

Audit Report Number 2007-10
City of Richmond
Audit of DPW – Fleet Services
May 2007

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EXECUTIVE SUMMARY

May 18, 2007

The Honorable Members of City Council
Richmond Audit Committee
City of Richmond, Virginia 23219

The City Auditor's Office has completed an audit of the Fleet Services Management Division (Fleet Services) of the Department of Public Works for the 12 months ended June 30, 2006. This audit was conducted in accordance with Generally Accepted Government Auditing Standards.

Objectives

The objectives of the audit were to:

- Evaluate the effectiveness and efficiency of Fleet Services' operations
- Verify compliance with applicable laws, regulations and policies
- Determine the existence and effectiveness of internal controls
- Ensure the safeguarding of assets

Findings and Recommendations

The City appropriated over \$22 million for operational and capital expenditures in the Fleet Services Division in FY2007. The division plays an important support role for the City's key functions such as public safety, utilities and public works. This function is expected to provide efficient, timely and cost-effective services to its users. It is imperative that resources allocated to this function are managed efficiently and effectively.

The audit identified areas where there is a potential opportunity to save public resources. The chart below depicts the potential savings opportunities, lost savings and savings opportunities that could not be quantified:

Description	Savings Opportunity identified by Audit*	Savings Opportunity identified by Administration*
Replacing eight and six cylinder sedans with four cylinder sedans	\$1.75 million	
Future replacement of vehicles and equipment using specifications based on need	Significant but could not quantify	
Fleet reduction due to adopting alternative solutions for underutilized vehicles and equipment	Significant but could not quantify	
Discontinuing the practice of retaining old vehicles after they are replaced	Significant but could not quantify	
Fuel: Improved accountability over fuel Premium grades of fuel	Could not quantify \$6,000	
Parts room operation management	At least \$250,000	
Vehicle Reduction Plan		
One time revenue from sale of vehicles (net of liabilities)		\$855,000
Annual savings in operating expenditures (maintenance and fuel)		\$900,000
Utilizing state contract for purchases	Could not quantify	
Outsourcing of the Fleet Management function	Up to \$2.6 million	

* The total savings may be realized over a period

The salient issues are discussed as follows:

Based on the results of this audit, it appears that the management of this function needs to be improved significantly. Lack of appropriate leadership in the division may have resulted in the weakening of controls and increasing costs. Richmond has the highest per-capita spending, which exceeds the average Fleet Services cost per-capita at comparable localities by 76%. This shows that there is significant room for improvement in the management of this function. The division in some areas did not track pertinent information that was needed or could not retrieve the information from the system database. Without information, management may not be able to make decisions that assure sound management of over \$22 million of public resources.

This report discusses the opportunities and possible resolutions for establishing accountability over these areas. Specifically, the observations were grouped in the following general categories:

- *General Management*

- *Information Management*
- *Asset Management*
- *Operations Management and Customer Service*
- *Service Alternative*

General Management

Management Turnover

Fleet Services has suffered noteworthy management turnover during the last several years. The operation has been managed by several different managers since 2001. Currently, the Fleet Operations Manager position is vacant. Lack of stable leadership in the management position may have adversely impacted the division's operations and cost effectiveness.

Policies and Procedures

The division lacks an updated written policies and procedures manual. Several procedures and practices have changed since the last manual was completed, which are neither reflected in the manual nor communicated uniformly to the staff. Without an accurate manual, the operational tasks may not be conducted consistently in compliance with the established policies. Additionally, during this audit, at least two examples of non-compliance with procurement policies and procedures were observed.

Customer Service

It appears that prudent customer service practices adopted by Fleet Services were abandoned recently. Prior practices included periodic group meetings with vehicle coordinators in various City departments, which facilitated two-way communication and helped Fleet Services to address the issues raised by the users.

Based on a survey conducted during this audit, it appears that the users were generally satisfied with the quality of repairs; however, about 40% of the coordinators expressed that vehicle downtime has had a negative impact on their operations. The down time ranged from less than 1 to 172 days for Police vehicles and less than 1 to 288 days for non-Police during FY2006. If a vehicle or equipment is not available, the department may suffer productivity losses, as some crews may not be able to effectively perform their duties. The Fire Department and the Parks and Recreation Department indicated that repeat repairs (taking vehicles to Fleet Services repeatedly for the same problem) is a concern. Auditors were unable to verify the significance of this issue due to discrepancies in Fleet Services' database.

❏ Employee Morale

Based upon an employee survey, it appears that many employees question the fairness in how employees are treated. In addition, employees appeared to be concerned about workload, training, parts quality, and the amount of work sent to vendors; however, they had positive comments related to the direction they receive. Overall, it appears that employee morale in the division needs to improve. A dissatisfied workforce may not be able to perform at its peak performance.

Information Management

- ❏ Fleet Services has an older but adequate computer system to manage its operations. However, the division personnel lack appropriate training to use the system. The lack of ability to retrieve appropriate information has impacted management in this division significantly. Under these circumstances, operational decisions are based on either incomplete or inaccurate information, which may not result in the optimal use of City resources.
- ❏ Fleet Services staff did not have adequate knowledge relative to what services were included in the annual maintenance fee and whether the City was receiving all services covered under the contract for their Maintenance Control and Management System (MCMS).

Asset Management

- ❏ Fleet Services has recorded approximately \$61.6 million in gross value of equipment in the City's 2006 annual financial report. Currently, there is no procedure in place to account for these vehicles within the City's Fixed Asset Module. Neither Finance nor DPW staff performed the annual reconciliation procedure between the MCMS system and the City's financial system relative to the dollar value of Fleet Services vehicles to prevent duplications and omissions.
- ❏ Fleet Services staff deletes from the database system all information about vehicles that were sold or retired. The staff could not explain the rationale for this practice. This situation represents a significant risk to the City. The capability to remove this data from the system allows for the possibility of the deliberate removal of a vehicle from the system. If this occurs, there will be no audit trail for the existence of the vehicle or equipment. **If the vehicles or equipment were missing, it would not be detected and investigated in a timely manner,** resulting in a loss to the City.

- ❏ Fleet Services management was unable to provide total City-owned equipment counts for years prior to FY06. Therefore, no evaluations could be made regarding growth in City Fleet Services over a period.
- ❏ Currently, Fleet Services only assists the departments in the specification activity related to purchasing vehicles and equipment. Its participation does not appear to have influenced the avoidance of unnecessary expenditures. For example, departments routinely purchase eight and six cylinder vehicles for non-Police Field Services activities. Purchasing four-cylinder vehicles would satisfy the departmental need for commuting short distances within the City. Four-cylinder vehicles are less expensive to purchase and cheaper to maintain. Replacing all non-Police Field Services sedans with four cylinder sedans would result in capital cost savings of approximately \$1,454,300 and recurring, annual operational cost savings of \$305,500 (total first year savings of \$1.75 million).
- ❏ Fleet Services does not have authority or control over the departments related to vehicle and equipment management. Auditors were informed of instances where departments acquiring new vehicles with the intention of replacing existing vehicles sometimes retain the old vehicle in addition to acquiring a new vehicle. During the period from September 2005 through April 2006, the City purchased 70 vehicles to replace older vehicles. However, instead of removing the older vehicles from the fleet, the departments decided to keep them. This situation results in an **unauthorized growth** of the City's Fleet Services and increases repairs and maintenance expenditures.
- ❏ Fleet Services has not formally adopted or communicated a requirement of minimum utilization of vehicles and equipment, unlike many local jurisdictions. This type of requirement verifies the criticality of the assignment of the vehicle to a specific operation. There are several alternatives to investing in a vehicle that is expected to have low utilization such as sharing vehicles among several employees in a motor pool or reimbursing the employees for using their personal vehicle for City business. Adopting these types of options would reduce the fleet size and operations, maintenance and repairs costs.
- ❏ There is a clear relationship between the age of vehicles and equipment, and the cost of the Fleet. Generally, compared to new vehicles and equipment, older vehicles and equipment may be unreliable and tend to break more frequently. Therefore, keeping vehicles or equipment in service for a period longer than their economic life increases fleet costs. Fleet Services is not in a position to perform any such scientific analysis to rationally manage the optimum fleet replacement, as it does not track and use adequate information for this purpose. The audit report includes examples of vehicles and equipment where the repairs and maintenance costs significantly exceeded their respective replacement costs. An analysis of cost effectiveness of replacing these assets was not performed.

- During the audit period, Fleet Services received a directive from the City Administration to reduce the size of the City's Fleet Services by 500 vehicles by the end of calendar year 2006. It appears that the reduction plan was a step in the right direction to contain Fleet costs. As of March 20, 2007, Fleet Services had sold 443 vehicles and generated approximately \$855,000 in sales proceeds, net of the auctioneer's fees and the outstanding debt liability.

Operations Management

■ **Performance Measures**

The prior audit of Fleet Services (2001) revealed that performance measures were in place and were reported on a monthly basis. However, this audit revealed that Fleet Services staff had ceased all monthly reporting of performance measures to management. The data accumulated for most of the measures, including preventive maintenance statistics, specific vehicle information, fuel statistics, labor productivity and vehicle downtime were only completed up through September 2005. Fleet Services is not in a position to retrieve and use pertinent data to measure employee and operational performance. The inability to do so may have compromised its capability to identify needed improvements and address them.

Labor hours recorded in work orders can be altered and have been altered by the supervisors to match the published standards and the excess time can be accounted as indirect costs. This situation defeats the purpose of using published standards and results in misrepresentation of labor efficiency. In these circumstances, Fleet Services management is not able to evaluate and manage labor costs.

■ **Training**

The division does not have a goal or mechanism to assure the adequacy of mechanic training. The City offers a monetary incentive for mechanics to obtain and retain certifications. However, the division did not verify whether certifications were current. As a result, some of the mechanics could be additionally compensated for certifications that have expired. Audit tests could verify only 37 of 61 total certifications. The remaining certifications were either expired or the division did not have any evidence supporting the certifications. Renewal of a certification requires the employees to take a relevant test to determine the adequacy of their knowledge. Therefore, without retesting, the continued competency of a mechanic in a specific area cannot be verified.

+ Fuel Operations

Reduced Controls over Fueling

Fleet Services' internal controls over fuel operations need improvement. Prior to March 2006, the users were required to use a fuel card identifying them, and then they were required to use a card assigned to the vehicle prior to fueling. These procedures identified which user fueled which vehicle at what time. These procedures, however, did not assure if the user input the correct mileage in the system when fueling. The MCMS system does not currently require a reasonably correct mileage to be input, but does provide edit check reports that would provide questionable data to Fleet. However, instead of using system capabilities, management exempted users from inputting mileage in the system, removed cards that identified the users and kept only cards assigned to vehicles. As a result, the system can only record which vehicle was fueled at what time. Personal accountability of the user for fueling is lost. This has reduced controls over fuel operations.

Even though the new program was put into place to help control the abuse of fuel usage, more than a year later, a full monitoring program has not yet been developed. No testing or review has taken place by City management since implementation of the new policy.

Users can exceed the vehicle fuel tank's capacity when fueling

Fleet Services records revealed at least 645 transactions where fuel pumped into the vehicle exceeded the fuel tank capacity of vehicle. For example, the records show that one user pumped 44.7 gallons of fuel in a vehicle with a 16 gallon tank capacity. Additional examples are included in the detailed report. It is possible to configure the system to disallow fuel transactions exceeding the fuel tank capacity. The above instances could represent misappropriation of fuel. The fueling facilities are accessible by the City employees 24 hours a day, seven days a week. Most of these sites are not staffed or otherwise monitored using security cameras. These circumstances may not prevent or detect fuel misappropriations.

Users can fuel vehicles more than once a day

Auditors found at least 166 examples where employees returned to the fuel site to pump additional gas. This capability could allow users to fuel different vehicles with one fuel card. For example, the records show that more than 55 gallons of fuel was pumped in a Crown Victoria (19 gallon tank capacity) and that this vehicle was fueled three times in four hours.

Premium Fuel Use

In FY 2006 Richmond had 21 Police Motorcycles that used only 890 gallons of premium fuel. However, a total of 70,707 gallons of premium fuel was used by various departments and agencies. Again, appropriately using the computer system would restrict the use of premium fuel to authorized vehicles only.

 Parts Operations

Fleet Services has privatized the parts room operations. However, it could have monitored this contract more effectively. The vendor was contractually obligated to supply parts at their costs. However, the division did not have an effective mechanism to verify if the vendor complied with this requirement. A limited comparison of the vendor's prices and state contract prices indicated the possibility of purchasing parts at a lower cost on the state contract. Also, about half of the mechanics do not appear to be satisfied with the quality of the parts delivered. Based on audit analysis, it appeared that the vendor is being paid at a much higher rate to operate the parts room compared to the estimated cost of providing this function in-house.

Service Alternative

This report identified several management issues related to Fleet Services. There appears to be two options to address this situation in order to improve accountability over substantial public resources. One of the options involves addressing all the discrepancies identified and implementing all the recommendations. If this option is chosen, care should be exercised to hire an individual with skill sets that include addressing Fleet- related issues and general management skills. The alternative is to outsource the function to a vendor experienced in managing public sector fleet maintenance. Audit analysis identified that there is a potential **savings of up to \$2.6 million** by outsourcing the function. All the jurisdictions that the Auditor's Office contacted that have outsourced the function provided positive feedback in response to audit inquiries. This appears to be a preferred option as the day-to-day management of the operation would be handled by vendor. A contract administrator hired to monitor the vendor compliance will be able to focus on customer service, and managing fleet mix, acquisition and financing issues.

The City Auditor's Office wishes to thank the Department of Public Works (DPW) and other departments for their cooperation during this audit. A written response from DPW is attached to this report. Please contact the City Auditor's Office, if you have any questions.

Comprehensive List of Recommendations

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3.	Resume periodic meetings with users to obtain feedback useful in improving and enhancing user service. Communicate Fleet Services' efforts or the reasons for its inability to address user concerns.	25
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48.	Conduct a detailed study of usage, operations and maintenance costs and locations of fueling sites; and determine the most cost effective way to provide fueling services, including the possibilities of privatization.....	82
49.	Conduct a feasibility study to determine if cost savings would result by bringing the parts operation back in-house or pursuing some other outsourcing alternative.	87
50.	Evaluate the prices of the parts supplied by various sources and available using the state contract to determine best source of parts procurement.	87
51.	Any future outsourcing contract must include performance measures and an incentive to obtain best parts prices.	87
52.	Outsource Fleet Services operations after conducting thorough research and inviting all major companies providing Fleet Management Services to local	

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53.	Ensure that the contract includes appropriate performance measures, financial rewards for superior performance and financial penalties for not meeting performance criteria.....	92
54.	Hire a contract administrator knowledgeable both in fleet operations and prudent management practices to monitor contractor performance and compliance with the contract.....	92

Introduction

The City Auditor's Office has completed an operational audit of the DPW - Fleet Management Division (Fleet Services) for the twelve months ended June 30, 2006. The audit was conducted as part of the City's 2007 audit plan and was conducted in accordance with Generally Accepted Government Auditing Standards.

Objectives and Methodology

The overall objectives of the audit were to evaluate the effectiveness and efficiency of Fleet Services' operations in the areas of management operations, acquisitions, disposals/replacements, repairs and maintenance; verify compliance with laws, regulations and policies; determine the existence and effectiveness of internal controls; and ensure safeguarding of assets. The following were some of the audit procedures conducted:

- Entrance Conference with Deputy Director of Public Works
- Interviewed Fleet Services management and staff
- Surveyed user departments and Fleet Services staff
- Observed operations at the Parker Field repair facility
- Reviewed financial data
- Analyzed data recorded in the automated system

In addition, during the current year, the implementation process for the Administration's Vehicle Reduction Plan was reviewed. Also a cursory review of a complaint relating to this Plan, received

during this audit, was performed.

