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CM/ACM 
Finance 
DA N/A
Risk Mgt. N/A
HR N/A
Other N/A

STAFF REPORT

BOARD MEETING DATE: April 22, 2008

DATE: April 9, 2008
TO: Board of County Commissioners
FROM: Alison A. Gordon, Internal Auditor 
328-3651, agordon@washoecounty.us
THROUGH: Katy Singlaub, County Manager
SUBJECT: Acknowledge Receipt of Equipment Services Division Audit Report from the Internal Audit Division

SUMMARY

The Washoe County Equipment Services Division's mission is to provide safe, reliable and cost effective fleet vehicles and specialized heavy equipment to other County departments. The services provided include purchasing vehicles and installing required equipment as well as performing the ongoing required maintenance for vehicles and heavy equipment.

The purpose of the audit was to review the Equipment Services Division to evaluate the efficiency and effectiveness of fleet management services and to verify the adequacy of the existing control structure. In addition, this audit was performed as part of the County's effort to enhance its process management in accordance with the Baldrige National Quality Program.

The results of the review indicated:

- While some control procedures are in place, internal controls over the fleet management function should be strengthened and adequately documented. In addition, performance measures could be improved to better report on the efficiency and effectiveness of operations.
- A rate model needs to be used to establish replacement and maintenance billing rates annually to ensure adequate revenues are collected to cover costs. It is projected as of June 30, 2008 replacement revenues will have been over collected totaling about \$982,000 while the operations and maintenance function has been operating at a loss.
- Communications could be improved with County Departments by sending monthly billing detail, improve the scheduling of preventive maintenance, obtaining input on replacement needs, and consistent information about vehicle policies and procedures.

- Preventive maintenance service Level “A” (oil and lube inspection) could be outsourced at a cost savings to the County of at least \$64,000 each year.
- Emergency equipment installation work can be outsourced at a savings of about \$2,100 per vehicle. If 25 County vehicles requiring emergency equipment were replaced annually, this would result in an annual cost savings of \$52,500.
- Opportunities exist to down-size the County’s fleet, thereby reducing annual replacement costs and maintenance costs.
- A physical inventory of fleet assets needs to be performed annually.
- Preventive maintenance should be performed in accordance with manufacturer guidelines.
- The fleet software system, Fleet Anywhere, needs to be used consistently and fully.

Some of the recommendations included in this audit report are already in the process of being implemented. In addition, an implementation plan establishing responsibilities and timelines has been developed with Equipment Services. A copy of this implementation plan is included as attachment A to this audit report. This plan will then be reviewed with the Audit Committee and updated at each of their meetings. Implementation of recommendations having fiscal impact will be brought to the Board of County Commissioners for approval.

County Priority/Goal supported by this item: Government Efficiency and Financial Stability

PREVIOUS ACTION

No previous action has been taken on this Board item.

BACKGROUND

The Equipment Services Division (ESD) maintains a fleet of about 895 pieces of equipment consisting of light and heavy fleet vehicles and equipment. The Division has a main location located on Longley Lane and three satellite repair shops located throughout the County including a light shop Washoe County Sheriff’s Office at Parr Boulevard, a heavy shop in Gerlach, and a heavy shop in Incline Village. ESD also administers a motor pool of 15 vehicles located at the County complex located on 9th St. in Reno.

To fulfill its fleet maintenance role, ESD provides preventive maintenance and all types of mechanic repairs for light and heavy equipment except for transmission work and major engine overhauls. Maintenance services also include an equipment parts shop, a body repair and painting shop, and equipment installation. ESD bills monthly operations and maintenance charges for these services. The charges consist of a mileage or hourly rate developed for each classification of equipment and fuel costs. Also included are direct costs for parts and labor for preventable repairs, painting vehicles non-standard

colors, adding special decals, and work performed on grant funded vehicles and equipment.

In addition, ESD is responsible for replacing County vehicles and heavy equipment when it reaches the end of its useful life and meets certain mileage criteria. ESD charges a monthly replacement rate to County departments consisting of the vehicle cost divided by its useful life. This charge is collected to provide enough funding when a vehicle or equipment needs to be replaced. The County uses a guaranteed buyback program for much of its heavy equipment such as loaders, graders, and excavators.

For fiscal year 2008, the budget for ESD totals about \$6.3M, excluding depreciation. Of this amount, about 33 percent of the budgeted expenditures pertain to personnel costs and benefits with the remaining 67 percent relating to services and supplies.

