

AUDIT REPORT

**MARION COUNTY
FLEET MANAGEMENT DEPARTMENT**



Internal Audit Division

*DAVID R. ELLSPERMANN
CLERK OF THE CIRCUIT COURT
MARION COUNTY, FLORIDA*

Wallace K. Watford, Internal Auditor

MAY 2001
AUDIT REPORT NO. 2001-02

TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Department Summary	4
Findings and Recommendations	5
Attachment A: Departmental Organization	23
Attachment B: Financial Analysis	24



Clerk of the Circuit Court
Board of County Commissioners
Marion County

Internal Audit Division

David R. Ellspermann
Clerk of the Circuit Court
Wallace K. Watford
Internal Auditor

Post Office Box 1030, Ocala, Florida 34478-1030
110 NW First Avenue, Ocala, Florida 34475

Telephone: (352) 620-3904
Facsimile: (352) 620-3300
Suncom: 667-3904

May 11, 2001

The Honorable Board of County Commissioners

RE: AUDIT REPORT: FLEET MANAGEMENT DEPARTMENT

The Internal Audit Division has performed an audit of the Fleet Management Department at the request of the Assistant County Administrator, Ed Smith, in his capacity of Acting Fleet Director. This review was focused on the numerous operational activities of the Department, expenditure and revenue controls and Department adherence to policies and procedures. Our review involved examinations of pertinent documents and records, site visits to departmental operations, interviews with department staff and management, and observations of procedures and employee activities.

We have concluded that the Department has had numerous managerial and operational deficiencies in previous years. The Assistant County Administrator has understood this and has made many operational improvements over the past several months. Our activities disclosed certain matters deserving of management's attention and we therefore present recommendations which should enhance the operations of the Department. These had been discussed with management during the course of our review. In general, the Department must institute and maintain an acceptable system of internal controls and procedures. Management's responses and comments are included within the report.

It is important that the improvements, when implemented, be maintained throughout future periods. Successful implementation will require continued attention to ensure that laxness does not occur. We will perform a follow-up review within the next twelve months to ascertain and report on the status of our recommendations.

We would like to express our appreciation to the Assistant County Administrator/Acting Fleet Director and department staff, as well as other County management personnel, for their assistance and cooperation during this audit.

David R. Ellspermann
Clerk of the Circuit Court

Wallace K. Watford
Internal Auditor

c: James L. Lowry, County Administrator
Edwin L. Smith, Assistant County Administrator
Janet Y. Tutt, Assistant County Administrator
James Rodgers, Human Resources Director

EXECUTIVE SUMMARY

We have performed an audit of the Fleet Management Department (Fleet) which concentrated on management and operational effectiveness, the system of internal controls, and established procedures over inventory and equipment, purchasing, departmental services and functions, employee safety and security of the department facilities.

In general, we found that Fleet requires significant improvements in its management philosophy and its departmental operations, procedures and policies. Further, our activities disclosed that Fleet must enhance its system of internal controls and procedures.

Summarized below are our recommendations and Management's responses from the Assistant County Administrator.

<u>RECOMMENDATIONS</u>	<u>RESPONSES</u>
1. Management promptly develop a clearly defined plan to address the identified departmental management and operational deficiencies.	Concur
2. Management consider improving technical training of Fleet personnel.	Concur
3. Management devise formal, official policies and procedures into a departmental operating procedures manual.	Concur
4. Management devise formal policies and procedures regarding inter-departmental transactions. At a minimum, these should include instructions as to fuel key usage and obtaining services.	Concur
5. Management establish County-wide management policy that vehicle users purchasing fuel from outside vendors must routinely report vehicle mileage and gallons purchased to Fleet on a timely basis.	Concur
6. Management provide the current Personnel "Policies & Practices Employee Manual" to all current and new employees. Future revisions to the manual should be promptly issued to the employees.	Concur
7. Management consider the identified enhancements to inventory controls and purchasing procedures.	Concur
8. Management ensure that its policy of open communication with department personnel continues.	Concur
9. Management ensure the timely completion of the Human Resources personnel study of Fleet Management operating positions.	Concur

FLEET MANAGEMENT DEPARTMENT

RESPONSES

RECOMMENDATIONS

- | | |
|--|------------------|
| 10. Management consider future changes to personnel staffing and duties after a period of time to evaluate new changes. | Concur |
| 11. Fleet maintain facility security through its new procedures, with enhancements. | Concur |
| 12. Management request Risk Management to perform a safety review and observation of Fleet facilities, working conditions and employee safety. | Do Not
Concur |
| 13. Management consider the identified improvements to interdepartmental billing components and procedures. | Concur |
| 14. Management consider the identified improvements to interdepartmental activities with Fire/Rescue Services. | Concur |
| 15. Management consider the identified improvements to interdepartmental activities with Solid Waste. | Concur |
| 16. Management devise a methodology to enhance communication with user departments. | Concur |
| 17. Management develop a long term plan for Fleet Management. This should include the consideration of outsourcing all or most of the services and the consideration of the feasibility of restructuring the Fleet Management Department as a true fleet management operation. | Concur |
| 18. Management consider authorizing Fleet as a consultant to evaluate equipment and vehicle requests from all County departments. | Concur |
| 19. Management consider the practicality and timing of improving the driveway infrastructure of Fleet Management facilities. | Concur |

FLEET MANAGEMENT DEPARTMENT

DEPARTMENT SUMMARY

The following information pertaining to the Marion County Fleet Management Department should provide the reader with background in order to better evaluate this report.