Management Responsibility

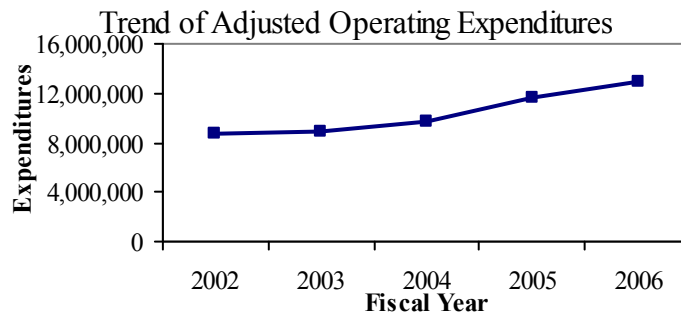
Management is responsible for maintaining a system of internal controls

The management of the City of Richmond is responsible for maintaining relevant records and maintaining a system of internal accounting and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of the control procedures. The audit procedures provided a reasonable basis for conclusions regarding the internal control structure and recommendations.

Background

Fleet Services Management is responsible for acquiring, maintaining, repairing, and disposing of vehicles and other equipment for the City. The division has an adopted annual operating budget in FY2007 of \$17.7 million and is funded by charges to other City departments. A historical view of Fleet Services budget and staff size is presented in the following graphs:

Fleet Services' expenditures have increased by about 49% over the past five years

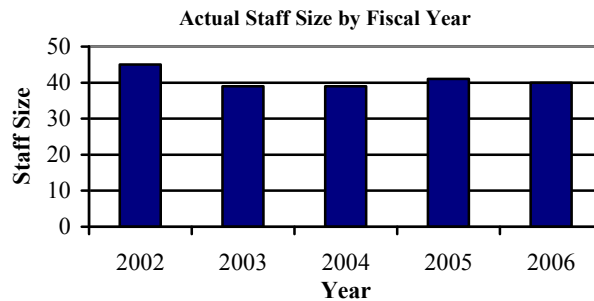


Note: Amounts net of Depreciation

As the chart above shows, Fleet Services' operating expenditures have continued to increase. The increased expenditures are either used to maintain a larger Fleet Services or increased maintenance on the same size Fleet Services over these years. It is reasonable to expect that with gradual decrease in the City population, the demand for the City services either remained at the same level or has reduced. This report attempted to evaluate growth in fleet size over the past few years. The report discusses pertinent issues related to this area.

Staffing

The staffing in Fleet Services operations has remained consistent over the last four years as depicted in the following chart:



Over the past four years, the division's mechanic staffing remained almost unchanged

Currently, Fleet Services has 57 authorized positions including 46 mechanic positions (six positions are vacant) and 11 administrative positions.

Fleet Services is responsible for managing:

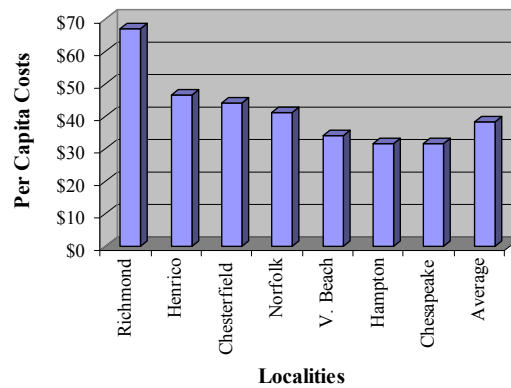
- Repairs

- Maintenance and replacement of vehicles
- Equipment including police cars, administrative sedans, fire vehicles, small equipment etc.

Prime Issue

There have been concerns about the management of this function because substantial resources are committed to it. The management concerns are clearly depicted in the graph, data table and subsequent paragraph:

On an average, Richmond spends 76% more per capita compared to other Virginia localities



Virginia Locality	Adj. Operations Expenditure	2006 Population	Per Capita Operation Costs	% of Average
Richmond	\$ 12,928,934	192,032	\$67.33	176%
Henrico	13,410,506	286,842	\$46.75	122%
Chesterfield	12,928,413	292,491	\$44.20	115%
Norfolk	9,786,922	236,092	\$41.45	108%
Virginia Beach	14,779,708	433,549	\$34.09	89%
Hampton	4,612,025	145,708	\$31.65	83%
Chesapeake	6,804,073	215,586	\$31.56	82%
Average of all selected localities			\$38.29	

Richmond City's per capita operational costs of \$67 exceeded the average per capita cost of surrounding Virginia Localities by \$29. This represents that Richmond's costs are 76% higher than the average costs of other localities in the vicinity of Richmond. In addition, these localities face similar climatic conditions that Richmond does which assures that costs are not impacted by external factors. Therefore, Fleet Services has a significant opportunity to improve efficiencies and economies of the fleet management function.

Several critical public services depend on this function for their operational continuity and effectiveness

Several critical public services depend on this function for their operational continuity and effectiveness. Therefore, reliable, timely and cost effective service from this function could make a significant impact on several critical operations City-wide. This audit evaluated management practices, stewardship over the public resources, and efficiency and effectiveness of the operations.

The specific findings and recommendations are included in the following chapters:

Organization of the Report

- *General Management*
- *Information Management*
- *Asset Management*
- *Operations Management and Customer Service*
- *Service Alternative*

Additional pertinent information has been included, as necessary.

General Management

Management Turnover

Recently, the division has experienced significant management turnover

Fleet Services has suffered noteworthy management turnover since 2001. Additionally, the information technology coordinator position has not had a qualified staff member to support the function since October 2005. DPW management took appropriate steps to rebuild the Fleet Services team beginning in early 2006. A deputy director and new operations manager were hired to help improve the operation in January and July 2006, respectively. Recently, however, after less than a year of service, the operations manager position is vacant again. Lack of stable leadership in management positions may have adversely impacted the Division's operations.

Policies and Procedures

The division does not have an updated policies and procedures manual

The division does not have an updated policies and procedures manual. The available document was prepared in March 2005 and is already outdated. Several procedures and practices have changed since the last manual was compiled, which are neither reflected in the manual nor communicated uniformly to the staff. Without an accurate policy and procedures manual, the operational tasks may not be conducted consistently in compliance with the established policies. The following are examples of non-compliance with City policies:

***Audit found an
example of
noncompliance
with Procurement
policy***

- Fleet Services staff circumvented the City's Procurement Policies and Procedures by purchasing two non-portable vehicle lifts using Fleet Services' existing "parts" contract. Vehicle lifts are pieces of equipment not covered in the parts contract. This type of procurement must be subjected to procurement policy requirements of obtaining necessary quotes. The total cost of the transaction was \$24,300. According to Procurement Policy #14, all purchases over \$5,000 and less than \$30,000 require a minimum of three written quotes from vendors, one of which should be a minority vendor. Additionally, final approval by Procurement Services is required for purchases greater than \$5,000. The division did not comply with these requirements. It is not clear if the City received this equipment at a reasonable cost consistent with other suppliers who could have competed for this procurement.

One of the two lifts was a used asset when purchased. No independent assurance related to safety and value of the used lift was obtained for this purchase. It is not clear if the manufacturer's operating and safety warranty is still applicable.

- Fleet Services contracted with an outside vendor to provide "original equipment manufacturer's parts, materials and labor" for Fleet Services vehicles. A contract change order increased the spending limit to

- \$127,500 on August 19, 2005. However, total spending for FY06 was \$159,979, without obtaining another change order. Without a change order, management may not have been aware of the extent of spending with this vendor.

Recommendations:

- 1. Update the policies and procedures manual to reflect current policies and practices.***
- 2. Comply with City policies and Fleet Services policies.***

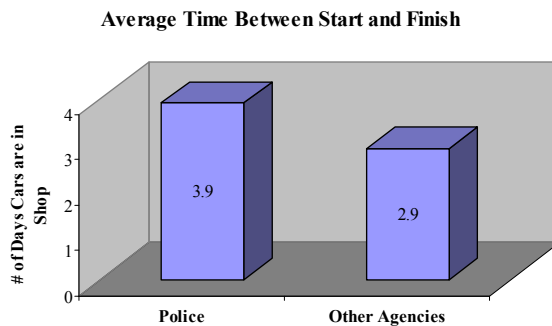
Customer Service

The division's discontinuance of group meetings with users may have impacted its customer service

Prior Fleet Services management had developed quarterly meetings of Fleet Services Focus Group. This group consisted of Fleet Services representatives and user agencies' vehicle coordinators. They met regularly to discuss pertinent issues and enhance the communication and feedback process. This appears to be a good communication process to encourage two-way communication between service providers and users. However, these meetings were discontinued. Staff could not determine when the last meeting was held, but indicated that it abruptly stopped during one of the recent management transition periods. Reductions in user communication could be detrimental to the level of customer services provided by the division and prevents the users from providing valuable input related to service. Such a medium would allow Fleet Services to communicate its efforts for positive changes to service levels.

User Survey

Auditors surveyed 67 vehicle coordinators within the City agencies. Only 15 (22%) coordinators responded to the survey. Based on these responses, it appears that the users are generally satisfied with the quality of repairs. However, about 40% of the coordinators expressed that vehicle down-time has had a negative impact on their operations. Auditors quantified system-wide downtime as depicted in the following graph:



The above data indicates a significant issue. The down time ranged from less than 1 day to 172 days for Police vehicles and less than 1 day to 288 days for non-Police vehicles within the data used to compute above averages. It should be noted that several departments depend upon vehicle or equipment to continue their operations. If the vehicle or equipment is not available, the department may suffer productivity losses as some crews may not be able to effectively perform their duties. The Department of Parks and Recreation indicated that sometimes the vehicle is down for weeks due to waiting for parts or any other reason. The Fire and the Parks and Recreation departments indicated that repeat repairs (taking vehicle to Fleet Services repeatedly

for the same problem) are a concern. Auditors were unable to verify the significance of this issue due to discrepancies in Fleet Services database.

Recommendation:

- 3. Resume periodic meetings with users to obtain feedback useful in improving and enhancing user service. Communicate Fleet Services' efforts or the reasons for its inability to address user concerns.***

Employee Morale

During this audit, employees of Fleet Services were surveyed on various areas impacting their work as follows:

- Mission, goals and objectives
- Communication
- Resources
- Systems and Procedures
- Direction
- Training and Development
- Service Quality
- Perception about division management

Of 49 employees surveyed, 28 (57%) employees responded. The following are survey results and related comments:

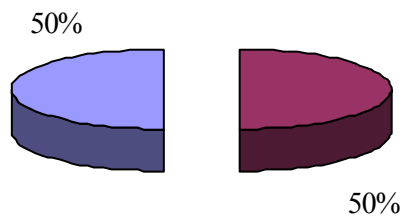
Mission, goals and objectives

The survey revealed that employees generally understood that they have goals and objectives to help the division accomplish its mission. They agreed that performance targets established for them are realistic and their supervisors seem very concerned about achieving the objectives.

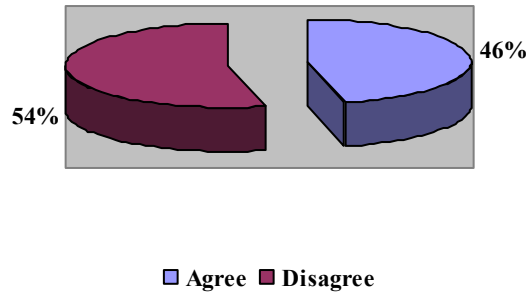
Communication:

The employees understand the supervisory expectations, receive adequate explanation for their performance rating and have liberty to voice their opinion. However, there appears to be room for improvement for recognizing a good job and encourage job operations related communication from employees as depicted in the following charts:

I am told when I do a good job



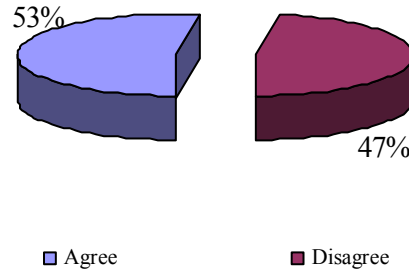
I am encouraged to offer suggestions and constructive criticisms



Resources

Employees did not appear to be satisfied with the resources or workload. The majority of them indicated that they are not too busy to effectively handle their workload and they can handle more work given the available time. This appears to indicate that there is an opportunity to improve management of labor costs. The employees were split about timeliness of availability of basic materials, equipment and supplies. This issue may cause employees waiting for materials and supplies and result in inefficient use of employee's time. Also, 46% of employees were of the opinion that work is not being allocated fairly among the employees.

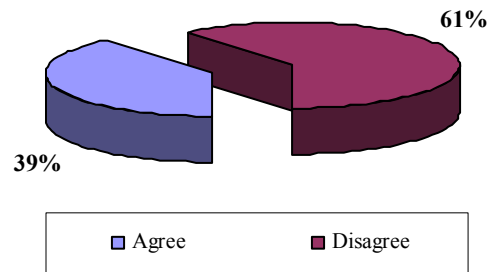
I am not too busy to effectively handle my workload



Systems and Procedures

Employees indicated that there are standard rules. However, 81% of the employees stated that at times similar situations are handled differently. Also, 17 (61%) of 28 employees thought rules and regulations are not applied fairly:

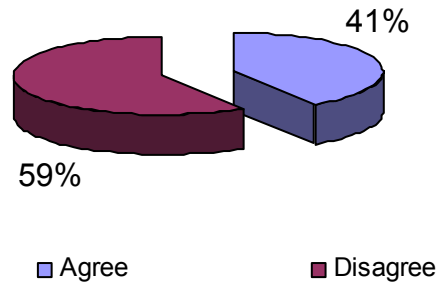
Rules and regulations are applied fairly



Direction

There were several positive comments in this area. The supervisors in Fleet Services are available to solve the problems and are aware of the workload produced by the division. However, consistent with the responses in the other section, fairness of the discipline was questioned.

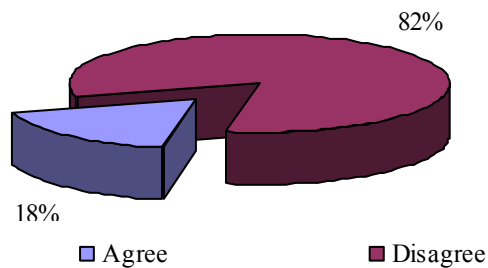
Employees who get out of line are consistently and fairly disciplined



Training and development

There appears to be an opportunity to enhance employee training. As related to development issues, the majority of employees do not know what they have to do to get promoted. An overwhelming number of employees disagreed with the statement that the most qualified people are the ones who get promoted as follows:

The most qualified people are the ones who get promotions

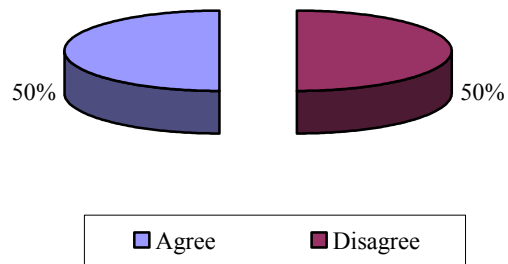


Service Quality

The Supervisors appear to be receptive to new ideas to improve work process. Also, employees indicated that they work together

to get the job done. They appear to be somewhat dissatisfied about quality of parts supplied by the City's vendor and the amount of work sent to other vendors. They were split in their opinion related to use of original manufacturer's parts.