A previous audit of Equipment Services was performed during fiscal year 2001. This audit identified a number of recommendations many of which have not been implemented to date by Equipment Services and other affected departments. The major areas addressed by these recommendations included rate development, replacement criteria, vehicle utilization, policies and procedures, fleet maintenance and customer service. Many of the issues identified in this report continue to be ongoing.

FISCAL IMPACT

This report has no fiscal impact. However, implementation of some recommendations may have fiscal impact.

RECOMMENDATION

It is recommended the Board of County Commissioners acknowledge receipt of this audit report of the Equipment Services Division.

POSSIBLE MOTION

Should the Board of County Commissioners acknowledge receipt of this audit report, a possible motion would be:

Move to acknowledge receipt of the Equipment Services Division Audit Report from the Internal Audit Division.

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Attachment

Washoe County
Equipment Services Division

Internal Audit Report

April 9, 2008

Executive Summary

Observations

1. Internal Controls/Policies and Procedures
 - Internal controls for fleet maintenance are not adequately documented.
 - Vehicle administration policies are haphazard and undocumented.
 - County does not have a written vehicle take-home policy.
 - Performance measures do not provide information on efficiency or effectiveness of operations.
2. Rate Models
 - Operation and maintenance rates are understated – costs are subsidized by replacement revenues.
 - Replacement rate are overstated - \$982,000 estimated over collected by June 30, 2008.
3. Communications with Departments
 - a. Departments not receiving O&M billings and vehicle replacement billings.
 - b. Scheduling of vehicles for preventive maintenance could be improved.
 - c. Departments need to input replacement vehicle needs.
 - d. Consistent information about vehicle policies and procedures needs to be communicated.
4. Outsourcing Preventive Maintenance Level “A” (oil/lube/fluid inspection)
 - a. Would result in savings of \$64,000 annually.
 - b. Increase Mechanics productivity.
 - c. Incur less downtime for departments.
5. Outsourcing Emergency Equipment Installation
 - a. Would result in cost savings of \$2,100 per vehicle (\$52,500 annually).
 - b. Put vehicles into service quicker (currently taking 2 to 13 months).
 - c. Increase Mechanics productivity.
6. Fleet Downsizing
 - a. No minimum vehicle use requirement established for department assigned vehicles.
 - b. Federal guidelines require 12,000 miles per year for passenger vehicles and 10,000 miles per year for light trucks.
 - c. Currently there are 30 vehicles with less than 3,000 miles per year; 67 under 4,800 miles per year; and 257 under 12,000 miles per year.
 - d. Annual savings in replacement costs if 30 vehicles could be removed from the fleet would be about \$79,000.

7. County Assets

- a. Physical inventory of fleet vehicles has not been performed in several years.
- b. 54 percent of 35 different vehicle parts sampled in inventory did not match to inventory records.
- c. There is uncontrolled access to vehicle parts since keys to the parts room are widely distributed.

8. Vehicle Manufacturer Specifications

- a. Preventive maintenance should be performed every 3,000 miles for patrol vehicles; currently being performed every 6,000 miles.
- b. Idling time for patrol and surveillance vehicles should be included in overall usage; currently is not included (approximately 10,000 miles per year per patrol vehicle).

9. Fleet Management System

- a. Data not recorded consistently or timely.
- b. Reports are not used to full capacity for fleet management.

Observations and Recommendations

1. Internal Controls/Policies and Procedures

Internal controls as well as policies and procedures for fleet maintenance are not adequately documented, and the policies in place are weak in some areas.

- a. Currently, there is no documentation of the internal controls for fleet maintenance. The internal control structure should document the procedures followed and address segregation of duties, approval processes, custody procedures, and detail accounting and recordkeeping for fleet maintenance. The internal control structure should also document the controls over the automated fleet management system, Fleet Anywhere. With an adequately documented system of internal controls for fleet maintenance, the County can gain assurance the internal control structure is designed to ensure assets are protected from loss, theft or misuse, and establishes responsibilities and accountability.
- b. Policies addressing vehicle administration are haphazard and undocumented. For example, occasionally significant repairs are made on vehicles with high mileage and in other instances these repairs are not made. However, there is no policy in place for making a reasonable determination. Policies, such as those concerning vehicle useful lives, minimum use standards, required replacement mileage, and required vehicle repairs need to be documented and consistently followed. Systematic, documented policies and procedures that are diligently followed will help ensure vehicle administration is handled consistently, efficiently and effectively.
- c. The County does not have a vehicle take home policy. County Code 5.389 prohibits the use of County vehicles for personal purposes. However, County Code does not identify instances where taking home a vehicle would be justified or require departments to follow specific guidelines such as an approval process. Establishing policies and guidelines will provide assurance that taking home a vehicle is reasonable and justified.
- d. The performance measures used by the Equipment Services Division could be enhanced to provide information on the efficiency and effectiveness (outcomes) of fleet maintenance services. We reviewed the performance measures used for fiscal years 2005, 2006, and 2007. These were primarily output measures such as the number of vehicles purchased, the number of preventive maintenance services performed, the number of gallons of fuel consumed, and the percentage of bio-diesel.