The Fleet Management Department provides essential repair services in its operations, as shown in **Attachment A** (Departmental Organization). The Department presently is funded by the General Fund and its results of operations are reported to County Administration through the Fleet Management Director. General Fund billing revenues and expenditures for fiscal years 1998, 1999 and 2000 for the department are presented in **Attachment B**. There were 18 full-time equivalent employees authorized for fiscal year 2000.

The following department descriptions were extracted from information in the fiscal year 2001 Proposed Budget, as prepared by the department and submitted to the Clerk's Budget Division.

The Fleet Management Department provides vehicle and equipment repairs to all County departments and procures new and replacement vehicles. The Department provides fueling services for vehicles and equipment, maintains all fueling sites in compliance with Department of Environmental Protection regulations. Services also include maintenance and repairs to all County owned generators. The Department also provides services to the Health Department and Property Appraiser.

Goals of the Department: 1) provide quality service at the lowest cost; and 2) continue renovations to the property and improve the overall look of the property.

FLEET MANAGEMENT DEPARTMENT

FINDINGS AND RECOMMENDATIONS

The Internal Auditor, while performing this audit of the Fleet Management Department (Fleet), made numerous site visits which provided opportunities to observe procedures and employee activities related to departmental operations. This was in conjunction with meetings and interviews with department staff and management to determine and evaluate the department's system of internal controls and procedures over interdepartmental billings, departmental services and functions, the safety of department personnel and the security of the department facilities. Pertinent documents and records were examined to determine Fleet's compliance with the County Code, general County policies and internal departmental policies and procedures.

In summary, we found that Fleet does not appear to have a long range plan and needs many management and operational improvements. Internal controls for purchasing and inventory must be strengthened and personnel issues as identified in the report must be addressed.

Each of the following findings and recommendations for enhancements came to our attention during the examination of the Fleet. These were discussed concurrently with appropriate management and operating personnel as the audit progressed. The Assistant County Administrator/Acting Fleet Director has made many significant improvements over the past several months, with which we concurred. Many recommendations were implemented or planned for implementation by management before or upon reviewing the initial draft of this report. We want to commend Don Wilks, the Operations Supervisor, and Debi Fye, the Administrative Assistant, for their assistance and efforts to maintain department operations during a difficult period.

I. DEPARTMENTAL MANAGEMENT AND OPERATIONS

As an integral part of this review, the Internal Auditor observed the actual detailed operations that result in the services to other County departments. This required physical observations of the various operations over several days, examination of supporting documents, numerous conversations and interviews with employees and several discussions with Fleet management personnel.

We concluded that departmental operations could be significantly improved and that there should be better short term and long range planning for Fleet. We noted that the Assistant County Administrator/Acting Director had reached the same conclusions and has implemented many beneficial changes and has planned many others.

Fleet Management has undergone many changes during the past several years. The quantity and level of services and the number of department employees have been significantly reduced. Fleet performed at one time service work for all County departments from its central location. Presently, Fire mechanic personnel and costs have been segregated within the Fire/Rescue Services Department, and the Solid Waste Department has a Fleet mechanic stationed full time at the Landfill to work on Solid Waste equipment. In addition, Engineering/Roads Department has acquired various tools that allow its employees to provide basic, routine maintenance to equipment, thereby reducing some of the services needed from Fleet.

FLEET MANAGEMENT DEPARTMENT

Changes seem to have been more in response to particular circumstances, rather than the results of a comprehensive plan clearly designed to account for and deal with changing needs or service levels. A comprehensive long-range plan should be developed, as later reported in Section X of this report. Of more immediate concern, however, we believe that management should take all appropriate actions to improve current Fleet operations and rectify the deficiencies identified in the report. These operational improvements apply generally to personnel issues, employee training, utilization of employees and facilities, billing of services to departments, review of specific components of existing operations for better efficiency, inventory and purchasing controls, employee safety, facility security and interdepartmental communication.

The following specific findings of operational deficiencies came from our on-site observations, evaluation of operating controls and conversations/interviews with every Fleet employee. These have been discussed with applicable Department personnel and the Assistant County Administrator, who has implemented or directed the implementation of most of them.

- Improve the inventory and purchasing controls as later explained in Section III of this report.
- Maintain recent improvements in employee morale building. Management reviewed the morale issues of department employees and implemented significant changes, some with immediate impact, others to take effect in the future. Based on our discussions with personnel, this has resulted in the noticeable elevation of morale.
- Address management communication with departmental personnel. Employees both desire and need to be timely informed of pertinent information pertaining to their jobs and general County operations. General and specific notices should always be prominently posted. Interviewed employees believe increased information, whether verbal or written, would be an improvement over the past.
- Implement a tool policy that ensures standardization by mechanic and ensures mechanics have appropriate tools to perform tasks. This policy should be supplemented by a tool inventory and procedure for replacing lost or damaged tools.
- Maximize utilization of Fleet facilities. This can be accomplished by rearranging and upgrading the main garage for safety and efficiency needs. The bays in the new heavy equipment building and the lube building also could be used for cars/light trucks servicing if there is an overflow. Maintaining close working cooperation with the Fire fleet facility that shares the Fleet site is one of the many reasons better utilization is important.
- Ensure that employees begin work more promptly in the mornings. The work day begins at 7:00 a.m., but we observed some days that activities were very slow through 7:30 a.m., and occasionally 8:00 a.m.
- Develop and implement a better methodology for employee evaluations. The previous Director's method was to have employees prepare their own evaluations for his review and changes. Employees generally believe there is no apparent basis for a favorable evaluation except for how well you get along with the Director.
- Develop better methodology for evaluating timeliness and quality of work. At a minimum, standards for number of hours to complete specific services should be established. Evaluate employee performance based on deviations from established standards. Consider charging departments only for the established standard hours for the work performed.
- Implement or maintain Operations Supervisor's suggested procedure of assigning mechanics to learn his job. Perhaps incorporate into a mechanic job description as step for promotional opportunity.