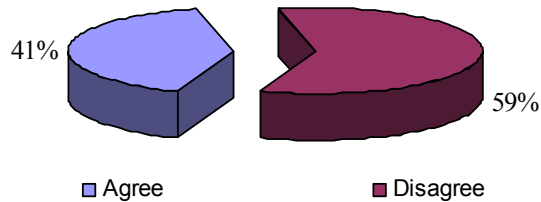
Customer needs would be better met if more original manufacturer's parts were used as replacements.



Perception about division management

Employees were mostly divided in their perceptions about the division management's fairness and sensitivity to treat employees or listen to their concerns. Also, the majority of them disagreed that the division management follows up on employee concerns and suggestions.

Division management follows up on employee concerns and suggestions



Overall, it appears that employee morale in the division needs to improve

Conclusion

Based on the above survey, it appears that many employees question the fairness in how employees are treated. In addition, employees appeared to be concerned about workload, training, parts quality, and amount of work sent to vendors. They had positive comments related to the direction they receive. Overall, it appears that employee morale in the division needs to improve. A dissatisfied workforce may not be able to perform at its peak performance.

Recommendation:

- 4. Require the division management to improve communication with the employees, evaluate fairness in employee treatment, and deal with other issues raised in this survey.***

Information Management

What is the Issue?

Availability of valid and accurate operational information is extremely critical for the management of nine complex functions within Fleet Services. Without accurate information, it is not possible for the division to answer some of the fundamental questions, such as:

- What are the maintenance costs of a vehicle or equipment?
- Is keeping a vehicle or equipment in the City's fleet cost effective?
- Is the operation efficient?
- Are repairs and maintenance activities performed timely, resulting in minimal impact on departmental productivity?
- Is Fleet Services competitive?
- Does the City make prudent decisions when acquiring fleet vehicles and equipment?

The above are examples of several questions the stakeholders in this function would like to be answered. In order to meaningfully answer these types of questions:

1. Fleet Services must have a computer system to gather and record the data.

2. The data must be accurately recorded in the computer database.
3. The division personnel should be able to retrieve data and use it for management decisions.

***Adequacy of the
Computer System***

In August 1996, Fleet Services purchased a vehicle maintenance system known as the Maintenance Control and Management System (MCMS) for \$269,700. A maintenance agreement was also purchased at the time that has cost the City approximately \$25,000 annually which is estimated at \$250,000 to date. This means that the City may have invested a total of \$ 519,700 in the computer system software and maintenance.

System Functionality

MCMS is designed to help manage activities on a day-to-day basis. It is a system with functionality to assist management by keeping track of:

- Maintenance expenditures
- Inventory carrying costs
- Fuel costs and usage
- Vehicle utilization
- Asset ownership costs
- Warranty recovery
- Other information that can be used to streamline overall operation

***It appeared that the
system has
adequate
functionality for
use in Fleet
Services***

The system has five modules. The following is the list of modules and their implementation status:

Module and Functionality	Implemented
<p><i>Equipment and Maintenance Management</i> Tracks maintenance performed on equipment and serialized assets, including repair order management, preventive maintenance scheduling, and consumables management (e.g., fuel, oil and tires)</p>	Yes
<p><i>Material Management</i> Tracks manufacturer/vendor data, inventory reorder levels, adjustments and transfers, and allows the organization to generate inventory status and usage reports</p>	Yes
<p><i>Labor Management</i> Tracks labor costs and personnel data, enabling the organization to generate reports against job standards and manage both direct and indirect labor costs</p>	Yes
<p><i>Warranty Tracking</i> Capture work order data to allow the tracking of warranties by original equipment manufacturer (OEM), component, and replacement part</p>	No
<p><i>Financial Administration</i> Captures critical financial data, including general ledger (G/L) expenses, inventory valuation, profit and loss (P&L) performance, and expense reconciliation. The system also tracks internally generated purchase orders and fixed capital costs. Data is stored in sub-ledger format, enabling ready integration with the organization's Enterprise Resource Planning (ERP) system or legacy accounting application(s).</p>	Partial— This module is only used to assist in the billing between Fleet Services and other City-agencies

Data Integrity

The audit revealed that some of the data in MCMS was inaccurate or incomplete

The effectiveness of any tool depends upon how it is used. Usefulness of a computer system entirely depends upon the accuracy, completeness and adequacy of the data recorded. The audit revealed that some of the data in MCMS was inaccurate or incomplete. The following description should not be considered as a complete list of discrepancies but as an illustration of inaccuracies and incompleteness of the data:

*Inaccuracies in
mileage
information have
significant
implications for
the entire function*

Mileage:

Fleet Services does not have an effective process to capture mileage data. Historically, encouraging City employees to report mileage during the fueling process had been a known challenge for many years. This problem could have been easily solved if the capabilities of the system had been understood and taken advantage of. Instead of using the computer system's capabilities to produce reports showing inconsistent mileage data input, management recently exempted users from recording mileage when pumping fuel into City vehicles. Instead, Fleet Services' staff is required to record the mileage when the vehicles are brought into the shop. This process was expected to be an improvement over the previous process (mileage input at the pump). Theoretically, the new process would have worked if Fleet Services employees actually verified the accuracy of the mileage information. However, Auditors observed that the Service Writer responsible for mileage information mainly relies on the departmental users to supply the mileage figure when vehicles are brought in for work. Therefore, the accuracy of the data was only as good as the information users provided. Mechanics only record mileage manually on service stickers and do not update the computer system.

Inaccuracies in mileage information have significant implications for the entire function. Typically, the performance of the repairs and maintenance activity is evaluated using cost per mile data. Lack of this information

has an impact on accountability of resources provided to this function. Generally, without reliable mileage information, Fleet Services Management cannot assure completion of the following tasks effectively:

- Determination of necessity of vehicles for the City operations
- Compilation of vehicle replacement schedule
- Analysis of fuel usage
- Assurance of overall efficiency of operation

Maintenance Cost Data:

No distinction was made between the parts and labor costs incurred on external commercial repairs versus similar costs incurred by Fleet Services. This practice resulted in skewed data as the vendors' labor and parts costs were not consistent with the division's costs. Therefore, without significant cleaning up of the data, the division is not in a position to analyze the effectiveness of the operation and productivity of its staff.

Without relevant operational data, it is not possible to manage operational costs, measure employee performance, or make any other operational or replacement decisions in an informed manner. In these circumstances, poor productivity, errors or irregularities cannot be detected and corrected in a timely manner. This may result in services that cost significantly more in resources than necessary.

Causes of Data Integrity

Issues

MCMS has the capability to reduce or eliminate data input errors if the system is configured properly

Audit evaluation found that the aforementioned deficiencies were not caused by system weaknesses but due to data input errors. MCMS has the capability to reduce or eliminate occurrences of these discrepancies if the system is configured properly. The system can be configured to have edit checks that accept only valid records in specific data fields based on predetermined criteria. In addition, exception reports can be generated to identify work orders with questionable labor hours and costs that require investigations. However, Fleet Services has not required the system vendor to establish edit checks or exception reports. This appears to be one of the significant management oversight weaknesses. The lack of internal controls surrounding data input is most commonly the cause of inaccurate and inconsistent data.

Furthermore, there is a technological solution to partially mitigate the above situation to assure accuracy and efficiency of updating some of this information. There are many City systems that already have data used by MCMS. Interfacing with these systems would allow updating of MCMS data without manual data entry. Although, the feasibility of interfacing needs to be evaluated, the following are opportunities for taking advantage of interfacing:

- Fixed Assets Module of the Financial System:

This interface will assure completeness of vehicle and equipment inventory in MCMS.

Furthermore, pertinent data such as vehicle and equipment location, purchase price and purchase date can be shared.

Procurement Module of the Financial System

This will eliminate discrepancies in updating parts, vehicles and equipment, and services procurement in MCMS.

It should be noted that inaccurate and inconsistent data would prevent management from noticing accountability and productivity issues resulting in loss or waste of public resources. Therefore, having reliable operational information is critical for the success of this function.

It should be noted that any additional investment in this system must be critically analyzed. Apparently, the system is significantly old. The cost, functionality and features of the recent version of this system are not known. Outsourcing of this function is discussed later in this report. If the City pursues an outsourcing option, any additional resources invested in this system may not be cost effective.

Recommendations:

- 5. Provide adequate training to the staff to minimize or eliminate data input errors.***
- 6. Consider interfacing other systems referred to in the report to MCMS.***

7. *Require the Service Writer and Mechanics to verify accuracy of mileage information provided by the user.*
8. *Generate exception reports to detect unusual or unreasonable entries in the data fields.*

Other System Concerns

System Training

Fleet Services staff is unable to use the system proficiently due to lack of training

Some of the concerns expressed in the foregoing discussion can be attributed to the lack of system training for Fleet Services staff. Although the original users of the system were provided training, the available documentation from 1996 suggests that the division had declined system documentation that would have cost an additional \$25,000. System documentation would have included user guides, report guides, technical reference guides and other general informational guides. Current staff was not aware of any detailed training manuals that may have been purchased in the past. In essence, there is inadequate literature for current or future users of the system. Without such documentation, fleet personnel either have to rely on their memory or on the vendor to provide guidance on a case- by- case basis. This process could become inefficient and costly. With limited system familiarity, the current staff is able to retrieve only certain basic information.

The auditors learned the following:

- The division does not have a qualified system administrator for the MCMS. This is a key position that not only should be proficient in the management of automated systems but also needs to understand Fleet Services operations. The System Administrator should be

familiar with data entry controls, database maintenance, and data quality assurance to help safeguard against reporting unreliable data. Currently, the employee filling the system administrator position has a limited level of understanding of the system and relies heavily on the vendor for guidance regarding day-to-day operations.

- Fleet Services' reliance on standard, system-generated reports is limited. The division occasionally prepares customized reports with the assistance of the vendor. Except for a few reports, there is limited use of standard system reports. Staff indicated that during the initial conversion process, the decision was made not to utilize standard reports, but to use system customized reports or "queries" instead. Queries generally take more time and are slightly more complex to run. It requires more technical knowledge to write query script. However, queries, if used properly, can be used to extract specific information for any given reporting purpose and can serve as very useful management tools. When the system was purchased, Fleet Services had technical expertise to assemble the query language commands. However, due to turnover, this expertise is no longer available to the division. As a result of this turnover and general lack of system knowledge, many useful reports that were generated in the past have not been used in recent years.

- The Fleet management indicated that staff needed more training on the MCMS System to run the necessary reports. The Fleet management indicated that the system was most likely being used only at a very small percentage of its total capability. This assertion was confirmed when the auditors requested staff to run a report on fuel usage, a report which a system such as MCMS should be able to produce. However, Fleet Services staff had difficulties accomplishing this task. It was learned later that many of the standard reports have not been enabled by the vendor since the inception of the contract.

Recommendation:

9. ***Provide adequate training to the employee serving as System Administrator.***

System Fields

Fleet Services staff did not consistently use several “fields” within the database system

Fleet Services staff did not consistently use several “fields” within the database system for proper and effective recordkeeping purposes. Auditors observed recordkeeping weaknesses in the database system as follows:

- “Location” fields were not always used effectively. For instance, a vehicle location field may indicate the vehicle is maintained at DPU. However, since many agencies have multiple locations, this is not an adequate location description. Current procedure does not allow larger departments to readily locate a specific vehicle. A better description would be to identify the street address or exact

building location for example, DPU, Water Treatment Plant.

- Fleet Services' standard practice has been to code the outside charges from other repair shops as "commercial charges" with no further coding detail about the type of repair or service rendered. The generic description appears in the system reports as "repair" or "replacement part" making it difficult for Fleet Services staff to analyze the nature of the work without retrieving the invoice. In cases where multiple repairs are made along with Preventive Maintenance work, only one item can be chosen for the description. This situation can skew data for a particular type of repairs.

Recommendations:

- 10. Consider increasing the details in the system relative to commercial charges.***
- 11. Establish a management policy to input the specific vehicle location data within the system data fields.***

System Support

Fleet Services pays an annual maintenance fee of approximately \$25,000. The cost of the fee includes routine support and upgrades every two years. Yet, during FY2006, an additional \$18,000 was charged for a subsequent system upgrade that the vendor provided. Fleet Services neither had any documentation of vendor's proposal for completion of the project nor did staff have any deliverables at the end of the project. Therefore, the appropriateness of \$18,000 payment

Fleet Services staff did not have adequate knowledge relative to what services were included in the annual maintenance fee and whether the City was receiving all services covered under the contract

could not be verified. Fleet Services staff simply did not have adequate knowledge relative to what services were included in the annual maintenance fee and whether the City was receiving all services covered under the contract.

Any system enhancement or change not included in the annual maintenance agreement is billed to Fleet Services as additional costs, which generally were not significant. However, without having a complete knowledge of which services are included in the support agreement it is not possible to determine the appropriateness of the charges. Also, the division's monitoring of vendor compliance with the service contract provisions needs improvement.

It appears that relative to system upgrade activity, DPW may need to consult with the Department of Information Technology (DIT) to provide technical expertise and oversee upgrade projects. Also, using existing City DIT staff to handle the upgrades and conversions could save costs and assure timeliness of the upgrades.

Recommendations:

- 12. Determine the system support contract terms and require the Fleet Manager to monitor vendor compliance with the contract.***
- 13. Follow up on deliverables and services included in the annual maintenance agreements, such as system upgrade activities; and ensure the system properly works after system upgrades.***
- 14. Consult DIT for future upgrades and related data***

conversion project management.

15. Provide adequate documentation to system users for day-to-day operations.

16. Review the types of reports that are needed to effectively manage the Fleet Services operations and determine whether the reports are available as standard system report or through using system queries.

17. Train appropriate employees for creating system queries.

***What do these
Observations Mean?***

***Lack of the ability for
retrieving appropriate
information has
impacted management
of this division
significantly***

Based on the above discussion, it is obvious that Fleet Services has an old but adequate computer system to manage its operations. However, the division personnel lack appropriate training to use the system. Lack of the ability for retrieving appropriate information has impacted management of this division significantly. In these circumstances, operational decisions would be based on either incomplete or inaccurate information, which may not result in optimal use of City resources in the best interest of the City. The remaining report discusses conditions that the auditors found that support this overall assessment.

Asset Management

Fixed Assets and Inventory Management

The City implemented a Fixed Asset Policy in March 2002. The Fixed Asset system is a module of the City's Advantage financial system. The Policy was written to provide guidance to agencies on how to record fixed assets, including specific procedures for those agencies that own their vehicles. Essentially, each agency is responsible for entering the fixed asset data into the module in order to properly capture the value of the asset for the City's annual financial report. This entry is then reviewed and approved by the Fixed Asset Accountant for updating the system. Periodically, the Fixed Asset Accountant runs and reviews an exception report to identify missing entries for any new fixed asset purchases by City agencies.

The policy indicates an agency should not enter vehicles that are leased from Fleet Services, which includes the majority of the City's vehicles. As an Internal Service Fund, Fleet Services has recorded approximately \$61.6 million in gross value of equipment in the City's 2006 annual financial report.