According to David Ammons book *Municipal Benchmarks*, some fleet maintenance industry based performance measures that can be compared to established norms and upper performance thresholds for success include but are not limited to:

- Equipment availability percentage rates

- Mechanic utilization rates (time spent turning a wrench as opposed to running parts or training)
- Promptness of repairs
- Quality of repairs

Performance measures such as these would report on outcomes that would assist in 1) identifying aspects of performance that are slipping towards unacceptable levels, 2) determining whether operating procedures or any newly implemented corrective measures are achieving the desired results, and 3) documenting the quality and efficiency of fleet maintenance services, thereby reducing vulnerability to potential critics and competitors. The Equipment Services Division could use the Fleet Anywhere system to provide the data needed to report these types of performance measures.

Recommendations:

The Equipment Services Division needs to document and follow internal controls, and policies and procedures over fleet maintenance. The policies and procedures also need to be improved by documenting vehicle administration policies. Further the County needs to implement a vehicle take-home policy. These issues were identified in a prior audit report issued by the Internal Audit Division dated December 2000.

The Equipment Services Division needs to establish performance measure based on efficiency and effectiveness.

2. Rate Models

Currently a formal rate model is not being used to develop Administrative, Replacement, and Operations and Maintenance rates. In FY 2003/04 the Spectrum rate model was used. Since this time, however, the Equipment Services Division develops rates generally based on billings from the prior fiscal year adjusted for vehicle additions, disposals, and new vehicle purchases projected for the upcoming fiscal year. This method provides no assurance that funding will be collected to cover the costs of providing services and does not account for inflation or changes in salaries and benefits.

An analysis of the Administrative, Replacement, and Operations and Maintenance revenues and costs for fiscal years 2005, 2006, and 2007 was performed. This analysis revealed the Operations and Maintenance function has been operating at a loss for each of these fiscal years totaling approximately \$703,000, \$578,000, and \$389,000 respectively (\$1,670,000 total). The Operations and Maintenance function has been operating at a loss because the rates have been too low and are not based on the actual costs of providing services.

Alternatively, the Replacement function has been operating at a profit for each of the fiscal years. Specifically for fiscal years 2005, 2006, and 2007 the Replacement function has collected operating revenue net of expenses of \$216,000, \$502,000 and \$504,000

respectively (\$1,222,000 total). The Equipment Services Division has been using these profits to subsidize the losses in Operations and Maintenance. The Replacement function has been operating at a profit for several reasons:

- The rates billed for vehicle replacement have significantly exceeded what is required to replace vehicles in many instances. For example, an analysis performed of the replacement revenue collected on each County vehicle showed the Equipment Services Division will have over collected about \$982,000 for vehicles in use as of June 30, 2008.
- Vehicle replacement data was not tracked using a master spreadsheet. Without tracking vehicle replacement data, it is difficult to know whether the amounts being collected are disproportionate or when full replacement has been collected. This was implemented during the audit.
- The estimated residual value the equipment will typically bring at auction is not offset against the cost of the vehicle, thereby adding additional replacement revenues. To date in fiscal year 2008, the Equipment Services Division has recovered about \$107,000 from vehicle auctions, thereby supplementing replacement revenues. These funds should be used as an offset to vehicle replacement costs on behalf of the departments using these vehicles.

The funds currently being set aside for replacement of vehicles will be depleted if Equipment Services continues to utilize the same methods of determining rates for replacement and operations and maintenance, therefore new rate models need to be established.