FLEET MANAGEMENT DEPARTMENT

- Evaluate the working conditions, efficiency and paperwork flow of the Tire Shop. Use the same methodology as that previously done by management in its initial evaluation of the Small Engine Shop, which resulted in a cleaner, better organized facility, with new work order forms.

We recommend that management develop a clearly defined plan to address the identified departmental management and operational deficiencies.

MANAGEMENT RESPONSE: We concur with specific findings and will be implementing remaining changes in the future.

Management responsibilities include obtaining and maintaining fully qualified and trained employees. We therefore reviewed current employee training and future needs. An existing policy allows mechanics to maintain certifications and receive reimbursement if the certification test is passed. This is beneficial to the employee and County, but we have concluded that there is no plan in place to ensure that mechanics obtain ongoing technical training specific to their job duties and the composition of Fleet vehicles and equipment. The County expends considerable funds every year to renew and replace its fleet and equipment, which usually becomes more technologically complicated to diagnose and repair.

Most of the mechanics interviewed expressed concerns that the lack of technical training could result in their being less technically competent to perform their duties. After observing their individual duties, we concur and suggest that Fleet implement a more extensive and job-related mechanic training. Such training could best be targeted toward each mechanic's current assignments, with consideration to providing training to assist the employee in future promotions. Additional comprehensive training would therefore benefit the County and the Fleet employees. It seems probable that such training could be done in conjunction with other local governments with similar needs. For maximum benefit, management should get input from Fleet personnel.

We recommend that management consider improving technical training of Fleet personnel.

MANAGEMENT RESPONSE: We concur. Training has improved considerably. Presently, nine mechanics attend a two-night, monthly session at the City training complex and six mechanics, on separate occasions, have attended AC/DELCO schooling in Orlando and Jacksonville.

FLEET MANAGEMENT DEPARTMENT

II. DEPARTMENTAL OPERATING POLICIES AND PROCEDURES

The operating rules and regulations of the Fleet Management Department are not established by Marion County Code. The County Administrator and Department director are responsible for developing and maintaining operating rules and regulations. Fleet is subject to the approved Policies and Practices Employee Manual and the procurement policies established pursuant to Chapter 2, Article VII of the Marion County Code.

We determined that the Department does not maintain written, comprehensive rules and regulations for the operations of the Department. We believe this to be a significant deficiency. To manage this large Department, management should have prepared and issued numerous internal operating procedures and guidelines. Operating policies and procedures are necessary to ensure that management directives are distributed to, and understood by, applicable personnel and to provide the basis to determine accountability, measure results and enforce compliance. Written policies should be developed for all significant issues concerning Fleet operations and personnel.

We recommend that management devise formal, official policies and procedures into a departmental operating procedures manual.

MANAGEMENT RESPONSE: We concur with the findings. Policies are being drafted and should be implemented soon.

Many County departments have significant interactions with Fleet Management regarding service work and fuel purchases. We noted that there are few written directions and instructions for these transactions. This is particularly true of fuel purchases. Electronic fuel system keys are issued at the direction of each user department, but there are no written instructions given to employees, especially as to key usage, user responsibilities and liabilities and required record keeping.

Other examples of the many understood, but unwritten, procedures pertain to obtaining repair and maintenance services. Presently the departments are responsible for routine daily maintenance (e.g., check and add fluids) while in the field and for bringing in the vehicle or equipment when repairs are needed. When certain equipment is broken down in the field or roadside, the departments are to call for road assistance during the day and emergency assistance during nights and weekends. Further, the departments are responsible for timely scheduling and delivering equipment when routine preventive maintenance is required.

We recommend that management devise formal policies and procedures regarding inter-departmental transactions. At a minimum, these should include instructions as to fuel key usage and obtaining repair and maintenance services.

MANAGEMENT RESPONSE: We concur. Policies will be drafted and implemented.

FLEET MANAGEMENT DEPARTMENT

FLEET MANAGEMENT DEPARTMENT

Most departments acquire fuel directly from the main Fleet fueling station or at the recently established district stations. With the exception of Fire, principally because of the location of its stations, Fleet purchases fuel at bulk prices, thereby significantly reducing the fuel costs of the user departments. This also allows Fleet to track vehicle usage since each user is required to enter vehicle mileage. This information is used to schedule required preventive maintenance and determine fuel efficiency. When the user is unable to use Fleet fueling stations, the user may purchase fuel at retail prices from a vendor (presently Kwik King). The purchase transaction involves an open charge account, which is submitted monthly to the County for payment. The procedure does not allow determination of preventive maintenance or vehicle efficiency because mileage information and quantity usage are not submitted to Fleet for entering into the fleet management computer system. This undermines the effectiveness of the system. It seems that there is no requirement for user departments to maintain vehicle usage logs or to submit needed vehicle mileage and gallons information to Fleet. We believe that there should be a County-wide policy that vehicle users who must purchase fuel from gas stations should routinely report the gallons purchased and related mileage to Fleet in order to ensure that the respective vehicle records are complete and up-to-date.