Currently, there is no procedure in place to account for these vehicles within the City's Fixed Asset Module. The risks associated with this situation are described below:

Proper reconciliations are not being performed to prevent duplications and omissions of records

Fleet staff can delete information about vehicles and equipment. If these vehicles and equipment are missing, it will not be detected and investigated in a timely manner

- The external auditors audit the controls surrounding the City's financial systems. MCMS is not considered a financial system and, as such, the external auditors do not apply auditing procedures to the system controls.
- Neither finance nor DPW staff performed the annual reconciliation procedure between the MCMS system and the City's financial system relative to the dollar value of Fleet Services vehicles to prevent duplications and omissions.
- Fleet Services staff deletes all information about vehicles that were sold or retired from the database system. The staff could not explain the rationale for this practice. This situation represents a significant risk to the City. Essentially, there is no audit trail of the vehicle, including maintenance history. The capability to remove this data from the system allows the possibility of deliberate removal of a vehicle from the system. If this occurs, there will be no audit trail for the existence of the vehicle or equipment. Therefore, if these vehicles and equipment are missing, it will not be detected and investigated in a timely manner resulting in a loss for the City.

Auditors confirmed with the software vendor that there should be no reason for this practice since there is enough electronic storage space to maintain the data in the system. Auditors also were advised by the software vendor that

Fleet Services' files are backed up monthly for only one year. After one year, the information already deleted by Fleet Services staff will be lost forever. This situation prevents the ability to analyze vehicle history and conclude about management of the City's fleet.

- Fleet Services management was unable to provide counts of total City-owned equipment for years prior to FY06. Therefore, no evaluations could be made regarding growth in city Fleet Services over a period of time.

The City paid \$5,300 to a vendor to perform a partial inventory count of vehicles, which was not useful

Fleet Services annually hires a vendor to verify the inventory of fixed assets. The vendor was provided with an inventory report, sorted by license plates, and a list of off-road vehicles/equipment that consisted of a total of 1,485. The vendor compiled a handwritten list of assets that included 1,604 items, which included 23 items listed twice. There was no documentation for reconciling the handwritten list and the two reports given to the vendor. In addition, the original reports and the handwritten list did not cover the entire inventory. The City paid \$5,300 to the vendor to perform inventory counts. It does not appear that the City receives any value due to this effort as no assurance about the existence and condition of the complete vehicle and equipment inventory was obtained.

Essentially, the city does not have any mechanism to verify the physical existence of all City-owned vehicles and equipment. As such, there is risk that the assets are not properly

safeguarded and misappropriation would be undetected. The Auditor's Office has not evaluated the adequacy and accuracy of the City's Fixed Asset module and Fleet Services' MCMS system since it was beyond the scope of this operational audit.

The City has a significant risk of misappropriation and possible misstatement of financial data if procedures are not implemented to enhance the financial controls surrounding the MCMS system.

Recommendations:

- 18. Work with Finance staff to ensure that the city's year-end asset reconciliation procedures are properly performed.***
- 19. Require the user agencies annually report number and locations of vehicles and any other pertinent information so Fleet Services can have an accurate count of all City vehicles.***
- 20. Discontinue the practice of deleting data related to disposed assets from the MCMS system.***
- 21. Work with Finance to review options for the most logical way to accumulate and track the City's fixed assets in the Fixed Asset module.***
- 22. Perform more systematic verification of all vehicles and equipment annually to assure their existence and condition.***

What does the Division do for Asset Management?

The division is responsible for:

- Assisting in developing specifications
- Assisting departments in acquiring vehicles and equipment
- Disposing of vehicles and equipment

Vehicle Specifications and Acquisitions

Vehicle Specifications

Proper specifications assure that the purchase of only the desired type, quality and functionality of vehicles or equipment. Purchasing unnecessary features would cost more

Writing specifications is a critical process to assure that only the desired type, quality and functionality of vehicles or equipment are purchased to be used for operational purposes and to keep costs minimal. Vehicle specifications refer to the description of desired vehicles or equipment including criteria such as capacity, functionality, horsepower, fuel consumption options, interior dimensions, seating and towing capacity, etc. It should be noted that purchasing vehicles or equipment with unnecessary features would cost more.

Currently, Fleet Services only assists the departments in the specification activity. It appears that their current participation has not influenced in avoiding unnecessary expenditures as demonstrated by the following analysis:

Four-cylinder and six-cylinder vehicles are less expensive to acquire and operate than eight-cylinder vehicles.

Administrative sedans are used for commuting between City locations. For this purpose, the departments need a reliable vehicle to commute within the City, generally for a short distance. These vehicles may not need any additional functionality for the purpose. During the audit, it was observed that many departments use six-cylinder and eight-cylinder vehicles for the purposes other than Police Field Operations activities. Historically, four-cylinder vehicles cost less to maintain and acquire.

Therefore, replacing six and eight-cylinder vehicles with four-cylinder vehicles could result in both capital and operating cost savings.

Auditors compared the cost of purchasing four-cylinder vehicles rather than eight or six-cylinder vehicles to be used for activities other than Police Field Services. Auditors selected a sample of 31 eight-cylinder and 62 six-cylinder vehicles that were not used in any safety, patrolling activity such as Police or Sheriff to perform the analysis. In addition, auditors also compared acquisition and operating costs of four-cylinder vehicles as follows:

Vehicle Type – Sample Size 40 vehicles	Capital Cost*	Average Maintenance**
Savings per vehicle: Replacing 8 cylinder with 4 cylinder cars (A)	\$9,080	\$2,885
Savings per vehicle: Replacing 6 cylinder with 4 cylinder cars (B)	\$3,457	\$598
Savings per vehicle: Replacing 8 cylinder with 4 cylinder cars (A) x 41 existing cars	\$372,280	\$118,285
Savings per vehicle: Replacing 6 cylinder with 4 cylinder cars (B) x 313 existing cars	\$1,082,041	\$187,174
Total Savings	\$1,454,321	\$305,459

* Average purchase price represents the current market value available to the City using the state contract.

** Average maintenance costs were compiled using actual historical data

The above results reveal that it is more economical for the City to purchase four-cylinder vehicles rather than eight or six-cylinder vehicles. There is a potential to save more than \$1.75

Using four-cylinder administrative vehicles instead of six and eight- cylinder vehicles could save \$1.75 million

million (\$1,454,300 in capital costs and \$305,500 in operating costs) by replacing eight and six-cylinder vehicles with four-cylinder vehicles. Once the replacement is completed, annual recurring savings of about \$305,500 could be realized. It should be noted that there appears to be a benefit for replacing non-Police field services eight-cylinder vehicles with four-cylinder vehicles due to significant annual savings in maintenance costs. However, this change is beneficial only if the newer, replaced vehicles can be gainfully reassigned to replace older eight-cylinder vehicles assigned to Police field service or other justifiable purpose until end of their useful lives. The six-cylinder vehicles should only be replaced at the end of each vehicle's useful life.

The above computation demonstrates the importance of establishing specifications based on actual need for the City business purposes. The above savings is only a fraction of the total savings possible due to adjusting total Fleet Services to correct specifications. This type of change must be brought about only after evaluating each vehicle or equipment at the time of its replacement. The department must be required to justify the need for a specific functionality or feature based on the requirements of its operations. Significantly more savings could be realized if a needs analysis is performed when replacing equipment or vehicles and determining appropriate specifications accordingly. Fleet Services must play a key role in evaluating and making recommendations to the senior management responsible for approving replacements.

Vehicle Acquisitions

Centralized Versus Decentralized Acquisitions

*The risks in a
decentralized vehicle
acquisition practice
are that other
departments
purchase vehicles
above State contract
prices and not
comply with
specifications based
on actual need*

Fleet Services is responsible for assisting its customers with the purchase and/or replacement of vehicles and equipment that would be the most effective and efficient for its program, and that meets all City, state, and federal guidelines for health and safety.

- Pursuant to the City's acquisition policy, Fleet Services is responsible for acquiring all City vehicles since it can obtain better prices using the State of Virginia contract. However, there are certain agencies that purchase their own vehicles, such as the Department of Public Utilities (DPU) and the Department of Social Services. Those agencies purchase their own operational vehicles and then alert Fleet Services with the pertinent information in order to add these vehicles to Fleet Services system for maintenance purposes. The Fleet Services personnel do not have knowledge of all of the vehicles and equipment acquired by departments. The risks in this practice include other departments purchasing vehicles above State contract prices and not complying with specifications based on actual need. In addition, the City's Budget Department neither approves new vehicle purchases nor evaluates the impact of new vehicles on Fleet Services' budget. An increase in Fleet Services size without increasing the maintenance budget may result in inadequate maintenance for some vehicles.

- ***Retaining older vehicles after they are replaced with newer vehicles increases fleet costs and results in unauthorized growth of the City's fleet***

Fleet Services does not have the authority or control over a department relative to vehicle and equipment management. Auditors were informed that the department acquiring a new vehicle with the intention of replacing an existing vehicle sometimes retains the old vehicle in addition to acquiring the new vehicle without additional authorization procedures. During the period from September 2005 through April 2006, the City purchased 70 vehicles to replace older vehicles. However, instead of removing the older vehicles from the fleet, the department decided to keep them. This situation results in unauthorized growth of the City's Fleet Services and an increase in repairs and maintenance expenditures.

In addition, the department procuring its own vehicles and equipment may not comply with standard specifications used by Fleet Services. Acquiring features and functionalities that are not needed for the City's operational purposes could result in committing more resources on acquisitions that can be spent more meaningfully on other operational purposes. Therefore, the expertise of Fleet Services' staff is required to ensure efficiencies of the procurement activity.

It appears that with the centralization of the Fleet Services procurement function, the City can take advantage of economies of scale, improved controls and possibly save staff resources dedicated for these purposes. This may be one of the ideal opportunities for the Richmond Public School (RPS) Division to participate in the City's efforts for an overall improvement in the utility of public resources. This opportunity will be further explored in a future audit.

Recommendations:

- 23. Assign the City-wide fleet management responsibility to Fleet Services. This would include acquisition, maintenance and repairs, disposal and replacements.***
- 24. Expedite the completion of new Vehicle Acquisition and Specification procedures, along with the policies and procedures and distribute, accordingly.***
- 25. Perform an analysis of the City-wide fleet***
 - a. Identify actual need for the vehicle or equipment***
 - b. Identify ideal specification for each vehicle and equipment***
 - c. Identify all vehicles and equipment whose ideal specifications exceed the actual need***
- 26. Acquire vehicles and equipment that are sufficient for the City's needs and operational purposes. Require departments to justify the need for additional features and functionality over the models that satisfy the City's needs.***

***Vehicle and Equipment
Utilization and
Replacements***

***Vehicle and Equipment
Utilization***

***Underutilized vehicles
represent an inadequate
use of available
resources***

The City makes a substantial investment in vehicles and equipment to be used for City functions. The extent of the use determines the value received from the investment. An extensively used vehicle is constantly employed in accomplishing desired tasks and typically results in a lower cost per mile. This is because fixed maintenance costs are spread over a larger number of miles. However, if the vehicle is sparingly utilized, it will result in higher cost per mile. These vehicles also consume valuable fuel and maintenance resources. Therefore, managing Fleet Services costs partially depends upon utilization. Several federal, state, and local governments have established standards for adequate vehicle utilization.

***Other jurisdictions
specify minimum
vehicle utilization
criteria***

A brief survey of Virginia localities revealed the following results:

Jurisdiction	Minimum Mileage Required	Written Policy
County of York, VA	9,600 miles/ year	No
Fairfax County, VA	5,000 miles/ year	Yes
Henrico, VA	6,000 miles/ year	No

Due to lack of information, Fleet Services is unable to evaluate the adequacy of utilization

As an example of a Best Practice, the California Department of Transportation specifies the minimum mileage a vehicle must be driven for their operations. In addition, they require that passenger vehicles and light trucks must be used for the operation for 80% of the days or more. This type of requirement verifies criticality of the assignment of the vehicle to a specific operation. Also, the need can be evaluated by using mileage driven or number of hours the equipment is utilized by simply comparing annual vehicle/equipment use (mileage or hours) with a predetermined, expected use based on industry best practices and observations on a case-by-case basis.

Fleet Services is unable to use these criteria to evaluate adequacy of utilization due to the following reasons:

1. Fleet Services does not keep accurate records of mileage driven or equipment usage in terms of hours.
2. Fleet Services has not formally established and communicated criteria for adequate usage for all class of vehicles and equipment.
3. The decentralized nature of Fleet Services management does not allow Fleet Services to influence the retention or better utilization of vehicles or equipment that are sparingly used.

Auditors were informed that Fleet Services informally uses a range of 4500-6,000 miles per year usage as a standard.

There are several cost-saving alternatives to investing in a vehicle that is expected to have a low utilization

However, this informal practice has not been communicated to users. Fleet Services neither attempts nor do they have ability to evaluate adequacy of usage. Obviously, what cannot be measured cannot be managed. In these circumstances, effective management of maintenance costs and Fleet Services size is not possible.

There are exceptions to the above process since some equipment is not used frequently but may support a critical function and separate evaluation. Classic examples of this are leaf or snow removal machines, which are used only seasonally, however they serve a critical public service.

Vehicle investment decisions could be based upon expected utilization. There are several alternatives to investing in a vehicle that is expected to have low utilization such as sharing a vehicle among several employees in a motor pool or reimbursing the employees for personal vehicle usage for City operations as discussed below:

Use of Motor Pools

Many organizations use motor pools to satisfy the need for vehicles used to conduct official Business. Fleet Services operates a motor pool office on the A-Deck of City Hall. The establishment of motor pools allows vehicle sharing by several users, which improves vehicle utilization as well as satisfies

the needs of various employees required to use the vehicle for City business.

Vehicles and equipment needs are generally identified with the approval of the City's budgetary process. In some instances, the addition of a new staff position may call for the usage of a vehicle. However, it does not necessarily mean that the new staff person will use the assigned vehicles for an entire day. Thus, a possibility exists that these positions can share vehicles without impacting their operations. It appears that departments' vehicle and equipment needs could be analyzed to establish intra-departmental or inter-departmental pools allowing them to share vehicles and equipment without adversely impacting City operations, yet, realizing cost savings due to Fleet Services reduction. Currently, no formal process is in place to identify opportunities to use motor pools for reduction in fleet without impacting City operations.

Reimbursing for Personal Vehicle Use

Another option the City may wish to consider in the effort to cut acquisition and maintenance costs would be to allow employees to utilize their own private vehicle to conduct City business. This means that the City would reimburse the employee at the current rate of 48.5 cents per mile.

Recommendations:

- 27. Establish appropriate minimum usage criteria for each class of City vehicles and equipment.*
- 28. Periodically review underutilized vehicles and submit the results to the Chief Administrative Officer.*
- 29. Analyze the departmental vehicle needs more comprehensively. Establish motor pools based where possible to reduce the number of vehicles.*
- 30. Encourage the use of personal vehicles for the City business where appropriate.*

Replacements

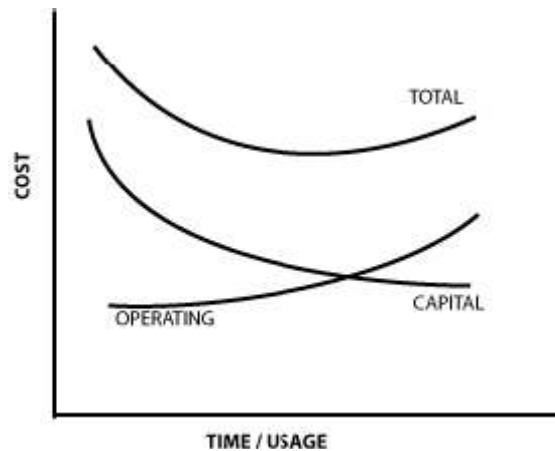
There is a clear relationship between the age and cost of Fleet Services. Generally, compared to new vehicles and equipment, the older vehicles and equipment may be unreliable and tend to break frequently. Therefore, keeping vehicles or equipment in service for a period longer than their economic life increases fleet costs. If the fleet has large number of older vehicles, there could be a dramatic adverse impact on the overall Fleet Services costs.