During fiscal year 2003, the County contracted with Spectrum Consultants at a cost of about \$42,000 to provide a rate development model to assist the Equipment Services Division in recovering actual costs. Spectrum Consultants not only provided a detailed report and sample documents but an actual rate model. However, the Equipment Services Division used this rate model in FY 2003/04 but has not updated it since.

For fiscal year 2009, we assisted in developing rates on behalf of the Equipment Services Division for Replacement, Administrative, and Operations and Maintenance. The results of developing replacement rates showed the Equipment Services Division's projected rates included in the County's fiscal year 2009 proposed budget are too high by about \$924,000. Of this amount, the most significant over charges include \$561,000 for the Roads Division and \$236,000 for the Sheriff's Office.

We have also developed the rates for fiscal year 2009 for the Administrative, and Operations and Maintenance rates. Based on the projected costs for fiscal year 2009, which were developed in coordination with Budget Division staff, Operations and Maintenance costs should total about \$6,500,000. The Equipment Services Division's Operations and Maintenance billings in the tentative fiscal year 2009 budget total about \$5,000,000 thereby creating a potential shortfall in revenues of \$1,500,000.

The overstatement of the replacement rates by \$924,000 and the understatement of Operations and Maintenance billing rates of \$1,500,000 results in an overall shortfall of \$576,000 in fiscal year 2009 revenues. This requires the rate to be adjusted. The new rates will be used to develop a revised FY 2009 budget to prevent this shortfall.

Recommendation:

The Equipment Services Division needs to use a formal rate model to develop the rates that will cover its costs for the Administrative, Replacement, and Operations and Maintenance functions, annually. These issues were identified in a prior audit report issued by the Internal Audit Division dated December 2000.

3. Communication with Departments

The Equipment Services Division does not provide any routine, monthly information to its customers regarding costs for equipment replacement, and operations and maintenance. During interviews of County departments, it was found most were 1) not receiving monthly billing detail and 2) unaware these reports existed. However, each of these departments expressed keen interest in receiving this information on a monthly basis. Providing this information will allow each department the opportunity to review the costs of the fleet services consumed and evaluate alternatives to reduce costs.

The Equipment Services Division needs to improve communications with the County departments. Twelve County departments were interviewed regarding their satisfaction with the services provided by the Equipment Services Division. Most of these departments wanted better communication regarding vehicle issues such as scheduling of maintenance and repair services, new replacement vehicles and the vehicle administration policies being used. Specifically, departments drop their vehicles off for preventive maintenance but vehicles can then be out of service anywhere from a week up to six weeks. This occurs for two main reasons. First, departments are asked to bring their vehicles in even though there is a workload backlog. Second, during the service the mechanics identify other problems requiring repair. In neither of these instances are the departments contacted by Equipment Services employees informing them of these issues or providing the option to bring the vehicle in for service at a later date.

County departments also would like to be informed when replacement vehicles are going to be purchased so they could have input. Two of the departments interviewed were contacted by the Equipment Services Division unexpectedly and told a replacement vehicle was being delivered that day. In one of these instances, a sedan was delivered but the vehicle really needed was a small SUV type vehicle. Analysis revealed this type of vehicle would have been only minimally more than the price of the sedan and if communication had occurred prior to the purchase, this issue could have been easily resolved to everyone's satisfaction.

Finally, County departments need to understand the vehicle administration policies used by Equipment Services. Most of the department's were unsure of the mileage

requirements to replace a vehicle, replacement periods, and the how the amounts being paid monthly were determined. Once the Equipment Services Division has vehicle administration policies in place it should share this information with the departments.

Recommendations:

The Equipment Services Division should provide monthly billing reports on replacement, and operations and maintenance to County departments. As of the date of this report, the Equipment Services Division has already implemented this recommendation.

The Equipment Services Division should improve its communications with County departments regarding vehicle maintenance, replacement, and administration.

4. Outsourcing Preventive Maintenance Level “A”

Certain preventive maintenance should be outsourced. Equipment Services Division mechanics perform preventive maintenance, “A” which includes tasks such as changing the oil and oil filter, checking all fluid levels, and inspecting 27 vehicle points. Using Fleet Anywhere, we selected a sample of 11 vehicles (sample sized limited due to Fleet Anywhere not working) where preventive maintenance “A” services had been performed over fiscal years 2007 and 2008. It takes the mechanics an average of two hours to perform this service at an average cost of about \$135. In addition, based on information obtained from customer departments interviewed, vehicles are out of service anywhere from two to four days for preventive maintenance services.