We recommend that management establish County-wide management policy that vehicle users purchasing fuel from outside vendors must routinely report vehicle mileage and gallons purchased to Fleet on a timely basis.

MANAGEMENT RESPONSE: We concur.

Based on initial discussions with Fleet personnel, most did not seem familiar with the “Policies & Practices Employee Manual”. While it is possible that the manual was given to each employee when hired, it was apparent that the current employees were unfamiliar with the manual. The manual contains important sections, such as disciplinary and protest procedures, that all employees should be aware. Personnel policies are now being reviewed and revised by the Human Resources Department at the request of the County Administrator.

We recommend that management provide the current Personnel “Policies & Practices Employee Manual” to all current and new employees. Future revisions to the manual should be promptly issued to the employees.

MANAGEMENT RESPONSE: We concur.

FLEET MANAGEMENT DEPARTMENT

III. INVENTORY AND PURCHASING CONTROLS

Internal and operating controls over inventory assets (parts, tools and equipment) and general departmental purchasing procedures were an important component of our review. We examined inventory records, purchasing documentation, inventory control procedures and financial records. We included on-site observations of inventory controls, parts ordering and issuing procedures and discussions with Fleet personnel.

We concluded that there have been serious deficiencies in inventory controls. Fleet has purchased a total of **\$1,387,963** in repair parts and small tools during fiscal years 1999 and 2000, yet there is no verified and recorded inventory on hand, no assurance that all of this amount was properly expended and no procedures in place to ensure proper usage and accountability. Until recently, we believe that controls were insufficient to prevent theft and unauthorized use of parts inventories, tools and equipment.

The identification, physical count and verification of inventory parts has not occurred in some years. The last physical inventory reportedly took over several weeks to complete; the result had not been reconciled to what should have been on hand. Physical inventories, to provide a benefit to management, must be taken quickly and promptly reconciled to financial records.

Further, there is no assured correlation between amounts paid for parts and that entered into the RTA computer system (described in Section VI) because there are no checks or control procedures to assure such accuracy. Presently and in the past, the Parts Inventory Technician enters into the RTA system the units received and related cost amounts from the vendor invoices and forwards the invoices to Fleet administration for payment processing. There is no procedure in place to proof the Technician's work and verify the accuracy of the information. In addition, there reportedly were too many employees in the past with access to the RTA system and had the ability to enter and change cost and other information, with or without authorization, with no system to identify or verify whether such transactions were appropriate or correct.

The ordering, recording and checking out of parts inventory have had different methods in the past. We were informed that the Parts Room once had at least two inventory technicians responsible for ordering and inventory control, but that was reduced to the present one employee. At the same time, the mechanics were given the responsibility of ordering parts from vendors and were given considerable discretion to accomplish this. The Parts Technician thereafter recorded the inventory items received and items billed based on information supplied by the mechanics. This process did not include any apparent supervisory control and oversight. There was no assurance that purchased parts were used only for authorized repairs, that amounts charged for parts were accurately recorded in inventory and billed through work orders.

The following findings and conclusions came from our on-site observations, review of financial controls, review of supporting documentation and conversations and interviews with Fleet personnel. These have been discussed with applicable Department personnel and the Assistant County Administrator, who has implemented or directed the implementation of most of them.

FLEET MANAGEMENT DEPARTMENT

- Perform complete physical inventory of Parts Room and other inventory areas, then reconcile to financial records. This inventory would provide the opportunity to clean the Parts Room and re-sort inventory.
- Consolidate to the extent practicable the parts inventories that are presently located in various parts of the Fleet compound.
- Identify and segregate all obsolete inventory items in every facility, especially warehouse and old lube room. Management should then decide if items are to be auctioned or offered/returned to vendors. This process should be evaluated to ensure that currently used or usable inventory is maintained in stock and in the appropriate level.
- Perform complete inventory of mechanic tools and shop equipment, then reconcile to records.
- Establish clear policy for most efficient inventory purchasing and payment methods. There has been some confusion as to whether Open Purchase Orders or Purchasing Cards are to be used most often. Our understanding is that Purchasing Cards are one component of available purchasing procedures and are not to eliminate or replace Open Purchase Orders. We believe that there should be a mix of usage based upon the particular types of inventory purchased and the need and availability of cardholders to take delivery and sign the receipt.
- Maintain newly implemented procedure of Parts Requisition form prepared by mechanics to request parts from Parts Room. All parts to be ordered by Inventory Technician who is charged with accounting and billing when received and when job is complete. This could be enhanced by requiring consistent use by all mechanics

We recommend that management consider these identified enhancements to inventory controls and purchasing procedures.

MANAGEMENT RESPONSE: We concur.

FLEET MANAGEMENT DEPARTMENT

IV. EMPLOYEE/PERSONNEL ISSUES

Fleet has 14 employees in operating positions: Operations Supervisor (combined and reclassified in 2000 from two positions-Shop Supervisor and Service Writer); Fleet Maintenance Technician I/II/III; Automotive Parts Inventory Technician; Lubrication/Senior Lubrication Technician; Small Engine Technician; Tire Technician. There are 3 employees in management/administrative positions: Director; Administrative Assistant (reclassified in 2000 from Staff Assistant III); Office Assistant.

As part of our activities, we observed the working relationships of Fleet service personnel among themselves and with supervisory personnel. We spent considerable time over several days in discussions and interviews with each employee on multiple occasions. The following findings and conclusions came from our on-site observations of, and conversations and interviews with, Fleet personnel.