Keeping vehicles or equipment in service for a period longer than their economic life increases fleet costs

There is an economic theory, which provides an objective method to determine the optimal time of vehicle replacements. This theory is based on industry-wide observations that operating cost of vehicles and equipment increases over a period as the asset gets older. Simultaneously, the market value of the asset decline (increase in depreciation). Typically, higher depreciation in value occurs during the first few years of the assets life. The often reported economic theory of vehicle replacement holds that vehicles should be replaced when the sum of ownership and operating costs is at its lowest

historical point. This is demonstrated in the following diagram:

Economic Theory of Vehicle Replacement



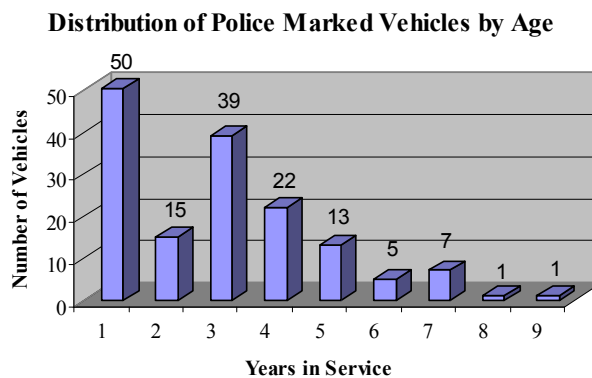
Fleet Services is not in a position to perform any such scientific analysis to rationally manage the optimum fleet replacement

The capital cost curve shows that with increasing age of the asset, the capital value of the asset decreases due to depreciation. The operating cost curve illustrates that the maintenance, repair, and fuel costs for the asset increases as the asset ages. The total cost curve combines the two types of costs. The optimal point at which an asset should be replaced is when the "total cost" curve is at its lowest point (i.e. when the combined cost of owning and operating the unit is at a minimum).

It should be noted that Fleet Services is not in a position to perform any such scientific analysis to rationally manage the optimum fleet replacement, as it does not track and use adequate information for this purpose.

Age of Fleet

Auditors observed that over 27% of the City's Fleet Services is ten years or older. This observation, by itself, does not communicate meaningful information because Fleet Services is composed of a variety of assets having varying useful lives. Therefore, auditors selected Police marked vehicles (Crown Victoria) to study if assets are replaced in a timely manner. The following chart depicts the age distribution of marked vehicles:



The desired replacement period for a Police marked vehicles is three years or 85,000 miles. The above graph shows that even Police marked vehicles, which are expected to be very reliable to assure quick response time to assure citizens' safety, are not always replaced in a timely manner.

Replacement Policy

Fleet Services does not have a sound vehicle and equipment replacement policy. Management provided a draft document of a comprehensive vehicle replacement policy during the audit that was in its early stages of development. Currently,

Fleet Services is using a written policy that needs the following improvements:

- The policy needs to specify a replacement guideline related to replacement criteria such as number of miles driven, the number of years of service (useful life), etc.
- The responsibility and authority for making replacement decisions needs to be included in the policy.
- The policy also should include a requirement of proper documentation explaining rationale for the replacement decisions.

The City of Chesapeake's Fleet Services Manager provided the auditors with a scorecard that would prove useful in the replacement decision-making process. The scorecard is used to rank/assign point values to the vehicle based on age, type of service involvement, vehicle reliability, maintenance and repair, and the overall condition of the vehicle. The point assignment ranking allowed for numerical ranges to guide vehicle critiques as excellent, good, satisfactory, or poor. Those point ranges are described below:

Ranking	Point Ranges	Decision
Excellent	0-17	Do not replace
Good	18-22	Reevaluate for next year's budget
Satisfactory	23-27	Qualifies for replacement this year if budget allows
Poor	28+	Needs priority replacement

Points are assigned on the scale of 1 through 10, with 10 being worse, and are assigned for each of the predetermined criteria. For example: A seven year old vehicle with 101,000 miles that has poor reliability, in poor condition and high maintenance and repairs costs compared to replacement cost would rate as:

The negative economic impact of not having a sound replacement policy could be significant

Age	5 Points
Mileage	10 Points
Condition	7 Points
Reliability	7 Points
Maintenance and repair costs	<u>5 Points</u>
Total	<u>34 Points</u>

Conversely, a newer vehicle with low mileage in good and reliable condition that does not have high repairs and maintenance cost will rate in the group 0-17 and would not

qualify for replacement. The challenge for any Fleet Administration, acting within budgetary constraints, is not to allow sizable number of assets in the “Poor” category.

The economic impact of not having a sound replacement policy could be significant. An analysis of Fleet Services database indicated several vehicles/equipment with life-to-date costs ranging in several hundred thousand dollars each. Auditors selected 10 vehicles/equipment that had high life to date costs, for further analysis. The following table presents the results of the analysis:

Asset	Description	Year in Service	Useful Life	Replacement Cost	Life to Date Parts and Labor Costs
1993 Crane Loadpacker	Hydraulic Garbage Truck	13	12	\$140,000	\$267,252
1995 Crane Let-C	Hydraulic Garbage Truck	11	12	\$140,000	\$256,016
1995 Crane Let-C	Hydraulic Garbage Truck	12	12	\$140,000	\$247,199
1995 Crane Let-C	Hydraulic Garbage Truck	12	12	\$140,000	\$229,716
1999 Crane Let-30E	Hydraulic Garbage Truck	9	7	\$145,316	\$209,219
1999 Crane Let-30E	Hydraulic Garbage Truck	8	7	\$145,316	\$226,385
1992 Seagraves Fire Truck	Pumper Truck	14	18	\$319,126	\$209,669
1999 Crane Let-30E	Hydraulic Garbage Truck	8	7	\$145,316	\$182,221
1999 Crane Let-30E	Hydraulic Garbage Truck	9	7	\$145,312	\$166,058
1995 Fiata Grader		12	10	\$97,533	\$191,330

The above assets could have been replaced in a timelier manner to control maintenance and replacement costs. It should be noted that the above sample was selected from assets likely to have higher maintenance costs. There are

several similar other occurrences. To identify all such occurrences, each vehicle/equipment must be evaluated separately. This is a very time consuming task and can be automated to produce a report if proper triggers are established in the computer system. The analysis merely demonstrates that there are opportunities for analyzing fleet cost data and making rational decisions related to timely replacement of assets.

From a budgeting perspective, timely replacement on a yearly basis would help to streamline and identify the funding requirements. Ideally, Fleet Services should identify the needs by compiling the replacement budget on a yearly basis. Established life cycles are only effective when the replacement plan is fully funded. Scheduling the timely disposal and replacement activity will help to ensure more economic fleet operations.

Recommendations:

- 31. Develop appropriate criteria for replacement of vehicles and equipment and communicate them to the City departments.***
- 32. Use the replacement criteria for accomplishing vehicles and equipment replacements in order to minimize overall cost of ownership.***
- 33. Use the replacement list compiled using established criteria with annual budget constraints.***

The Vehicle Reduction Plan

During the audit period, Fleet Services received a directive from the City Administration to reduce the size of the City's

The plan appeared to be a step in right direction to control fleet costs

Actual savings from fleet reduction to date is about \$1.3 million compared to previous projections of \$8.8 million

Fleet reporting errors contributed to the above discrepancies

Fleet Services by 500 vehicles by the end of calendar year 2006. In January 2007, according to correspondence from Department of Public Works to the Chief Administrative Officer, the reduction plan was expected to save approximately \$8.8 million including annual maintenance costs. It appears that the reduction plan was a step in right direction to control Fleet Services' costs.

As of March 20, 2007, the Fleet Services Division had repossessed 500 vehicles of which 443 vehicles have already been sold, and the remaining 57 vehicles were waiting to be sold. The following is the summarized financial information about the foregoing transactions:

Gross Sales Proceeds Through March 20, 2007	\$1,180,028
Less: Auctioneer Fee	28,191
Net Sales Proceeds	\$1,151,837

However, about 26% of the proceeds or \$297,000 will have to be paid to satisfy outstanding loans incurred to procure these vehicles. According to Fleet Services, the annual maintenance cost incurred during last year was approximately \$1.5 million. Audit tests identified errors in their calculation and determined that actual maintenance costs on the 500 vehicles was about \$450,000. Additionally, fuel savings on the 500 vehicles is estimated to be approximately \$448,000. This amount

represents the savings from the Fleet Services budget beginning FY 2007-2008. Based on the above information, it appears that the Department of Public Works was not successful in meeting original goal. However, the reduction will result in an annual savings of approximately \$900,000, which is commendable.

Auditors reviewed the Fleet Services' methodology to accomplish the assigned task. During the review of the details of execution of the reduction plan, auditors noticed that several tasks could have been accomplished more effectively. Some of these observations are discussed as follows:

- There was no documentation as to the nature of the selections
- The departments were allowed to submit justification only **after** their vehicles were selected for reduction. It did not appear that Fleet Services personnel thought through the possible operational impact in various departments. Although auditors could not definitively confirm, abruptly prohibiting use of a vehicle is likely to impact areas where the City staff depends upon vehicles for service delivery.

A cursory review of a developer complaint indicated that better planning by Fleet Services may have been helpful in trying to avoid operational and customer services difficulties

During this audit, a developer of multi-unit dwellings contacted the City Auditor's Office. According to the developer, several different City inspectors could not perform their functions in a timely manner due to the Reduction Plan. He indicated that City employees engaged in the inspection of his project informed him that it was difficult to conduct inspections during the afternoon

hours and later in the early evening hours, as needed. It was explained that in order to conduct inspections, the inspectors had to get motor pool cars, which was more difficult during afternoons and that the vehicle had to be back by 4:00 pm. This developer had to pick up the inspector to get the inspection done and to be in compliance with the City policy.

Fleet Services did not execute the plan effectively and may have sold low mileage vehicles prematurely

The above could be an isolated incident; however, it demonstrates the need for considering operational issues when making vehicle reduction decisions. Based on the above discussion, it appears that Fleet Services did not execute a meaningful plan effectively and may have caused operational and service delivery difficulties. In addition, Auditors observed that 136, or 30%, of the 443 vehicles sold to date had mileage of less than 50,000 miles, which may indicate that they may have been retired prematurely. It became apparent to the auditors that the Administration's vision and intent have not been properly carried out by staff.

Recommendations:

- 34. Provide an update to the Office of Chief Administrative Officer related to actual savings generated due to the reduction and reduction in future maintenance costs.***
- 35. Reduce Fleet Services related budget by expected maintenance cost savings.***

Operations Management

Background

This function is responsible for repairing and maintaining vehicles and equipment, and supplying fuel to the users. Accordingly, this section of the report discusses issues related to:

- Repairs and maintenance
- Fuel operations
- Parts room operations

Repairs and Maintenance

Performance Measures

There are many industry standards relative to measuring performance that help to evaluate overall performance of the operations, including productivity. Examples of such measures include:

- Percentage of vehicle downtime
- Percent of reworks (repairs that have to be made again for a recurring problem)
- Vehicle turn-around time
- Average daily backlog
- Cost per mile statistics

Fleet Services staff has stopped reporting on performance measures

The prior audit of Fleet Services (2001) revealed that performance measures were in place and were being reported on a monthly basis. However, this audit revealed that Fleet Services staff has ceased all monthly reporting of performance measures to management. The data accumulated for most of the measures, including preventive maintenance statistics, specific vehicle information, fuel statistics, labor productivity and vehicle downtime were only completed up through September 2005. Vehicle turnaround time has only been recorded up to February 2006. Current staff has not been able to find the proper system report to accumulate data for vehicle downtime reports.

As discussed earlier, Fleet Services is not in a position to retrieve and use pertinent data to measure employee and operational performance. Inability to do so may have compromised their capability to identify needed improvements and address them.

In the private sector and several government fleet operations, detailed labor standards are established and used to control labor costs. There are several published standards such as Mitchell's or Chilton's flat rate manuals that can be used for this purpose. Fleet Services uses similar software, called ALLDATA.

Auditors reviewed 50 maintenance work orders for the fiscal year ended June 30, 2006. Actual labor hours were compared

to standard hours per ALLDATA for reasonableness. Auditors also interviewed auto mechanic management to obtain an overall understanding of how mechanics charged their time. In general, actual labor hours were comparable to ALLDATA standards. However, auditors observed an internal control weakness as a result of the testing and interviews.

Auditors observed that supervisors can exercise and have been exercising their discretion to adjust the mechanic's time if the supervisor believes that a mechanic has appeared to overcharge his hours on a given task. The excess time charged could be the result of a productivity issue or simply when a mechanic did not punch out his time when he stopped working on a task and started work on a separate task. Supervisors may or may not consult with the mechanic before changing the time recorded. These adjustments are not specifically tracked by management. This increases the risk that actual times charged for work performed may not be comparable to industry standards. Productivity cannot be measured properly if changes are made to alter actual to budget data without variance explanations.

Mechanics cannot be measured against known productivity benchmarks, nor can they be measured and compared against peers. Performance measures are also indicative of a unit's success or failure. Without this information, it is difficult to understand how management can effectively manage Fleet Services operations and make the proper decisions.

In addition, the audit identified an extreme case of overstatement of labor hours where more than 7,000 labor hours were charged which totaled over \$300,000 in labor costs. The Division personnel could not provide adequate explanation or details of this work order. Better management oversight is needed to prevent these types of occurrences.

Recommendations:

- 36. Establish appropriate performance measures.***
- 37. Discontinue adjusting labor hours charged to repairs and maintenance activity.***
- 38. Use the comparison between actual time and established standards to evaluate mechanics.***
- 39. Require Fleet Services to submit monthly performance report to DPW management.***

Training

ASE Training

The National Institute for Automotive Service Excellence (ASE) is a non-profit organization that develops a standard of measurement to certify the level of expertise of auto mechanics. There are currently 53 certifications available that are available and are grouped into specialties, such as:

- Automobile
- Light/heavy trucks
- Truck equipment
- Collision repair
- Engine machinist

The Fleet Superintendent indicated that out of a total of 40 mechanics 27 mechanics have earned a total of 61 ASE certifications. According to the City policy, these mechanics are given \$0.20 per hour or \$416 annually as a monetary incentive for obtaining ASE certifications.

Fleet Services pays monetary incentives for ASE certifications but does not monitor renewal of the certifications

Auditors found this representation to be inaccurate. Auditors could verify only 37 (60%) of the 61 certifications. The remaining certifications could not be verified due to lack of available evidence or were expired. There was no system in place to ensure that re-certifications were obtained prior to the expiration dates. Since monetary incentives are given to reward employees for their ASE accomplishments, those expired or unverified certifications could represent instances where employees are compensated for certifications that may or may not be current. Renewal of a certification requires the employee to take a relevant test to determine the current state of their knowledge. Therefore, without retesting, the continued competency of a mechanic in specific area cannot be verified.

