. When reviewing Fleet Service’s processes for assessing repair costs, auditors noted there are currently no procedures or standards in place to analyze cost effectiveness such as comparing the repair cost to the age of the vehicle, review repair history, evaluate the remaining lifespan, and consider ongoing costs and resale value. It appeared the primary driver when determining when to repair a vehicle was downtime and productivity loss.
4. Improper planning for service expenses – auditors noted that although budgets are allocated to various departments to purchase vehicles, service and repair costs are budgeted solely in Fleet Services. This budget often does not consider the vehicles purchased under other departments nor the associated costs if external repairs are needed. Additionally, since vehicle history is not properly tracked, service and repair expense estimates are not accurately forecasted.

Cause

The issues above are attributed partially to the decentralized structure of District fleet and associated budgets; however, the primary cause is simply due to the lack of effective procedures to properly plan, account for, and maintain District owned vehicles.

Effect

The issues above have led to a corrective rather than preventive maintenance approach resulting in avoidable costly repair expenses. Not having a maintenance schedule has resulted in extended processing times which has deterred end users from bringing vehicles in to be routinely serviced.

Lack of detailed records can lead to inefficient repairs, warranty issues, higher costs, and safety risks. Additionally, improper planning for service and repair expenses has resulted in major repairs being extended, increasing the likelihood of safety issues as well as more costly repairs.

Lastly, failing to assess the cost-effectiveness of vehicle repairs has led to spending more on repairs than the vehicle is worth, more frequent breakdowns, and reduced productivity.

Recommendation 2

As noted in Recommendation 1, the District should consider centralizing white fleet operations under its own budget, which would allow for more effective tracking, managing, and forecasting of maintenance and repair costs. Once vehicle information is consolidated (as recommended in Observation 1), it should be analyzed to properly forecast and budget maintenance and repair expenses. To better manage vehicle maintenance efforts, Fleet Services should consider the following:

- Utilize a centralized work order system to manage vehicle maintenance and maintain detailed documentation for work performed.
- Determine and document current conditions and vehicle history to the extent possible and perform any backlog of needed maintenance.

- Implement automation efforts for scheduling routine maintenance (such as utilization of an online appointment booking system), assigning tasks, sending alerts, etc.
- To minimize downtime for scheduled maintenance, ensure loaner cars are available when repairs cannot be performed promptly.
- Utilize analytics and reporting to identify and plan for recurring issues.
- Track service costs by age and mileage of vehicles and periodically assess these costs.
- Establish, track, and continuously assess KPIs for effective and efficient maintenance and repair services.

Risk Level for Observation 2: Medium²

Management Response

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response: The new GPS system scheduled for install in the summer of 2025 is more robust and will alert Fleet Maintenance when routine maintenance is needed.

White Fleet currently uses the same work order tracking platform as Yellow Fleet. White Fleet is still in the implementation phases of the work order tracking platform. Training is currently in place and an extended training is scheduled by this Fall.

White Fleet has implemented an approval process with the Fleet Manager prior to any third-party repairs being completed. This supports better tracking of repairs and monitoring of budgets.

Estimated Implementation Date:

- Installation of new White Fleet GPS System (aligned with Yellow Fleet) by September of 2025
- Training on White Fleet Work Order Management System is in progress, training will be completed by November of 2025
- The internal approval for all third-party repairs was implemented in December of 2024 and will remain in place moving forward.

Individuals responsible for implementation: Director of Fleet Maintenance and Manager of Fleet Maintenance.

Observation 3 – Potential overpayment in premiums for catastrophic insurance were noted.

Condition

Auditors reviewed the fourth quarter (Q4) listing of vehicles, for both white fleet and buses, covered under the catastrophic insurance policy noting potential overpayment of premiums for vehicle coverage. Premiums are based off the market value of the vehicle; however, the value of the vehicles sent to the insurance carrier lists the purchase price rather than the current cash

² See Attachment 1 for Definition of Risk Level.

value. As the information needed to best determine the market value of the vehicles is not readily available and a reliable vehicle listing could not be obtained, auditors were unable to properly estimate the dollar value of any potential overpayment.

Cause

As noted in Observation 1, there is currently not a reliable listing of District vehicles and their respective values. Additionally, the purchase price has been historically reported for the catastrophic insurance policy rather than the actual cash value.

Effect

Reporting the purchase price for District vehicles has resulted in potential overpayment of premiums.

Recommendation

With the implementation of Recommendations 1 and 2, Risk Management will have better tools to ensure a complete listing of vehicles is maintained along with information to properly assess the current values of the vehicles. Fleet Services and Risk Management should leverage these tools to determine and report current market values to the insurance company as required. Additionally, processes could be implemented to conduct analysis on listings to identify any unusual activity such as changes in number and/or value of vehicles to assess if listings are accurate prior to submission.