There was a noticeable morale problem among the employees. Several believed that "favoritism" was routine and that quality of work and technical competence were not factors in determining promotional opportunities or monetary compensation.

The Assistant County Administrator has recognized these personnel issues and taken positive remedial steps. One improvement was more open communication by management with personnel, stressing a teamwork approach. There are regularly scheduled weekly meetings of operating and administrative personnel to implement this approach. This seems to be well received by staff. To be most effective, this openness must continue and staff must be assured that their comments and suggestions are taken seriously, even if some are unable to be acted upon by management.

We recommend that management ensure that with its recent policy of open communication with department personnel continues. Periodically, management should obtain and implement suggestions for enhancement in the communication process.

MANAGEMENT RESPONSE: We concur.

All but one of the mechanics were at the highest rating of Fleet Maintenance Technician III, yet they were assigned different duties that required differing abilities and skills. We found no recognition of this by position description and no clear path to promotional opportunities. The Assistant County Administrator has recognized that Fleet personnel were not well represented in the County-wide position classification and salary survey and that there were probable differences in technical abilities among the employees. He has requested the Human Resources Department to perform a special review of Fleet personnel position descriptions, career path and promotional opportunities and potential ability to increase pay grades of Fleet positions. We agree with this. There has been no apparent career path methodology for the Fleet positions. This reassessment is in process and representative Fleet employees are working with Human Resources to timely accomplish.

We recommend that management ensure the timely completion of the Human Resources personnel study of Fleet Management operating positions.

MANAGEMENT RESPONSE: We concur. This is an ongoing study.

FLEET MANAGEMENT DEPARTMENT

The recent combination of duties of two separate positions (Shop Supervisor and Service Writer) into the position of Operations Supervisor resulted in the reduction of one employee. The present employee is responsible for the smooth operation of the garage and effective utilization of personnel, which includes evaluation of work performed and employee annual performance appraisals, as well as numerous administrative duties. Management should establish a time line to re-evaluate the Operations Supervisor's responsibility and workload to ensure continued effectiveness.

We also observed that there is a present need for additional coverage of the Parts Room to assist the Automotive Parts Inventory Technician. In order to maintain security and responsible internal control, the Technician needs to remain in the locked Parts Room. An additional staff member should be considered to accept deliveries, re-stock inventory and assist the Technician. This person could be a lower level position who could provide other coverage as needed. For example, the Tire Shop could use some help since the Tire Technician is often on the road.

We further noted that office administration, departmental billing and most other administrative support functions are performed by the Administrative Assistant and the Office Assistant. Both employees have performed well throughout the current changes, but the work load may become too much in the near future. We noted that the Administrative Assistant has been assigned many managerial duties for the past several months and the Office Assistant therefore has taken on increased, more sophisticated duties that are not indicated in the related position description. We suggest that management consider these issues in future determination of changes in administrative support.

We recommend that management consider future changes to personnel staffing and duties after a period of time to evaluate the new changes.

MANAGEMENT RESPONSE: We concur.

FLEET MANAGEMENT DEPARTMENT

V. FACILITY SECURITY AND EMPLOYEE SAFETY

Our review included the evaluation of facility security and employee safety. To accomplish this, we performed observations of facilities and working conditions of employees. We also discussed work place safety procedures with operating personnel, and completed our review with discussion with Risk Management.

In general, we found facility security was appropriate; however, we did note two instances in which a warehouse door was unlocked at the close of business. Our conversations elicited the information that locks had been re-keyed recently and the number of keys given to employees has been significantly reduced. Further, access to the Parts Room has been more restricted and the door is to be locked when assigned employee is not there.

We recommend that Fleet maintain facility security through its new procedures, with enhancements. These include always locking the Parts Room door, restricting access to only authorized personnel and reducing number of keys to locks. This could be improved by checking all doors of each facility at end of shift.

MANAGEMENT RESPONSE: We concur and have implemented procedures.

Employee safety should be a high management priority. We observed that employee safety appears adequate in general, even though the job requirements necessarily place mechanics in potential physical jeopardy. We did note that a few older tools did not have safety shields in place and that some previously used equipment jack stands had proven inadequate to carry the weight of some equipment. These jacks had recently been replaced with the correct type, but only after some deficient jacks had crumpled under the weight of a large heavy equipment item. There were no injuries only because no employee was working on the equipment at that time. That situation should not have been allowed to exist. We also observed that a parts shed was situated in such a manner to obscure the vision of vehicle drivers and pedestrians. We felt this was a safety issue; management agreed and promptly moved the shed.

We believe that the employees are safety conscious and have appropriate knowledge about personal safety issues and procedures. They generally follow safe precautions and are given adequate tools and safety-related equipment. However, there have been significant injuries and potential injuries in the past two years that are of deep concern to them and which has led many to question management's concern for their safety and care in the event of job-related injuries. Because two of these injuries were exceptional (one involved a severed finger and another a serious body burn from a fire), we believe Risk Management should perform an intensive job safety inspection and report all findings to management.

We met with Risk Management to discuss employee accident reporting procedures, Fleet's employee safety by the type of work performed, by equipment and tools used, and the condition of the work facility. We were informed that Risk Management has established a Safety Advisory Group which has a employee representative from Fleet. This group meets periodically to discuss general and specific employee safety issues and concerns. Minutes of the meetings are prepared and sent to department directors for posting where employees may see them. In addition, Risk Management has

FLEET MANAGEMENT DEPARTMENT

a safety officer that can perform safety inspections, especially if County management makes a specific request.