Contrary to industry best practices, the division does not have a process for evaluating adequacy of mechanic training

Based upon best practices established by the American Public Works Association, training goals should be developed by the agency and periodically reviewed to ensure that they support the agency's mission, vision and value statements, as well as the needs of the mechanic. However, Fleet Services does not have a process to verify the adequacy of training. This discrepancy does not assure a well trained workforce to

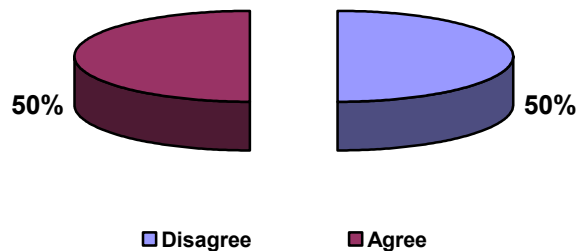
Many employees are not satisfied with the training opportunity available to them

produce quality work in an efficient manner.

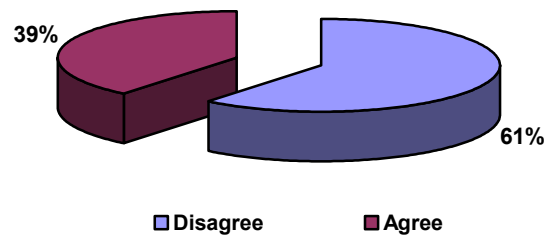
Richmond's training budget appears to be consistent with the surrounding localities. Of the seven localities included in the auditor's benchmarking, only two had higher budgets than Richmond Fleet Services. The range of the training budgets on an individual basis was \$343 to \$1,000. Fleet Services' FY2006, spending on training and certification was \$731.00 per mechanic.

A survey revealed that 50% of mechanics felt that they were inadequately trained as new employees, and 61% were of the opinion that they do not get adequate training to enhance their current skills.

Did you receive adequate initial training?



Do you receive adequate on-going training?



Based on the above discussion, it appears that the Division management must examine current practices of selecting and providing training opportunities to mechanics. In addition, they must have a mechanism to assure overall competency of the staff to perform quality repairs and maintenance activities.

Poor ASE certification record maintenance, inadequate monitoring of re-certifications, undocumented training sessions for mechanics and the absence of attendance documentation indicate a weakness in the departments' commitment to its staff training.

Recommendations:

- 40. Determine the level of training needed to ensure mechanic competency in order to perform quality repairs.***
- 41. Develop a comprehensive training program for all existing mechanics based on their skill sets.***
- 42. Provide appropriate training to mechanics based on systematic evaluation of needs.***

Fuel Operations

Fuel is one of the major components of Fleet Services' budget. In FY06, the division spent \$4,792,461 out of its total operational budget of \$17.4 million. Fuel is supplied under contract by a vendor to 15 City-maintained fuel sites and three other sites that are owned by the City but maintained by the vendor.

Fuel Cards

The new procedures similar to the original system do not assure personal accountability for using fuel

During FY06, Fleet Services transitioned away from a "two-card" fuel system (whereby fuel cards were assigned to both vehicles and users) to a "one-card" system (cards are assigned to vehicles only). In the current system, the user has to fuel the vehicle using the card assigned to vehicle. Simultaneously, the users were instructed not to input mileage information when fueling. Apparently, the purpose of the policy change was to improve controls. However, the new procedures similar to the original system do not assure personal accountability for using fuel.

Monitoring Responsibilities

More than a year later after implementation of the new program, a full monitoring program has not been developed to control the use of fuel.

As a result of the new fuel card policy issued March 13, 2006, Fleet Services was made responsible for ongoing monitoring to assure departmental compliance with the policy. Also, the Controller's Office of the Department of Finance was directed to develop and implement the fuel card policies and procedures. They were expected to perform additional monitoring to assure Fleet Services and departmental

compliance with internal control measures assuring appropriate use of fuel cards. Even though the new program was put into place to help control the abuse of fuel usage, more than a year later, a full monitoring program has not yet been developed. No testing or review has been completed by City management since implementation of the new policy.

Recommendation:

43. Implement appropriate monitoring to verify user accountability and necessary testing programs to comply with the Fuel Card Policy, effective March 13, 2006.

Internal Controls over Fueling

Edit Controls

Scanning of Fleet Services system database revealed significant internal control weaknesses. The current Fleet system (MCMS) is capable of being configured to implement adequate internal controls. A commonly used method to hold fuel users accountable is establishing several parameters using edit checks. Establishment of edit checks would allow users to conduct transactions within preset limits. This arrangement would discourage fuel use beyond the business necessity to prevent waste and abuse. Fleet Services has not taken advantage system features and capabilities to established prudent controls. The following discussion describes the control weaknesses:

Users could pump any amount of fuel

Fleet Services records revealed at least 645 transactions where fuel pumped into the vehicle exceeded the fuel tank capacity the vehicle. The following table presents a small sample of such transactions for the readers to comprehend the issue:

Unit #	Model	Transaction Date	Meter Reading	Gallons	Tank Capacity	Excess Pumped	Cost
060113	CROWN VIC	2/5/2006	6350	35.4	19	16.4	70.22
040316	CROWN VIC	3/13/2006	62106	35.4	19	16.4	73.87
937100	LABARON	9/7/2006	2500	36.8	16	20.8	85.58
937100	LABARON	8/7/2006	2500	37.2	16	21.2	103.07
040316	CROWN VIC	9/21/2006	77609	37.3	19	18.3	69.15
040112	CROWN VIC	1/11/2006	9075	38.9	19	19.9	79.57
030701	MALIBU	5/3/2006	40813	38.9	16	22.9	98.14
040112	CROWN VIC	1/30/2006	11016	40	19	21.0	79.73
060137	CROWN VIC	2/7/2006	1834	40	19	21.0	76.86
937100	LABARON	6/15/2006	2500	44.7	16	28.7	118.1

Users can pump fuel more than once a day and consume the fuel exceeding their vehicle's fuel tank capacity

It is possible to configure the system to disallow fuel transactions exceeding fuel tank capacity. The above instances may or may not represent theft of fuel. However, it points out that there is a lack of internal controls over the fueling process. The fueling facilities are accessible by the City employees 24 hours a day, seven days a week. Most of these sites are not staffed or otherwise monitored using security cameras.

Auditors found at least 166 examples where employees returned to the fuel site to pump additional gas. A few examples are included in the following table:

Unit	Card #	Date	Time	Gallons	Cost	Model	Meter
000102	1628533	3/24/2006	13:47:00	17.6	38.64	CROWN VIC	50000
000102	1628533	3/24/2006	16:22:00	23.5	51.74	CROWN VIC	50000
000102	1628533	3/24/2006	17:04:00	14.7	32.36	CROWN VIC	50000
			Sub Total	55.8			
650003	5161207	4/10/2006	10:07:00	15.2	38.3	MISC	0
650003	5161207	4/10/2006	10:07:00	15.9	40.19	MISC	0
650003	5161207	4/10/2006	10:49:00	17.6	45.43	MISC	0
650003	5161207	4/10/2006	10:51:00	16.8	42.47	MISC	0
650003	5161207	4/10/2006	13:07:00	11.9	29.99	MISC	0
650003	5161207	4/10/2006	13:08:00	18	45.43	MISC	0
650003	5161207	4/10/2006	13:37:00	16.7	42.09	MISC	0
650003	5161207	4/10/2006	13:37:00	12.3	31.07	MISC	0
			Sub Total	124.4			
836917	5161141	9/12/2006	09:22:00	33.8	67.79	F250	3937
836917	5161141	9/12/2006	09:27:00	21.6	43.33	F250	3937
836917	5161141	9/12/2006	11:04:00	20.4	40.91	F250	3937
			Sub Total	75.8			
888355	4340186	1/18/2006	12:06:00	24.2	49.48	3/4 T PICKUP	79921
888355	4340186	1/18/2006	12:11:00	24.2	49.48	3/4 T PICKUP	79921
888355	4340186	1/18/2006	09:36:00	27.5	54.65	3/4 T PICKUP	79921
888355	4340186	1/18/2006	15:04:00	9.6	19.12	3/4 T PICKUP	79921
			Sub Total	85.5			

Existing system is capable of avoiding the foregoing occurrences if it is configured appropriately

If Fleet Services had configured its system appropriately, the above occurrences could have been prevented. These occurrences also demonstrate the risk of fuel theft and adverse impact on employee productivity due to multiple visits to fuel sites.

Recommendation:

44. Establish appropriate edit checks in the system to prevent pre-established parameters.

Employees can pump any grade of fuel irrespective of their vehicle specifications

The City could save \$6,000 annually by prohibiting the use of unnecessary grades of fuel

The higher grade fuel (premium and plus fuel) is required only for motorcycles used by the Police Field operations. No other vehicle or equipment should need premium fuel. The Police Department had 21 motorcycles, which used annual fuel of approximately a total of 890 gallons during FY2006. However, the following table presents the use of upgraded fuel by various departments and agencies:

<u>Department/Agency</u>	<u>FY06</u>
Richmond Public Schools	29,161.9
Police (less motorcycle use)	10,362.4
Public Works	10,282.7
Recreation, Parks & CF	7,127.6
Sheriff	5,938.8
Public Utilities	3,229.4
Fire	1,663.6
Social Services	1,011.0
Community Development	650.1
Juvenile Justice Services	551.2
Judiciary	327.7
Juvenile Court	166.7
Library	108.8
Assessor	105.1
Port Authority	18.0
Total Gallons	70,705.0

In FY06, according to Fleet Services' calculations, \$6,047 was overspent based on what would have been spent had regular fuel at the monthly-average price been used. There

appear to be a reduction in the amount of upgraded fuel used for the first 6 months of FY07. However, there is room for improvement in this area.

Although the City's fuel vendor had the ability to prohibit users from using the premium or plus fuels with an automated system feature, it appears that Fleet Services did not seek such a measure. The deficiencies described above could lead to wasted resources.

Recommendations:

- 45. Prohibit departments from using premium and plus grades of fuel except where required***
- 46. Implement controls at the pumps in conjunction with the fuel vendor to allow premium / plus usage to only authorized users***
- 47. Monitor usage with exception reports or edit checks to ensure compliance***

Fuel Sites

***One fuel site used only
855 gallons in a year's
time***

Between the City-operated sites and the fuel vendor locations, there are 18 different stations where fuel users may purchase fuel. Varying amounts of fuel were pumped at each of these locations. Noticeably, at the Forest Hill Park station, only 855 gallons were used. Assuming each visit consumed 15 gallons of fuel, this consumption represents only 57 visits in entire year or less than 5 visits a month. Apparently, this site is not convenient for City staff to use. Elimination of this site may not impact operations of any department. There appears to be

a need for detailed study of all fueling stations and costs of operating and maintaining them to determine if it is cost effective to maintain all of the sites. This study also needs to take into account the most strategic locations for reduction of staff time to fuel the vehicles and equipment.

Recommendation:

48. Conduct a detailed study of usage, operations and maintenance costs and locations of fueling sites; and determine the most cost effective way to provide fueling services, including the possibilities of privatization.

Parts Vendor Contract

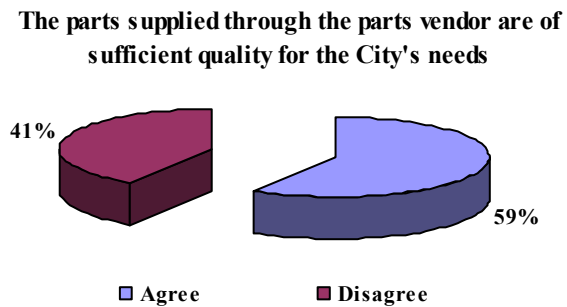
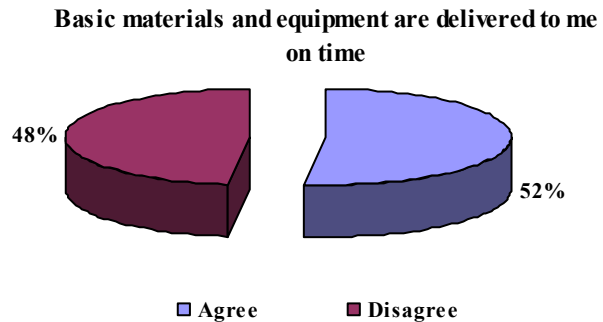
Background

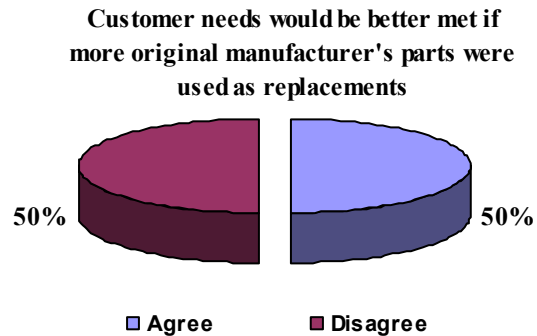
A parts vendor has established parts rooms at the two Fleet Services locations. The vendor is expected to maintain adequate inventories in order to supply parts to mechanics on an as-needed basis. The vendor strives to have 85% of all parts available upon request for all City vehicles and equipment. The vendor provides parts at a price consisting of cost and 35% commission. The vendor maintains a staff of 8 workers at the Parker Field and the Hopkins Road sites. Commission paid to the vendor over the last three years is as follows:

Year	Expenditure
FY2006	\$690,897
FY2005	\$692,044
FY2004	\$626,277

Surveys given to Fleet Services staff show some dissatisfaction with the parts vendor

Auditors surveyed Fleet Services staff in order to ascertain their opinion of the parts provided by the vendor. The 28 returned surveys revealed some dissatisfaction with the performance and parts provided by the vendor. These results are depicted in the following charts:





Contract administration and monitoring

There was no clear responsibility for administration of the parts contract

The Parts Room operations have been outsourced since 1991. One vendor, NAPA, has provided this service since that time. The responsibility of contract administration has been delegated to a staff analyst. Organizations outsource operations if any of the following value is received:

- Reduction in overall costs
- Better service than the service provided by in-house staff

Auditors reviewed if the foregoing values are received by Fleet Services. Parts room total costs include the cost of parts and labor, which are examined below:

Parts Costs

The contract states that parts prices are passed through at the vendor's cost and that the vendor "will continue to seek the best price for all parts and services purchased outside" of the parts vendor's system. The vendor gets paid a commission

Overall, Fleet Services does not monitor if the City receives the best price on parts

based on a percentage of parts used by Fleet Services. This provision provides no incentive to the vendor to obtain the best price for the parts used by the City. On the contrary, the higher the price, the more the vendor gets compensated. In addition, the vendor is not required to provide evidence of its costs. Fleet Services personnel stated that only parts not in stock that must be purchased from another vendor are compared to the vendor's invoice to ensure no additional mark-up has been added. This means that Fleet Services staff does not evaluate the vendors cost for most of the parts used by the division. On a cursory review, the auditors found that vendor's cost could be higher than the cost of the parts available on the State contract as demonstrated in the following example:

Obs.	NAPA Price	State Price	Quantity	NAPA Cost	State cost	Overpayment
1	\$460.00	\$332.31	8	\$3,680.00	\$2,658.48	\$1,021.52
2	\$459.00	\$341.06	4	\$1,836.00	\$1,364.24	\$471.76
3	\$524.00	\$390.61	2	\$1,048.00	\$781.22	\$266.78
4	\$381.69	\$326.48	7	\$2,671.83	\$2,285.36	\$386.47
5	\$407.36	\$332.31	44	\$17,923.84	\$14,621.64	\$3,302.20
			Total	\$27,159.67	\$21,710.94	\$5,448.73

In the above example, prices available on State contract were more favorable than on the NAPA contract. Substantial savings (about 20%) could have been obtained in the above examples. Unless prices of the parts are evaluated prior to

awarding contract, the City may not be able to determine the best source of the part supply. Fleet Services invites bids during the contract renewal process. However, it is not clear if they perform a detailed price analysis using the State contract or other sources.