Risk Level for Observation 3: Medium³

Management Response

Acknowledgement of observation:

- ☒ Agree
- ☐ Disagree

Management Response: Management agrees that the inventory and current values need to be updated and shared with the insurance provider. To complete this task, Fleet Maintenance, Risk Management, and Fixed Asset Management will update the inventory of vehicles to include the current mileage and market value. This updated inventory and market value will be shared with the current provider and updated yearly during the insurance renewal window.

Estimated Implementation Date:

Updated inventory and values will be provided to current provider by June of 2025. Inventory and values will be updated each year by November 1, 2025, beginning in November of 2025. This will be the process moving forward.

Individuals responsible for implementation: Director of Fleet Maintenance, Manager of Fleet Maintenance, and Executive Director of Risk Management

³ See Attachment 1 for Definition of Risk Level.

Conclusion

Currently, Fleet Services is developing processes and leveraging available technology to better track and manage Dallas ISD's white fleet. Implementation of the recommendations in this report would assist the District in having effective and efficient processes for vehicle management, vehicle maintenance, and parts inventory to ensure the cost-effectiveness of fleet operations.

We would like to thank Fleet Services for their cooperation and assistance with this audit.

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. Those standards require OIA to plan and perform the audit to obtain sufficient, reliable, and relevant evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

Robert Rubel

Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Cc: Pamela Lear, Ed.D., Deputy Superintendent of Staff and Accountability
David Bates, Chief Operations Officer, Maintenance and Facility Services
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Acknowledgments:

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Definition of Risk Level

Risk Level	Definition
High	These risks could directly impact achievement of a strategic or important operational objective of the District. There is a high probability of occurrence that would significantly impact the District and/or have a significant financial, reputational, or compliance risk.
Medium	Risks are considered to be undesirable and pose a moderate level of risk exposure to District operations. Without appropriate controls, the risk will happen on a consistent basis.
Low	The risks are considered to be undesirable and could moderately expose the District. Without appropriate controls, the risk will occur some of the time.

Management Response

Observation 1 – Issues noted regarding the purchasing, tracking, and managing of white fleet.

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response:

Currently White Fleet and Yellow Fleet operate two different GPS systems. The Yellow Fleet system offers more details and overall tracking capabilities. In the summer of 2025, White Fleet will transition to the same GPS system utilized by Yellow Fleet. This system includes system alerts for mileage and routine maintenance. The new system will more accurately track vehicle utilization as well.

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Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response:

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Individuals responsible for implementation: Director of Fleet Maintenance and Manager of Fleet Maintenance.

Observation 3 – Potential overpayment in premiums for catastrophic insurance were noted.

Acknowledgement of observation:

☒ Agree

☐ Disagree

Management Response:

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Individuals responsible for implementation: Director of Fleet Maintenance, Manager of Fleet Maintenance, and Executive Director of Risk Management

Criteria by Observation

Observation 1 - Criteria

Texas Education Agency – Financial Accountability System, Resource, Resource Guide, 2024

Control of Assets:

- Establishing the accountability for each asset
- Periodically comparing detail property records with existing assets

Inventory of Assets:

- identify and resolve discrepancies between the asset inventory list and what is on hand

Observation 2 - Criteria

Texas Administrative Code – Title 43, Part 1, Chapter 31, Subchapter E, Rule 31.53 – Texas Department of Transportation, Public Transportation, Property Management Standards, Maintenance Requirements, February 21, 2008

- (b) Real property and facilities. Subrecipients shall perform necessary maintenance and groundskeeping to preserve the value of the original investment and its physical appearance and integrity. Failure to establish and observe a maintenance program constitutes grounds for the department to direct the transfer or disposition of the real property or facility.
- (d) Maintenance program. Subrecipients shall have a maintenance program that includes:
- (1) a written maintenance plan;
 - (2) preventive maintenance inspections and scheduled services, which shall include at a minimum the manufacturers' recommended servicing schedules;
 - (3) provisions for accessibility;
 - (4) management of maintenance resources;
 - (5) warranty compliance and recovery; and
 - (6) standards for maintenance subcontractors.

Observation 3 – Criteria

Texas Education Agency – Financial Accountability System, Resource, Resource Guide, 2024

Control of Assets:

- Establishing the accountability for each asset
- Periodically comparing detail property records with existing assets

Inventory of Assets:

- identify and resolve discrepancies between the asset inventory list and what is on hand