We recommend that management request Risk Management to perform a safety review and observation of Fleet facilities, working conditions and employee safety.

MANAGEMENT RESPONSE: We do not concur. Fleet will perform its own internal safety review.

VI. INTERDEPARTMENTAL BILLINGS

The Department has purchased and maintains a vendor-developed computer system, Ron Turley Associates (RTA) that performs customer billing and is used to track inventory purchases and stock levels. This RTA Fleet Management Software system is comprehensive. Inventory items purchased or used for repairs are entered into the system as received or as used. Each repair or service is accomplished in accordance with a “work order”. The work orders track the number of associated hours of mechanic time, the cost plus markup of materials and the cost plus markup of outside vendor cost (if sent out for repair and service). Work orders are also prepared for preventive maintenance services.

The Operations Supervisor creates a work order for each repair service. The assigned mechanic inputs information into the system as the work is completed. The Parts Technician inputs into the system the materials used for each specific repair. This information is then used to create the amount billable to the user and is part of the monthly billing to the user department.

Work orders are accumulated and submitted with a statement at the end of each month for each user department’s review and approval. Departments are expected to review the charges and dispute any questionable transaction. Approval is signified by signatures on the billings, which are then returned to Fleet, who then forwards the signed billings to Finance as authorization to transfer funds.

We reviewed and observed the processes and procedures involved in the tracking of, accounting for, and billing of costs of services to user departments. We found the RTA system to be an appropriate and useful system for fleet management and billing of services. Interdepartmental billing of services require improvement in relation to the financial records, supporting documents and recording procedures of the Department.

During our review activities, we noted the following billing issues that should be changed:

- Evaluate and revise the standard preventive maintenance charges, tire service and the standard hourly charges for each assigned mechanic. These are significant charges that have not been changed for some time and we found no evidence to support the calculations.
- Evaluate and update the add-on charges on parts and outside repairs. There are significant and inexplicable inconsistencies in the imposition of such charges.
- Evaluate and update the percentage add-on for fuel. There has not been a recent justification for this percentage.
- Review reasoning for adding additional amount for fuel used by Solid Waste and consider reducing the rate. Presently Solid Waste buys its own gas for its separate fuel station used in its own vehicles.
- Thoroughly review the RTA system in order to identify special inventory charges or other markups and remove the inappropriate ones. Some inventory items had different markups than other similar items for which we found no clear reasoning. To facilitate this review, the department should acquire an additional RTA module (approximately \$100). This module is also beneficial by providing the ability to produce standard reports by employees, by inventory mark-up, etc.

FLEET MANAGEMENT DEPARTMENT

- Maintain the underlying original supporting documentation of the work orders for a reasonable period of time (perhaps 3 months) to be available to explain or prove basis for billings. Presently such documentation has been destroyed after the billing procedures are completed.

We recommend that management consider these identified improvements to interdepartmental billing components and procedures.

MANAGEMENT RESPONSE: We concur.

FLEET MANAGEMENT DEPARTMENT

VII. FLEET ACTIVITIES WITH FIRE/RESCUE SERVICES DEPARTMENT

More than two years ago, the Fire/Rescue Services Department (Fire) management determined their department needed full control of repair to all of its vehicles. This resulted in several Fleet mechanics transferred to Fire, along with tools and equipment. Fire continued to use Fleet's inventory in the Parts Room, and the parts were billed to Fire as items were used. In late fiscal year 2000, there was a further separation: Fire now has its own parts inventory and uses the RTA system to track its own repairs. To accomplish this, Fleet has established a separate department code (002) in the RTA system to be used solely by Fire to enter and account for work orders pertaining to its vehicles and equipment.

To improve interdepartmental activities with Fire, we suggest that the complete separation of Fire and Fleet inventories (all items, including tools) be finalized. Upon completion, the associated financial records and RTA computer files should be adjusted to the actual amounts and quantities. Fire should continue to diligently use the RTA system.

Because Fire fleet maintenance services are a different operation, we are conducting a separate operational review. We will prepare an individual report on completion of the review.

Personnel from both departments have indicated that there have been some operational difficulties between the departments over the past few years. These difficulties concerned the problems or issues of billing and charges for services and the different maintenance needs of Fire vehicles and equipment. This has resulted in recent open discussions between Fleet and Fire management and operating personnel. Such open communication should continue.

We recommend that management consider these identified improvements to interdepartmental activities with Fire/Rescue Services Department.

MANAGEMENT RESPONSE: We concur and have implemented procedures. The lone remaining issue is the routine fixed asset inventory performed by the Clerk's office in order to reconcile and transfer tools and equipment.

FLEET MANAGEMENT DEPARTMENT

VIII. FLEET ACTIVITIES WITH SOLID WASTE DEPARTMENT

The Solid Waste Department is a significant user of Fleet services because of the number and varied types of its equipment and vehicles. There is one mechanic that is assigned full-time at the Landfill facility and who is paid directly by Solid Waste, yet is considered to be part of Fleet Management. Fleet provides preventive maintenance on cars and light trucks, but the on-site mechanic actually performs repairs on stalled and inoperative equipment at the Landfill and other Solid Waste facilities within the County.

The mechanic often performs repairs on equipment located on the active landfill dump site. The working conditions, therefore, are worse than those of the other Fleet mechanics, yet the on-site mechanic has the same classification, job description and pay scale. Solid Waste management personnel have expressed the opinion that the position should be reclassified, with a better pay grade, perhaps similar to their heavy equipment operators.

