

**Fleet Utilization and Replacement Follow-Up Audit
April 2015**

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City Auditor's Office

April 20, 2015

Honorable Mayor and Members of the City Council:

I am pleased to present the Fleet Utilization and Replacement Follow-Up Audit report. The audit objective was to determine the implementation status of the three audit recommendations included in the original report issued in September 2013.

Audit follow-up results indicate that Management fully implemented two of the three recommendations from the original report. The implementation due date for the third recommendation is beyond the date of this report and has not yet been implemented.

We would like to thank Public Works and Transportation personnel for their cooperation during the audit and their implementation of our prior audit recommendations.

Lori Brooks

Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor

- c: Trey Yelverton, City Manager
- Theron Bowman, Deputy City Manager
- Jim Parajon, Deputy City Manager
- Gilbert Perales, Deputy City Manager
- Keith Melton, Director of Public Works & Transportation

**Fleet Utilization and Replacement Follow-Up
Audit Report
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Executive Summary

***Two of three prior audit
recommendations were
fully implemented***

Fully Implemented

*Eliminated or Re-assigned
underutilized vehicles and
equipment*

*Reconciliation of the
vendor's annual report of
target costs to Fleet
Focus*

Not Implemented
*(Implementation due date is
beyond the date of this report)*

*Analysis of optimal useful
life parameters for fleet
assets*

The City Auditor's Office has completed a follow-up audit of the Fleet Utilization and Replacement Audit released in September 2013. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit objective was to determine the implementation status of prior audit recommendations.

Management concurred with the three recommendations in the initial audit report. Audit follow-up procedures indicate Management fully implemented two of the three recommendations from the original report. The implementation due date for the third recommendation is beyond the date of this report and has not yet been implemented.

Public Works and Transportation management fully implemented the following:

- Eliminate or re-assign vehicles and equipment that were found to be underutilized during the audit
- Require the fleet maintenance vendor to provide a reconciliation of its annual report of target costs to the fleet software system (Fleet Focus)

Public Works and Transportation management has not yet implemented the following:

- Perform an analysis of the City's fleet in order to develop optimal useful life parameters for vehicles and equipment

Audit Scope and Methodology

The following methodology was used in completing the audit.

- Reviewed the September 2013 and May 2014 Auction lists to identify underutilized vehicles/equipment that were eliminated
- Discussed information regarding the current Fleet contract and future options with management
- Reviewed the Fleet Contractor's Year-End Financial Report (report of target costs) and compared the amounts to the information obtained from the Fleet software (Fleet Focus)
- Reviewed the vendor's reconciliation of annual target costs to Fleet Focus

Status of Prior Audit Recommendations

AUDIT RECOMMENDATION	CONCUR / DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
1. The City Manager should require that the 23 units identified in this finding be eliminated from the City's fleet inventory or be reassigned to replace older units that are currently in operation, but will be eliminated upon replacement.	Concur	The Fleet Services Division will begin its evaluation of vehicles to be reassigned or stripped for auction.	City of Arlington Fleet Manager	December 31, 2013	Implemented. Subsequent to the initial audit report, City auctions were held in October 2013 and May 2014. Of the 23 fleet assets that were identified as underutilized, 15 were sold at auction. The remaining 8 assets were determined by management to be essential for daily operations and were retained. Five of these assets remained on the maintenance contract, and three were eliminated from the contract and designated as non-fleet (department pays for all repair and maintenance costs through their budget).
2. Prior to the renewal or re-bid of the fleet maintenance contract, the Director of Public Works and Transportation should perform an analysis of the City's fleet (based on actual usage of the various groups of assets within the fleet) to develop optimal useful life parameters.	Concur	Once Target Labor is being captured in the FMIS, optimum life expectancies will then be considered when negotiating subsequent fleet services contracts.	City of Arlington Fleet Manager	October 1, 2015 (end of current contract term) or October 1, 2017 if two one-year renewal options are approved	Not Implemented. The implementation due date is beyond the date of this report. An analysis of the optimal useful life expectancy of fleet assets has not yet been performed. There was a recent upgrade of the fleet software (Fleet Focus). Once the upgrade is verified as operational, the Fleet Manager plans to review asset classifications and then begin the study of asset life expectancies.

AUDIT RECOMMENDATION	CONCUR / DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
					<p>In addition, Public Works and Transportation Management plans to apply the first of two one-year renewal options to the current contract, which will extend the contract through September 30, 2016.</p>
<p>3. The Director of Public Works and Transportation should require that the vendor submit a reconciliation of the contractor's annual report of target costs to Fleet Focus, and should require an explanation of any variances.</p>	<p>Concur</p>	<p>The City will require the Fleet Maintenance Contractor to immediately begin capturing <u>all</u> Target Labor information within the limitations of Fleet Focus. If additional reporting components are required in order to comply with this Audit, Fleet will make every effort to procure the component with available funds.</p> <p>The City of Arlington's Fleet Manager will also require that the vendor reconcile and report the difference between their revenue and expense statement and Fleet Focus.</p>	<p>City of Arlington Fleet Manager, G4S Contract Manager and the Information Technology Department</p>	<p>December 31, 2014</p>	<p>Implemented.</p> <p>Per the fleet maintenance contract, a reconciliation of the vendor's report of target costs to the Fleet Focus system is due to the City within 90 days of the contract year end (September 30); therefore, the reconciliation was due by December 29, 2014.</p> <p>After much discussion and multiple emails regarding this requirement, the reconciliation was finally received on March 27, 2015. In the future, it is essential that the vendor provide the reconciliation in a timely manner, to ensure Fleet management is able to verify the accuracy of the vendor's report of target costs.</p>