Parts Room Labor Costs

The vendor maintains a staff of eight employees at the two Fleet Services locations to operate the parts rooms. In FY 2006, the City paid them \$690,897. Based on the City's pay structure and discussion with Fleet Services representatives, it appears that the City can save by bringing parts function in-house. This is demonstrated in the following calculation:

Staffing	Annual Compensation	Annual Cost
3 Parts Room Supervisors	\$45,000	\$135,000
6 Parts Room Clerks	\$26,000	\$156,000
Fringe Benefits		\$82,000
Equipment (start-up cost only)		\$50,000
Total		\$423,000
Current Costs		\$690,897
Opportunity For Savings if Brought In House		\$267,897

o

Fleet personnel, nine employees were deemed sufficient to operate the in-house parts room

There is a potential for saving \$250,000 by properly managing the parts room operations

Based on the discussion in this section of the report, it does not appear that Fleet Services has monitored the contract or periodically evaluated the cost-effectiveness of outsourcing the Parts Room operations. The above computation depicts that

the City potentially could save over \$250,000 if the parts room operation is brought back in-house or if a better price is sought for the outsourced operations.

Recommendations:

- 49. Conduct a feasibility study to determine if cost savings would result by bringing the parts operation back in-house or pursuing some other outsourcing alternative.***
- 50. Evaluate the prices of the parts supplied by various sources and available using the state contract to determine best source of parts procurement.***
- 51. Any future outsourcing contract must include performance measures and an incentive to obtain best parts prices.***

Service Alternative

Outsourcing

The City has two options: Either invest in revamping the existing operation or outsource the operation for savings and better management

As described in this report, there are several issues with Fleet Services' information management procedures. As a result, the system data cannot be used for a comparison with related industry standards or measuring performance of the division.

The completeness and accuracy of the data is doubtful. Therefore, no assurance is available whether the division is spending \$17 million of public resources in the most cost effective manner or is discharging its functional obligations in an efficient manner. This function cannot be evaluated using appropriate benchmarks. Based on observations during this audit, it appears that accountability over the resources entrusted to Fleet Services needs improvement.

Governments that have outsourced their Fleet Operation are satisfied with the services they receive

Downtime appears to be a concern. Forty percent of respondents to a user survey indicated that they have experienced a negative impact on their operations due to repairs exceeding one day. The Department of Parks and Recreation representatives indicated that vehicles are out of service sometimes for weeks. On average, system-wide down time was 3.9 days for Police and 2.9 days for other departments. This is significant as many work orders for small repairs and preventive maintenance could be completed in a relatively short time. This means that some of the work is not finished for several days. This could have

an adverse impact on departmental operations.

Internal controls in the division need to be improved significantly. One example is that Fleet established a charge code that is used for the cost of supplies billed to the agency. However, auditors found that several hundred thousand dollars were charged to miscellaneous work orders that have not been fully analyzed by the auditors. Supervisors are responsible for approving the miscellaneous work orders. However, it is left to the agency being billed to ensure the propriety of the miscellaneous activity. Another example of weak internal controls relates to work order alteration. The frontline supervisor has the capability to alter work order details and costs after the fact. This capability could be misused to charge the costs of inefficiency and waste to miscellaneous work orders.

In 1997, the City had initiated a managed competition effort. However, from available records, it is not clear as to why these efforts were abandoned and Fleet Services was allowed to continue providing services. During this audit, municipal government customers of one vendor providing fleet management services were contacted for cost estimates for managing their fleet. The following is the result of our survey:

Comments Regarding Outsourcing:

There is an opportunity to save up to \$2.6 million by outsourcing the Fleet Operation

- The organizations privatized their Fleet Services operations due to problems encountered within their operational environments. They indicated that those problems stemmed from inadequate management, employee non-productivity, inaccurate recordkeeping, unreliable data and noted workplace inefficiencies.
- The organizations stated that they were satisfied with their external contractor's performance.
- Most of the organizations indicated that they saved money as a result of privatizing their operations.
- Some stated that benefits derived from the overall accomplishment of efficiency and effectiveness surpassed accumulated dollar value savings.
- The organizations stated that the Fleet Services manager was in constant dialogue with the contract vendor to ensure that services were being rendered as intended and noted in the respective contract clauses.
- The organizations stated that all of the contractor's mechanics were ASE certified.
- Most of the organizations referred to the necessity of a properly written contract as the precursor to a beneficial relationship with the external contractor.

The chart below depicts a cost comparison between the City of Richmond and the localities used for benchmarking purposes:

Locality	Operations Budget	Fleet Size	Cost/Unit
Richmond, VA	\$8,136,473	2,409	\$3,378
Allegheny County, PA	\$1,800,000	700	\$2,571
Augusta/Richmond County, GA	\$4,154,521	2,700	\$1,539
Fort Lauderdale, FL	\$5,400,000	1,500	\$3,600
Fort Wayne, IN	\$2,400,000	1,400	\$1,714
Hartford County, MD	\$1,970,000	1,000	\$1,970
Average of other localities			\$2,279
Potential excess spending by Richmond per vehicle (\$3,378 - \$2,279)			\$1,099
Total potential excess spending (\$1,099 x 2,409 vehicles) (Rounded)			\$2,648,000

Note: Fleet Sizes were adjusted accordingly to ensure a proper comparison of serviceable items. Additionally fuel costs were removed from Richmond to ensure a proper comparison

In addition to the above comparison, the auditors compared Richmond Fleet Services' costs to surrounding localities' costs as follows:

Locality	Operations Cost Per Vehicle
Richmond	\$5,367
Chesapeake	\$5,360
Virginia Beach	\$5,341
Norfolk	\$5,489
Henrico	\$4,943
Hampton	\$4,193
Average of Peers	\$5,065
Per vehicle excess spending by Richmond (\$5,367 - \$5,065)	\$302
Potential total excess spending (\$302 x 2,409 vehicles) (Rounded)	\$728,000

Note: Operations Cost per vehicle is computed based on the adjusted operation expenditures figure from 2006 CAFR total operations figure less depreciation expense and the total fleet sizes less non-serviceable items.

The above analysis means that if Richmond keeps its operations in-house, it has an opportunity to save up to \$728,000 through operational improvements. However, if it decides to outsource the operations, potentially it could save up to more than \$2.6 million. From the above results, it appears that outsourcing of the Fleet operation may improve management of and accountability over City resources. It may also reduce costs substantially.

Recommendations:

- 52. Outsource Fleet Services operations after conducting thorough research and inviting all major companies providing Fleet Management Services to local governments.***
- 53. Ensure that the contract includes appropriate performance measures, financial rewards for superior performance and financial penalties for not meeting performance criteria.***
- 54. Hire a contract administrator knowledgeable both in fleet operations and prudent management practices to monitor contractor performance and compliance with the contract.***

MANAGEMENT RESPONSES

Appendix A – Management Responses/Action Plan
 DPW – Fleet Management Audit
 12 Months Ended June 30, 2006

General Management

Recommendation # 1: Update the policies and procedures manual to reflect current policies and practices.

Concur **Do not concur (Please explain)**

Action steps	Responsible Employee	Target Date
FLEET IS CURRENTLY REVISING CURRENT POLICIES TO IMPROVE PROCESSES SUCH AS ACQUISITION, USAGE, SURPLUS, NEW TECHNOLOGY, TRAINING AND CUSTOMER EDUCATION. FLEET WILL SUBMIT TO ADMINISTRATION FOR REVIEW AND APPROVAL.	JAY SMALLS, JACK CAREY, STAFF	JUNE 30

Recommendation # 2: Comply with City policies and Fleet Services policies.

Concur **Do not concur (Please explain)**

Action steps	Responsible Employee	Target Date
FLEET IS CURRENTLY LOOKING AT POLICIES WITH SPECIAL FOCUS ON VEHICLE AND EQUIPMENT PURCHASING TO MAKE SURE WE ARE OPERATING WITHIN POLICY. FLEET PLANS TO HAVE A MORE PROACTIVE RELATIONSHIP WITH PURCHASING.	JAY SMALLS DIANE HUGHES	JUNE 30

Recommendation # 3: Resume periodic meetings with users to obtain feedback useful in improving and enhancing user service. Communicate Fleet Services' efforts or the reasons for its inability to address user concerns.

Concur **Do not concur (Please explain)**

Action steps	Responsible Employee	Target Date
FLEET PLANS TO HAVE MONTHLY MEETINGS TO GO OVER POLICIES AS THEY ARE REVISED, NEW SERVICES, REPLACEMENT NEEDS AND FLEET REVIEWS WITH ALL DEPT. COORDINATORS.	JAY SMALLS DERON BULLOCK FLEET COORDINATORS	JUNE 30

Recommendation # 4: Require the division management to improve communication with the employees, evaluate fairness in employee treatment, and deal with other issues raised in this survey.

Concur **Do not concur (Please explain)**

Action steps	Responsible Employee	Target Date
FLEET WILL PUT DIRECTIVES AND PROCEDURES IN PLACE TO ADDRESS ISSUES. FLEET WILL SUBMIT ALL DIRECTIVES TO THE ADMINISTRATION FOR APPROVAL.	JAY SMALLS JACK CAREY	July 07

Information Management

Recommendation #5: Provide adequate training to the staff to minimize or eliminate data input errors.

Concur **Do not concur (Please explain)**

Action steps	Responsible Employee	Target Date
FLEET IS CURRENTLY PUTTING TOGETHER ACTION PLANS FOR TRAINING. THIS WILL BE DOCUMENTED FOR FUTURE REFERENCING.	JAY SMALLS STAFF	August 07

Recommendation # 6: Consider interfacing other systems referred to in the report to MCMS.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET PLANS TO INCREASE PARTNERSHIP WITH DIT AND FINANCE TO LOOK AT OPPORTUNITIES FOR DATA MINING AND TRANSFER TO CERTAIN CITY SYSTEMS FOR ACCOUNTABILITY AND BUDGETARY CONCERNS.	Responsible Employee JAY SMALLS MICHAEL JOHNSON DIT FINANCE PROCUREMENT	Target Date Jan 08
Recommendation #7: Require the Service Writer and Mechanics to verify accuracy of mileage information provided by the user.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET WILL CHANGE PROCEDURES FOR MILEAGE VERIFICATION TO VISUALLY ID ALL MILEAGE BY THE SERVICE WRITER AND THE MECHANIC.	Responsible Employee JAY SMALLS IRVING JOHNSON	Target Date MAY 13
Recommendation # 8: Generate exception reports to detect unusual or unreasonable entries in the data fields.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET IS CURRENTLY SETTING UP MEETINGS WITH SYSTEM VENDOR TO ADDRESS THESE ISSUES AND WILL BE LOOKING FOR THIS FEATURE WITH THE NEW PRODUCT TO BE ACQUIRED.	Responsible Employee JAY SMALLS STAFF DIT	Target Date JULY 07
Recommendation # 9: Provide adequate training to the employee serving as System Administrator.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET WILL INCORPORATE THE NECESSARY TRAINING FOR ALL USERS OF THE SYSTEM AND IS CURRENTLY REVIEWING ISSUES WITH THE SYSTEM VENDOR.	Responsible Employee JAY SMALLS STAFF	Target Date JUNE 07
Recommendation # 10: Consider increasing the details in the system relative to commercial charges.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS TASK IS A PART OF THE NEW SYSTEM PROJECT PLAN. FLEET WILL TRACK ALL DETAILS AND INFO FOR BUDGETARY ACCOUNTABILITY.	Responsible Employee JAY SMALLS FINANCE STAFF	Target Date July 07
Recommendation # 11: Establish a management policy to input the specific vehicle location data within the system data fields.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS TASK IS A PART OF THE NEW SYSTEM PROJECT PLAN. FLEET CURRENTLY HAS THIS PRACTICE. THE CURRENT SYSTEM DATA IS CAPTURED IN VARIOUS FIELDS AND TABLES.	Responsible Employee JAY SMALLS STAFF DIT	Target Date August 07

Recommendation # 12: Determine the system support contract terms and require the Fleet Manager to monitor vendor compliance with the contract. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS IS A PART OF THE NEW SYSTEM PROJECT PLAN. FLEET WILL WORK CLOSELY WITH PROCUREMENT, LEGAL AND DIT TO ADDRESS THIS ISSUE.	Responsible Employee JAY SMALL DIT PROCUREMENT LEGAL	Target Date July 07
Recommendation # 13: Follow up on deliverables and services included in the annual maintenance agreements, such as system upgrade activities; and ensure the system properly works after system upgrades. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THESE TASKS ARE CURRENTLY UNDER REVIEW AND DIT INVOLVEMENT WILL BE PARAMOUNT IN THIS PROCESS FOR DOCUMENTATION AND ACCOUNTABILITY PURPOSES.	Responsible Employee JAY SMALLS DIT STAFF	Target Date Sept 07
Recommendation #14: Consult DIT for future upgrades and related data conversion project management. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps TASK CURRENTLY A MUST AND FLEET HAS BEGUN TO INCORPORATE DIT IN ALL TECHNOLOGY PROJECTS.	Responsible Employee JAY SMALLS DIT STAFF	Target Date MAY 07
Recommendation # 15: Provide adequate documentation to system users for day-to-day operations. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET HAD IDENTIFIED THIS ISSUE AND THIS IS A PART OF THE PROJECT PLAN FOR THE NEW SYSTEM. DOCUMENTATION FOR ALL USER LEVELS WILL BE DONE FOR REFERENCE.	Responsible Employee STAFF	Target Date Nov 07
Recommendation # 16: Review the types of reports that are needed to effectively manage the Fleet Services operations and determine whether the reports are available as standard system report or through using system queries. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET IS CURRENTLY REVIEWING ALL REPORTS AND WILL BEGIN TO SURVEY DEPARTMENTS FOR REPORT PREFERENCES.	Responsible Employee FLEET DIT FLEET COORDINATORS	Target Date JUNE 07
Recommendation # 17: Train appropriate employees for creating system queries. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS TASK IS BEING ADDRESSED WITH THE SYSTEM VENDOR. ARRANGEMENTS FOR TRAINING WITH THE CURRENT SYSTEM VENDOR IS BEING PREPARED AND THIS WILL BE NECESSARY FOR	Responsible Employee STAFF MAXIMUS	Target Date Aug 07 / Jan 08