Solid Waste personnel actually direct the daily activities of the mechanic, determine priorities of service and approve vacation and sick time off. When the on-site mechanic is on leave or is overworked, Fleet provides another mechanic. Fleet provides the necessary parts for the repairs, prepares the work orders and bills Solid Waste for the services. Fleet has a special billing component for the mechanic's time: the actual hours are billed out at half the normal rate. This apparently was done in order to recognize the costs that Solid Waste incurs by providing the separate garage facility and tools at the Landfill. However, this no longer seems to be an appropriate rate or relationship. Presently, Fleet only pays for uniforms, while Solid Waste provides a vehicle for the mechanic and pays for gas, tools and supplies. Therefore, at a minimum, there should be at most a nominal charge by Fleet for the services of the mechanic already paid directly by Solid Waste.

We believe that changes in the relationship should occur. The Solid Waste mechanic base of operations is some distance from the Fleet main facility. The Solid Waste mechanic is, for all practical purposes, outside of the Fleet Operations Supervisor span of control. Solid Waste directly budgets for and pays the mechanic's salary and directs the work schedule of the mechanic. Since Solid Waste incurs almost all of the costs, it should complete the process and pay for uniforms and any other expenses. We therefore believe that Solid Waste should have full control of this mechanic the same as any other of its employees. However, Solid Waste should continue to use Fleet for parts and tracking history of repairs to equipment and vehicles. Fleet should continue preparing work orders, but only at a set reasonable amount per work order in order to recover associated costs.

We recommend that management consider these identified improvements to interdepartmental activities with Solid Waste.

MANAGEMENT RESPONSE: We concur with need to consider possible improvements.

FLEET MANAGEMENT DEPARTMENT

IX. INTERDEPARTMENTAL COMMUNICATION

Fleet Management has continual and substantial working relationships with many County departments. Most of the communication with these departments pertains to specific repair issues, such as delivering equipment for service, description of problems and explanation of the nature of the repairs.

Our review consisted of observations of departmental interactions and included discussions with some user department management and operational personnel. Based on our work, we believe additional communications enhancements could occur:

- Increase communication with user departments for non-repair work orders for parts items issued from Parts Room. Communicate any seemingly excessive usage to appropriate department supervisor. For example, oil and hydraulic fluid for Roads mowers are issued throughout a given month; all items are included on one work order at end of the month. It is possible that quantities could be excessive in total and indicate that prompt maintenance is required for some equipment.
- Evaluate, with the assistance and input of user departments, whether certain basic preventative maintenance should be performed by the users. This could significantly reduce the number of visits to Fleet, thereby allowing the equipment to be more available for operations, as well providing better utilization of Fleet personnel. Fleet must determine what, if any, the user departments could perform and develop a check list for departments to complete to ensure that all preventative work is performed. The more sophisticated or technical work should still be performed by Fleet.
- Design and utilize Customer Comment and Suggestion Form to be completed by user departments. Use for management to evaluate quality and timeliness of the work performed and adequacy of hours charged for repair. This could be done periodically throughout the year or done for every work order. Results obtained from the forms should be tracked by computer. The form should be readily available, either by email, in computerized format and/or manual format. The form should include section for “no complaint” or “good evaluation”.

We recommend that management devise a methodology to enhance communication between Fleet and user departments. This should include method for communicating Fleet’s evaluation of a department’s non-repair usage of supplies, determining if user departments could perform basic preventative maintenance and developing a form to obtain written customer feedback from user departments.

MANAGEMENT RESPONSE: We concur.

FLEET MANAGEMENT DEPARTMENT

X. DEPARTMENT FUTURE PLANS

Management should establish a long range plan for Fleet Management. We believe that a comprehensive long-range plan is overdue. A professional approach should be adopted which identifies current service levels and needs, input from user departments and current “industry” practices and methodologies. This plan must anticipate the future needs and growth patterns of County government and acknowledge the advantages and disadvantages of outsourcing the Fleet service.

One option considered by some governments is the “outsourcing” or “privatizing” of fleet services. Evaluating this alternative requires, among many others, knowing what are the present actual costs of fleet servicing, understanding the County’s future plans and fleet requirements and the ability to contract with a vendor to provide these costs. Outsourcing can be done by the vendor providing the services at the vendor’s main facility and/or the vendor utilizing the County’s present facility. Management must keep in mind that if privatization should later prove unsatisfactory, it may be very difficult to re-establish the “in-house” fleet services function performing the current level of services.

As mentioned previously in the report, Fleet performs some services not directly related to vehicle and heavy equipment repairs. These services are tire repairs, vehicle lubrication and small equipment repairs. Tire repairs are already partially outsourced on an emergency or specialized basis. The balance of tire repairs and lubrication are candidates for consideration of greater outsourcing. Small equipment repairs could also be outsourced. Because much small equipment (e. g. string trimmers, chain saws) is relatively inexpensive, it will be necessary to determine whether outsourcing is the more cost effective method.

The most comprehensive long range plan option would be for the County to retain fleet services, but change from the present fleet “maintenance” operation to a true fleet “management” philosophy. This type of fleet management requires Fleet Management Department to have actual ownership of the assets, with the broad ability to determine when to repair or replace any asset and to evaluate and determine whether a department needs an asset, what type and whether the item should be new or used. This would require the confidence of user departments that Fleet has the necessary expertise, understanding and capability to decide on the acquisition of the appropriate equipment, including the evaluation of similar equipment from different vendors.

