



August 31, 2018

To: John King, Fleet Management Director
Emory Roberts, Finance and Customer Service Director

From: Alice Garner, Internal City Auditor *Alice Garner*

Re: Fleet Management and Maintenance Audit – Project No. 2018-04A

We have conducted an audit of the Fleet Management department as scheduled per the FY 2018 Internal Audit Plan. The objectives of the audit were to determine whether the department is providing a cost-effective service and is compliant with fleet management and maintenance practices. The audit was conducted by Randall Bridgeman.

To accomplish our objectives, we inquired with management, identified fleet management and maintenance practices, tested the labor rate calculation, examined work orders, reviewed monthly billings, surveyed City departments, reviewed annual vehicle inspection reports, tested vehicles involved in accidents, examined procurement card purchases relating to repairs, parts maintenance and fuel purchases, and tested the reconciliation between Fuel Master, FleetWave and Eden.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our audit period was October 1, 2016 through December 31, 2017. However, transactions, processes and situations reviewed were not limited by the audit period.

During the course of our audit, we noted several aspects of the operations that were working effectively including:

- Technicians have earned Automotive Service Excellence (ASE) and Emergency Vehicle Technician (EVT) certifications in several disciplines.
- The department has been certified as a General Motors Warranty Repair Facility.
- The department's labor rate is competitive with third party vendors.
- The department is proactive in its approach to vehicle maintenance and repairs.
- The department has consistently passed Department of Environmental Protection inspections of its fueling facility.

Based on our work performed, we conclude that except for the needed improvements as noted in the report, the department is providing a cost-effective service and is compliant with fleet management and maintenance practices.

One opportunity for improvement is included in this report that is not the responsibility of the Fleet Management department; rather, it is the responsibility of the Finance and Customer Service department.

We appreciate the cooperation and assistance provided by the Fleet Management department and the other entities contacted during the course of our audit.

Cc: Ocala City Council Members
John Zabler, City Manager
Bill Kauffman, Assistant City Manager
Ken Whitehead, Assistant City Manager
Sandra Wilson, Deputy City Manager
Tiffany Kimball, Contracting Officer

BACKGROUND:

Fleet Management provides service and support to 18 City departments, and maintains 1,489 vehicles and equipment with a 2018 budget of \$4.3 Million, using 14 technicians. The department provides the following core services:

- Preventative maintenance
- Fuel management
- Vehicle and equipment repairs
- Vehicle procurement and surplus
- Generator maintenance and repairs

The City's fleet includes the following types of vehicles and equipment being maintained and repaired by Fleet Management:

- 580 Heavy duty trucks, pickups, vans and Sport Utility Vehicles (SUV's)
- 196 Landscape tractors and mowers
- 151 Off road type of equipment
- 129 Generators
- 118 Trailers
- 41 Fire apparatus

The Fleet Management department's purpose is to provide City departments with safe, reliable vehicles and equipment. This is achieved through the adoption of fiscally responsible practices for preventative maintenance and repair procedures. The department seeks creative opportunities to enhance productivity and maintain vehicles and equipment in a safe operational condition. The overall goal of the department is to keep vehicle repair and maintenance costs to a minimum.

On October 1, 2016, the department implemented the FleetWave computer application developed by Chevin Fleet Solutions. The application manages the fleet maintenance and repairs, tracks the vehicle and equipment inventory, and provides monthly billing of repairs, maintenance and fuel usage. The system also assists the department to schedule preventative maintenance based upon pre-set mileage increments and monitor vehicle usage and total cost of operating each vehicle in order to determine the optimal time to replace a vehicle.

Fleet Management department accomplishments include receiving the ASE Blue Seal of Excellence and partnering with the Marion County School Student Internship Programs. Additionally, the department has reduced costs by employing predictive analytics, uses synthetic motor oil to extend the life of vehicle engines, and utilizes electronic repair manuals and technical bulletins to assist in performing timely repairs and maintenance.

OPPORTUNITIES FOR IMPROVEMENT:

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed. The Opportunities for Improvement noted are the responsibility of multiple departments and will be addressed by management as follows: The Finance and Customer Service department responded to number 1 and the Fleet Management department responded to numbers 2 through 3.