THE NEW SYSTEM.		
Asset Management		
Recommendation # 18: Work with Finance staff to ensure that the city's year-end asset reconciliation procedures are properly performed.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET WILL HOLD QUARTERLY MEETINGS WITH FINANCE TO MAKE SURE THIS PROCEDURE IS PERFORMED PERIODICALLY AND AUDITED TO CATCH ANY DISCREPANCIES BEFORE YEAR-END.	Responsible Employee FLEET FINANCE	Target Date SEPT 08
Recommendation #19: Require the user agencies annually report number and locations of vehicles and any other pertinent information so Fleet Services can have an accurate count of all City vehicles.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET WILL ENHANCE THE CURRENT AUDIT SYSTEM FROM YEARLY TO QUARTERLY, WITH A THIRD PARTY AUDIT DONE AT THE MIDDLE AND THE END OF EACH FISCAL YEAR.	Responsible Employee FLEET AUDIT FLEET COORDINATORS	Target Date JUNE 07
Recommendation # 20: Discontinue the practice of deleting data related to disposed assets from the MCMS system.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS PRACTICE HAS BEEN ELIMINATED	Responsible Employee STAFF MAXIMUS	Target Date MAY 07
Recommendation #21: Work with Finance to review options for the most logical way to accumulate and track the City's fixed assets in the Fixed Asset module.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET WILL BEGIN TO HOLD MEETINGS WITH FINANCE TO ADDRESS THIS ISSUE AND TO SEE WHAT METHODS OR APPROACHES WILL RESOLVE THIS ISSUE.	Responsible Employee JAY SMALL, DIT FINANCE MAXIMUS	Target Date JUL 07
Recommendation #22: Perform more systematic verification of all vehicles and equipment annually to assure their existence and condition.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS TASK WILL BE INCORPORATED IN THE FLEET INVENTORY PROCESS DONE TWICE EACH FISCAL YEAR.	Responsible Employee JAY SMALLS AUDIT THIRD PARTY DEPT COORDINATORS	Target Date JUNE 07
Recommendation #23: Assign the City-wide fleet management responsibility to Fleet Services. This would include acquisition, maintenance and repairs, disposal and replacements.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps	Responsible Employee	Target Date

REVISED POLICIES AND PROCEDURES WILL ADDRESS THIS, ONCE POLICIES ARE DEVELOPED THIS WILL BE SUBMITTED TO ADMINISTRATION FOR APPROVAL.	FLEET ADMINISTRATION PROCUREMENT	JUNE 07
Recommendation # 24: Expedite the completion of new Vehicle Acquisition and Specification procedures, along with the policies and procedures and distribute, accordingly. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps PROCEDURE UNDER REVIEW AND WILL INVOLVE PROCUREMENT AND ALL DEPARTMENTS FOR PROCESS EFFICIENCY.	Responsible Employee FLEET PROCUREMENT ALL DEPTS	Target Date JUNE 07
Recommendation # 25: Perform analysis of the City-wide fleet to identify: a. Actual need for the vehicle or equipment b. Ideal specification for each vehicle and equipment c. All vehicles and equipment whose ideal specifications exceed the actual need <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET IS REVIEWING THE PROCESS AND IS DEVELOPING JUSTIFICATIONS FOR ALL ACQUISITIONS OF VEHICLES AND EQUIPMENT WITH AUTHORIZATIONS FROM THE DEPARTMENT DIRECTORS' FINANCIAL COMPONENT AND THE OFFICE OF BUDGET AND STRATEGIC PLANNING.	Responsible Employee JAY SMALLS BUDGET ALL DEPTS	Target Date JUL 07
Recommendation #26: Acquire vehicles and equipment that are sufficient for the City's needs and operational purposes. Require departments to justify the need for additional features and functionality over the models that satisfies the City's needs. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS ISSUE WILL BE ADDRESSED IN NEW POLICIES AND PROCEDURES. FORMS WILL BE DEVELOPED AND ACCOUNTABILITY MEASURE FROM DEPTS AND THEIR FINANCIAL COMPONENTS TO INCLUDE BUDGET.	Responsible Employee FLEET BUDGET ALL DEPTS	Target Date JUL 07
Recommendation #27: Establish appropriate minimum usage criteria for each class of City vehicles and equipment. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET IS CURRENTLY REVIEWING BY INVESTIGATING BEST PRACTICES IN THIS AREA. THIS WILL ALSO INVOLVE THE HELP OF RISK MANAGEMENT. ONCE THE POLICY IS DEVELOPED IT WILL BE SUBMITTED TO ADMINISTRATION FOR REVIEW.	Responsible Employee JAY SMALLS RISK MANAGEMENT	Target Date JULY 07
Recommendation #28: Periodically review underutilized vehicles and submit the results to the Chief Administrative Officer. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		

<p style="text-align: center;">Action steps</p> <p>THIS TASK WILL BE INCORPORATED INTO THE UTILIZATION REPORT THAT IS DONE QUARTERLY. REPORT IS SUBMITTED TO THE CAO.</p>	<p style="text-align: center;">Responsible Employee</p> <p>FLEET</p>	<p style="text-align: center;">Target Date</p> <p>JULY 07</p>
<p>Recommendation # 29: <i>Analyze the departmental vehicle needs more comprehensively. Establish motor pools based where possible to reduce the number of vehicles.</i></p> <p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)</p>		
<p style="text-align: center;">Action steps</p> <p>CURRENTLY IN PROGRESS. FLEET IS CONTINUING TO ID THOSE VEHICLES FOR OFFICE USE TO CAPTURE THE VEHICLES AND REDIRECT USERS TO MOTOR POOL.</p>	<p style="text-align: center;">Responsible Employee</p> <p>JAY SMALLS ALL DEPTS</p>	<p style="text-align: center;">Target Date</p> <p>JUL 07</p>
<p>Recommendation # 30: <i>Encourage the use of personal vehicles for the City business where appropriate.</i></p> <p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)</p>		
<p style="text-align: center;">Action steps</p> <p>THIS IS UNDER REVIEW AND IS REALLY THE RESPONSIBILITY OF THE DEPARTMENTS. HOWEVER, FLEET WILL GIVE GUIDANCE WITH BEST PRACTICES IN THE INDUSTRY.</p>	<p style="text-align: center;">Responsible Employee</p> <p>JAY SMALLS ADMINISTRATION RISK</p>	<p style="text-align: center;">Target Date</p> <p>SEPT 07</p>
<p>Recommendation # 31: <i>Develop appropriate criteria for replacement of vehicles and equipment and communicate them to the City departments.</i></p> <p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)</p>		
<p style="text-align: center;">Action steps</p> <p>THIS TASK IS A PART OF THE NEW POLICIES AND PROCEDURES. FLEET WOULD SUBMIT TO DPW ADMINISTRATION AND CAO FOR APPROVAL.</p>	<p style="text-align: center;">Responsible Employee</p> <p>JAY SMALLS JACK CAREY</p>	<p style="text-align: center;">Target Date</p> <p>JUNE 07</p>
<p>Recommendation # 32: <i>Use the replacement criteria for accomplishing vehicles and equipment replacements in order to minimize overall cost of ownership.</i></p> <p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)</p>		
<p style="text-align: center;">Action steps</p> <p>CURRENTLY IN USE, FLEET HAS REVISED THIS PROCESS TO INCLUDE AGE, MILES/HOURS, YTD AND LIFE TO DATE DATA TO DECIDE THE REPLACEMENT OF VEHICLE AND EQUIPMENT.</p>	<p style="text-align: center;">Responsible Employee</p> <p>JAY SMALLS FLEET STAFF</p>	<p style="text-align: center;">Target Date</p> <p>MAY 07</p>
<p>Recommendation # 33: <i>Use the replacement list compiled using established criteria with annual budget constraints.</i></p> <p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)</p>		
<p style="text-align: center;">Action steps</p> <p>FLEET IS REVIEWING THIS PROCESS TO PUT A MECHANISM IN PLACE IN THE EVENT FUNDING IS CUT SHORT</p>	<p style="text-align: center;">Responsible Employee</p> <p>JAY SMALLS LETITIA SHELTON BUDGET</p>	<p style="text-align: center;">Target Date</p> <p>SEPT 07</p>

Recommendation # 34: Provide an update to the Office of Chief Administrative Officer related to actual savings generated due to the reduction and reduction in future maintenance costs. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps UPDATE WILL BE SUBMITTED AFTER LAST AUCTION, HOWEVER THEY HAVE BEEN SUBMITTED AFTER EACH AUCTION.	Responsible Employee JAY SMALLS	Target Date MAY 07
Recommendation # 35: Reduce Fleet Services related budget by expected maintenance cost savings. <input type="checkbox"/> Concur <input checked="" type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY UNDER REVIEW, CURRENT AGE OF FLEET WILL NOT MAKE THIS A COST EFFECTIVE MEASURE TO EXECUTE AT THIS TIME	Responsible Employee JAY SMALLS	Target Date MAY 07
Operations Management		
Recommendation # 36: Establish appropriate performance measures. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY UNDER REVIEW WITH INPUT OF BEST PRACTICES IN THE INDUSTRY TO SET LEVELS OF MEASUREMENT.	Responsible Employee JAY SMALL IRVING JOHNSON	Target Date AUGUST 07
Recommendation #37: Discontinue adjusting labor hours charged to repairs and maintenance activity. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps UNDER REVIEW TO SEE WHAT WOULD CAUSE CHANGE AND/OR ADJUSTMENT, REVIEW LEVELS OF SECURITY TO PREVENT COMMON USAGE.	Responsible Employee IRVING JOHNSON JAY SMALLS MAXIMUS	Target Date SEPT 07
Recommendation #38: Use the comparison between actual time and established standards to evaluate mechanics. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY UNDER REVIEW, SYSTEM CHANGES TO BE MADE AFTER ANALYSIS.	Responsible Employee IRVING JOHNSON JAY SMALLS	Target Date SEPT 07
Recommendation # 39: Require Fleet Services to submit monthly performance report to DPW management. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY FLEET IS COMPILING THE REPORT IN AN EXECUTIVE STYLE FORMAT.	Responsible Employee FLEET STAFF	Target Date JUNE 07
Recommendation # 40: Determine the level of training needed to ensure mechanics competency in order to perform quality repairs. <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		

Action steps	Responsible Employee	Target Date
ASSESSMENT CURRENTLY UNDERWAY AND RESULTS WILL BE COMPILED TO DETAIL THE LEVEL AND TYPE OF TRAINING NEEDED FOR EACH MECHANIC.	IRVING JOHNSON VENDORS HR	OCT 07
Recommendation # 41: <i>Develop a comprehensive training program for all existing mechanics based on their skill sets.</i> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
COMPREHENSIVE TRAINING PROGRAM BEING COMPILED TO ADDRESS THIS ISSUE. THIS WILL INVOLVE THE HR COMPONENT FOR EFFECTIVENESS AND MONITORING OF EFFICIENCY.	JAY SMALLS IRVING JOHNSON HR	OCT 07
Recommendation # 42: <i>Provide appropriate training to mechanics based on systematic evaluation of needs.</i> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
COMPREHENSIVE TRAINING PROGRAM BEING COMPILED TO ADDRESS THIS ISSUE. THIS WILL INVOLVE THE HR COMPONENT FOR EFFECTIVENESS AND MONITORING OF EFFICIENCY.	JAY SMALLS IRVING JOHNSON HR	OCT 07
Recommendation # 43: <i>Implement appropriate monitoring to verify user accountability and necessary testing programs to comply with the Fuel Card Policy, effective March 13, 2006.</i> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
FLEET IS CURRENTLY COMPILING REPORTS TO CAPTURE DATA FOR COMPLIANCE WITH THE NECESSARY COMMUNICATIONS TO EDUCATE AND ALERT ALL DEPARTMENTS OF RESULTS.	JAY SMALLS BOB GREGORY	SEPT 07
Recommendation # 44: <i>Establish appropriate edit checks in the system to prevent pre-established parameters.</i> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
FLEET REVIEWING WITH SYSTEM VENDOR TO PUT ERROR DETECTION OR PUT PARAMETERS IN PLACE TO PREVENT INCORRECT DATA INPUT.	JAY SMALLS STAFF	JUL 07
Recommendation #45: <i>Prohibit departments from using premium and plus grades of fuel except where required.</i> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
FLEET IS CURRENTLY ADDRESSING THIS BY ISSUING CARDS THAT WILL BE PROGRAMMED FOR REGULAR OR PREMIUM FUEL ONLY.	BOB GREGORY	MAY 07
Recommendation # 46: <i>Implement controls at the pumps in conjunction with the fuel vendor to allow premium / plus usage to only authorized users.</i> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps	Responsible Employee	Target Date

CURRENTLY THIS IS BEING DONE. FLEET HAS IDENTIFIED SOME DISCREPANCIES IN THE PROCESS WHEN CARDS ARE ORDERED, CORRECTIVE CURRENTLY IN PROCESS..	BOB GREGORY	MAY 07
Recommendation #47: Monitor usage with exception reports or edit checks to ensure compliance.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY BEING REQUIRED IN CONTRACT. FLEET WILL HAVE TO DEVELOP A MORE DETAILED REPORT WITH VENDOR.	Responsible Employee JAY SMALLS BOB GREGORY	Target Date JUNE 07
Recommendation #48: Conduct a detailed study of usage, operations and maintenance costs and locations of fueling sites; and determine the most cost effective way to provide fueling services, including the possibilities of privatization.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY UNDER REVIEW. FLEET LOOKING AT BEST PRACTICES IN THE INDUSTRY.	Responsible Employee JAY SMALLS	Target Date JAN 08
Recommendation #49: Conduct a feasibility study to determine if cost savings would result by bringing the parts operation back in-house or pursuing some other outsourcing alternative.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps CURRENTLY UNDER REVIEW, STUDYING INDUSTRY FOR BEST PRACTICES.	Responsible Employee JAY SMALLS	Target Date JAN 08
Recommendation #50: Evaluate the prices of the parts supplied by various sources and available using the state contract to determine best source of parts procurement.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps FLEET WILL HOLD QUARTERLY MEETINGS WITH VENDOR TO HOLD VENDOR TO PROOF OF SAVINGS AND OPEN UP OPPORTUNITY TO USE STATE CONTRACTS FOR PURCHASES.	Responsible Employee FLEET	Target Date JUL 07
Recommendation #51: Any future out sourcing contract must include performance measures and an incentive to obtain best parts prices.		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps THIS TASK IS CURRENTLY UNDER REVIEW AND WILL INCORPORATE PROCUREMENT TO LOOK AT ALL AREAS OF OPPORTUNITY.	Responsible Employee FLEET PROCUREMENT	Target Date SEPT 07
Service Alternatives		
Recommendation # 52: Outsource Fleet Services operations after conducting thorough research and inviting all major companies providing Fleet Management Services to local governments.		

<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps	Responsible Employee	Target Date
THIS TASK NEEDS THOROUGH REVIEW DUE TO THE REPERCUSSIONS SURROUNDING THIS; FLEET WILL GATHER NECESSARY DATA TO SHOW FAVOR OR OPPOSITION.	JAY SMALL JOHN CAREY STATE	JAN 08
Recommendation #53: <i>Ensure that the contract includes appropriate performance measures, financial rewards for superior performance and financial penalties for not meeting performance criteria.</i>		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps	Responsible Employee	Target Date
THIS IS UNDER REVIEW WITH THE HELP OF PROCUREMENT AND LEGAL.	JAY SMALLS PROCUREMENT LEGAL	JUL 07
Recommendation # 54: <i>Hire a contract administrator knowledgeable both in fleet operations and prudent management practices to monitor contractor performance and compliance with the contract.</i>		
<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do not concur (Please explain)		
Action steps	Responsible Employee	Target Date
THIS TASK WILL INVOLVE PROCUREMENT AND FLEET. FLEET WILL MEET WITH PROCUREMENT TO DEVELOP A PLAN OR TRAINING FOR FLEET PERSONNEL.	FLEET PROCUREMENT	JUL 07

Reader Survey



City Auditor Report Evaluation Form

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Your feedback helps us do a better job. If you would please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, ideas, thoughts: _____

Name (Optional): _____

Thanks for taking the time to help us.

Fax: 804.646.2230
Mail: City Auditor's Office, 900 E. Broad Street, Room 806, Richmond, VA 23219
Call: Umesh V. Dalal, CPA, City Auditor, 804.646.5640
Email: askcityauditor@ci.richmond.va.us
Hotline: 804.646.5697