We recommend that management develop a long range plan for Fleet Management. This should include the consideration of outsourcing all or most of the services and the consideration of the feasibility of restructuring the Fleet Management Department as a true fleet management operation. Regardless of the alternatives considered or decided upon, management should designate a responsible employee and establish a time period with specific decision dates to accomplish the implementation.

MANAGEMENT RESPONSE: We concur. We will develop a long range plan for Fleet.

Much of the equipment requested and budgeted by user departments (other than for cars and light trucks) have not included Fleet Management in the decision making process. An additional improvement in the management of County assets would be for Fleet to provide integral information

FLEET MANAGEMENT DEPARTMENT

and evaluation while acting in a consulting role. Such a role would provide greater assurance to County management and the BCC that funds are being best utilized.

We recommend that management consider authorizing Fleet as a consultant to evaluate equipment and vehicle requests from all County departments.

MANAGEMENT RESPONSE: We concur. Management will consider authorizing Fleet in this process.

Management recently made physical improvements to the main garage facility. The cleaning and painting required the entire facility to be rearranged and the movement of existing equipment. This has resulted in better use of the facility and probable increase in employee productivity. This also has improved employee morale by providing personnel with a better looking and more efficient workplace. Management should be commended for this action.

Another improvement could be the paving of the driveways around the entire Fleet facility, which are mostly unpaved, very dusty when dry, have pooled water when it rains and contain numerous potholes. The dust not only permeates each separate work facility, but also coats the tools and mechanical equipment. The dirt and dust gets into the vehicles and equipment being repaired. This facility lot improvement had been included in a previous year's budget, but was removed as part of the budget approval process. We believe this matter should be re-examined to determine when possible to make these improvements.

We recommend that management consider the practicality and timing of improving the driveway infrastructure of the Fleet Management facilities.

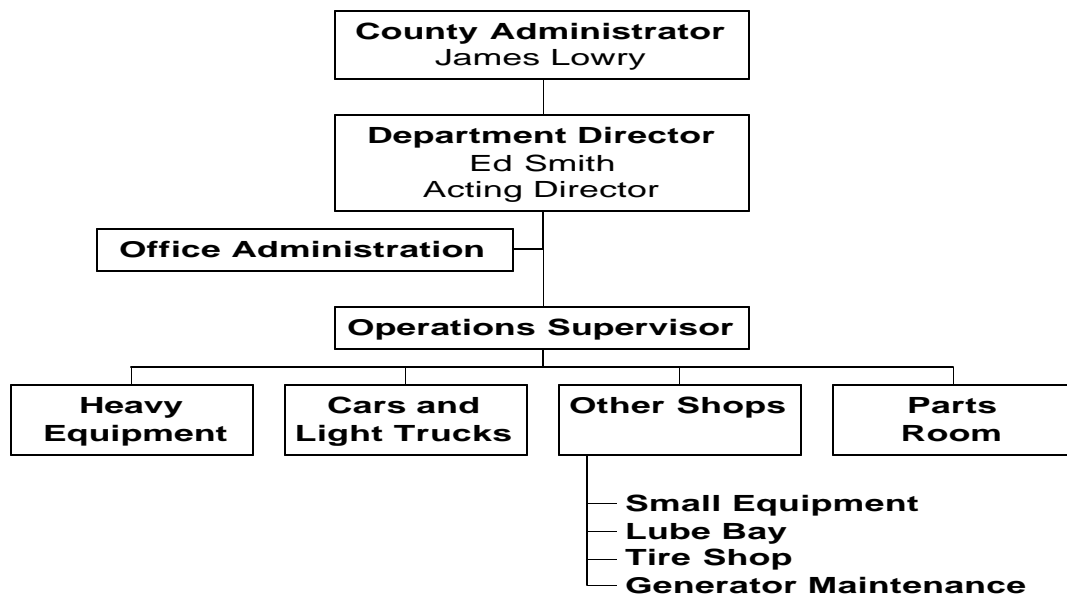
MANAGEMENT RESPONSE: We concur. This is an ongoing consideration.

FLEET MANAGEMENT DEPARTMENT

ATTACHMENT A

DEPARTMENTAL ORGANIZATION

FLEET MANAGEMENT DEPARTMENT ORGANIZATION CHART - FY 2001



FLEET MANAGEMENT DEPARTMENT

ATTACHMENT B

FLEET MANAGEMENT DEPARTMENT FINANCIAL ANALYSIS

Description	<u>Actual FY 1998-99</u>	<u>Actual FY 1999-00</u>	<u>Budget FY 2000-01</u>
Expenditures:			
Personal Services	<u>618,247</u>	<u>685,902</u>	<u>709,234</u>
Contract Repairs	352,656	355,526	350,000
Parts for Repairs	652,599	721,046	700,000
Fuel for Vehicles	233,236	369,452	300,000
Small Tools	4,816	9,502	12,000
All Other	<u>103,368</u>	<u>133,858</u>	<u>138,776</u>
Total Operating Expenses	<u>1,346,675</u>	<u>1,589,384</u>	<u>1,500,776</u>
Capital Outlay	<u>93,874</u>	<u>275,433</u>	<u>111,870</u>
Total Expenditures	<u>2,058,796</u>	<u>2,550,719</u>	<u>2,321,880</u>
Revenues:			
Interdepartmental Billings- Repairs and Fuel	<u>1,780,417</u>	<u>1,860,613</u>	<u>2,030,000</u>