The County could contract with a private vendor to perform a similar service to that of preventive maintenance service “A” and realize cost and time savings. Jiffy Lube provides fleet preventive maintenance service, which includes changing the oil and oil filter, performing a visual inspection, vacuuming interior floors, cleaning exterior windows, checking tire pressure, topping off fluids, and lubricating the chassis when applicable. In addition, Jiffy Lube performs a certified quality inspection and safety check on each car serviced, which is monitored by a Jiffy Lube inspector. Jiffy Lube takes about half an hour to perform this service, which costs about \$34 not including high volume (20+ vehicles) discounts or discounts for early payment.

If a vendor such as Jiffy Lube was used to provide preventive maintenance service “A”, the County would incur an average savings of about \$101 ($\$135 - \$34 = \101) per vehicle for each occurrence, if not more by taking advantage of various discounts. Using the Equipment Services Division’s vehicle inventory report, there were at least 621 vehicles that would require preventive maintenance service “A” periodically. Even if the service was used only once a year, the total cost savings to the County would be at least \$64,000 annually. Additional benefits of outsourcing this service include reduced vehicle and employee downtime. Moreover, outsourcing this service would allow the Equipment Services Division mechanics to perform other, more technical mechanic work.

Recommendation:

The Equipment Services Division should contract with a private vendor to perform preventive maintenance service "A" with sufficient controls are in place to ensure quality service.

5. Outsourcing Emergency Equipment Installation

Installing emergency equipment in-house is not cost effective. Currently, the Equipment Services Division has an automotive mechanic assigned to install emergency equipment in various County vehicles. However, equipment installation is not being performed timely. As of December 2007, about 25 new vehicles were sitting in the Longley yard in various stages of equipment installation. These vehicles had been in the Longley yard, out in the elements, between two and thirteen months, which resulted in several consequences. First, a review of the vehicles' work orders during this time showed in addition to installing equipment, various minor repairs were also needed such as charging batteries, inflating tires, and replacing components worn down by weather. Second, vehicle warranty periods are ticking away while vehicles are not in use.

A survey of other counties, cities, and states revealed that 9 of the 12 interviewed outsource emergency equipment installation. Of these, six previously installed emergency equipment in-house prior to outsourcing this work. The benefits included achieving cost savings, having mechanics perform mechanic work, and eliminating the "parking lot" effect of vehicles in the repair yard waiting for equipment installation. Many of these entities used Arizona Emergency Products to perform this work.

The County could contract with a private vendor to install emergency equipment in its vehicles and realize similar benefits. Representatives from Arizona Emergency Products conducted an on site presentation at the Sheriff's Office. The services provided would include vehicle painting, emergency equipment installation, and decal work. The services could also cover the installation of computer and radio equipment as well. The number of vehicles that can be worked on at any one time can range from one up to over 100 and it takes about two weeks for delivery. Warranty periods for both the vehicle and the emergency equipment begin when the vehicle is delivered to and accepted by the customer.

In addition, the Arizona Emergency Products representatives performed an inspection of the Sheriff's Office patrol vehicles to determine the extent of the work required so a quote could be developed. This quote was subsequently received and it was determined emergency equipment installation would cost about \$7,500 per vehicle (including delivery).

To identify the cost savings of outsourcing, nine Sheriff's Office patrol vehicles were selected for testing where emergency equipment had been installed during calendar years 2006 and 2007. Based on the work order dates, it takes an average of seven months per

vehicle to install the emergency equipment with an average cost of \$9,600 per patrol vehicle. In comparing this cost to the vendor quote of \$7,500, the County could save about \$2,100 per vehicle by contracting out this work. If 25 new vehicles per year need emergency equipment installed, the County could realize about \$52,500 in cost savings annually.

The Sheriff's Office is in support of outsourcing the installation of emergency equipment to improve the efficiency and timeliness of new vehicle activation. Animal Services, Juvenile Services, and the District Attorney's Office also expressed interest in using this service, thereby increasing the annual cost savings.

Recommendation:

The Equipment Services Division should outsource the emergency equipment installation function.

6. Fleet Downsizing

The Equipment Services Division does not have a minimum vehicle use requirement for department assigned vehicles. The Code of Federal Regulations 41CFR 101-39.301 Federal Property Management Regulations require federal agencies to meet the following standards to justify full-time assignment of vehicles:

- Passenger vehicles must travel a minimum of 3,000 miles per quarter or 12,000 miles per year.
- Light trucks and general purpose vehicles with a 12,500 lb. Gross Vehicle Weight Rating and under must travel at least 10,000 miles per year.