Finance and Customer Service Department

1. **An annual physical inventory of the City owned vehicles and equipment is not being performed.** According to the Finance and Customer Service department's Fixed Assets Procedural Reference Guide, "A complete physical inventory of all assets (trackable and capital) will be performed annually by the custodian and supervisor as well as any time there is a change of the designated custodian." It was further noted in the guide that "Finance will provide custodians a capital asset listing for the departments and/or divisions for which they are responsible in April of each year. The custodian conducts a physical inventory of all assets". However, this is not being done as required. Accurate inventory data reduces the risk of loss or theft and provides information for the City to assess operations and vehicle turnover. In 2017, the Finance and Customer Service department did not provide all the City departments with a capital asset listing as part of the annual physical inventory process. The City may have inaccurate inventory data which would not allow management to adequately assess operations and vehicle turnover rates.

We recommend management:

- A. Provide all City department custodians with their capital asset listing, as part of the annual physical inventory process.
- B. Coordinate with the City departments and ensure that an annual physical inventory of the vehicles and equipment owned and operated by the City of Ocala is performed.

Management Response:

We concur with the recommendations. The Finance Department has a new timeline for the City's Fleet Audit to be completed. All documents will be submitted to the departments by August 31, 2018, with an expected response date of September 10, 2018. The financial system will be updated, if needed, prior to our period 12 close for September 30, 2018. Estimated completion is October 30, 2018.

Fleet Management Department

- 2. City employees are circumventing the use of the City fueling facility.** Our testing included selecting 20 Purchase Card fuel transactions made by City employees during the period October 1, 2016 through December 31, 2017. We noted that 13 out of the 20 fuel purchases were made within City limits for vehicles that should have utilized the City fueling facility. The City provides a fueling facility that is to be used to refuel City vehicles 24 hours per day. According to the Procurement Card Policy, gasoline may only be purchased in the following instances: “1. For City vehicles on City trips outside of Marion County; 2. For an approved rental car on a City trip outside of Marion County; 3. Undercover police officers; 4. For City equipment, when emergencies with rental equipment or unforeseen times warrant the need to purchase fuel, instead of using the City fuel facilities.” Employees were not following the Procurement Card Policy. The City fueling facility offers a significant cost savings to the City departments versus paying the retail price per gallon at the local gas station.

We recommend management coordinate with the Procurement department to reinforce the importance of complying with the City of Ocala Procurement Card Policy to all City employees as it relates to the purchase of fuel for City vehicles.

Fleet Management/Procurement Response: We concur. All city departments should comply with the City’s policy for fuel purchases as outlined in the Procurement Card Policy. When an employee violates this policy, respective departments shall be notified to take appropriate action.

- 3. Deficiencies noted during annual inspections are not being addressed timely.** The Fleet Management department contracts with a third-party vendor to perform annual aerial inspections of the City’s bucket trucks, aerial lifts and truck mounted cranes. The vendor certifies that the vehicles have passed inspection and they also identify any deficiencies such as missing decals and missing operating manuals that will need to be addressed. Fleet Management staff review the inspection reports and prepare a work order for each vehicle to address the deficiencies identified. We reviewed the 2017 annual aerial inspection reports and identified deficiencies in 9 out of 50, or 18%, of the vehicles that had not been addressed by a subsequent work order. Management took corrective action after being notified by Internal Audit. Management did not adequately track vehicles identified as having a Category III deficiency that needed to be addressed because of the 2017 aerial inspections. City employees could be operating equipment without the appropriate safety decals, operating manuals, hand signal chart and in some cases a missing knob on the equipment. This could potentially create an unsafe working condition if left unaddressed.

We recommend management implement a timely follow-up process when addressing the deficiencies identified by the third-party vendor during the annual inspections.

Management Response: We concur. All reported defects must be documented and repaired promptly. The Annual Aerial Inspection Report defects are divided into three categories:

- Category I Serious defects that could cause a free-fall, free-rotation of the aerial device, or electrocution hazards; including defects related to the operational safety.
- Category II Impending defects that could result in downtime or a costlier repair.
- Category III Defects that can be scheduled into a maintenance program for future repair; not an operational or safety-related item.

Category, I and II defects, cited on the report were immediately repaired and documented. Category III citations for missing hand signal charts, operator manuals, damaged/faded decals, etc.; were subsequently corrected prior to the 2018 Aerial Inspection Report. Fleet Management will enhance the Driver's Pre-Trip Inspection Report to include a visual check of aerial hand signal charts, operator manuals, and safety decals before a unit is operated.