Another benchmark obtained in a November 2007 report issued by another County references a representative of National Association of Fleet Administrators who stated, "400 miles per month is underutilization for just about any vehicle". Four hundred miles per month equates to 4,800 miles per year.

Vehicle mileage data was provided by the Equipment Services Division for the first six months of fiscal year 2008. This data was used to project annual utilization for 559 County fleet vehicles. Underutilized vehicles were identified at mileage intervals of less than 3,000, 4,800, and 12,000 miles annually. Vehicles assigned to the Sheriff's Office were excluded from this analysis as they are used for emergency and on-call responses.

Table I – Annual Vehicle Miles

	Annual Miles less than 3,000	Annual Miles less than 4,800 miles	Annual Miles less than 12,000
# of Vehicles	30	67	257

Based on a stratified sample of 20 vehicles, the average cost of a County vehicle totals about \$21,000. Assuming an eight year life assigned to general purpose vehicles, if the 30 vehicles averaging less than 3,000 miles were removed from the fleet, the County could save about \$79,000 in vehicle replacement costs.

While it is recognized this analysis does not take into account certain factors that might justify retention of specific vehicles on a case by case basis, the significant number of vehicles with low utilization indicates some fleet reductions can be realized without a significant reduction in services. Identifying the size of the reduction and type of vehicles involved will require coordination between County management, department directors and the fleet superintendent. Additionally, a reporting process should be established to periodically communicate underutilization of assigned vehicles to department management. Several County departments indicated it would be helpful to receive this information on a quarterly basis.

For those departments impacted, employees have the option of driving their own vehicles and being reimbursed at a rate per mile or the County's motor pool could be used. If necessary, some of the underutilized vehicles could be moved into the County's motor pool to accommodate department needs. However, some of the underutilized vehicles should be sold.

Recommendation:

The Equipment Services Division should work in coordination with department directors and County management to identify vehicles that can be removed from the fleet, and establish a quarterly reporting process to communicate underutilization of vehicles to department management. These issues were identified in a prior audit report issued by the Internal Audit Division dated December 2000.

An Incidental Use policy should be established by the County to encourage employees to drive their private vehicles and being reimbursed at a rate per mile. Limitations should be established in order that the employee's auto insurance would not be impacted.

7. County Assets

Parts inventory is maintained on a perpetual basis, however, physical inventories of fleet assets are not performed annually. Based on interviews with Equipment Services Division and Comptroller's Office staff, a physical inventory of County fleet vehicles, heavy equipment, and vehicle parts has not been taken for at least the last several years. Therefore, samples of fleet assets were tested to verify existence and completeness, as follows:

- A sample of 45 fleet vehicles and heavy equipment was selected from the Equipment Services Division vehicle inventory list for testing covering a span of fifteen County departments. Each of these vehicles and equipment was visually inspected and VIN numbers were verified without exception.

- For vehicle parts, a random stratified sample was selected from the Equipment Services Division vehicle parts inventory list generated from the Fleet Anywhere system. Of the 35 items selected for testing, 19 or 54 percent of the sample items counted did not match the number of items in the inventory records. Although the dollar value of many of these items was not significant, the discrepancy in inventory indicates an internal control weakness.

County code 15.120 states, “an annual inventory must be taken by each department of all capital assets (other than real property) which are in the department’s possession in the that calendar year”. This includes fleet vehicles and heavy equipment. County departments are required to complete an annual certification the County’s inventory records are correct. The only way to do this is to perform a physical inventory. In addition; best practices would include the requirement for an annual physical inventory of vehicle parts.

If fleet vehicles and heavy equipment are certified without performing a physical inventory, the County has no assurance its inventory records are complete. According to Equipment Services management, annual physical inventories of fleet vehicles and repair parts have not been conducted. However, temporary workers or interns could be hired to perform these inventories.

Vehicle parts are not adequately safeguarded. Currently the parts inventory shop is located at the Longley Lane facility and is open 8AM to 5PM. Shop keys are widely distributed among Equipment Service Division employees for use during off hours resulting in uncontrolled access to vehicle parts. Uncontrolled access causes inventory shrinkage because employees who take inventory for repairs during off hours do not always inform the parts staff of the parts removed. As a result, inventory records may not get updated and these parts may not get charged against a vehicle work order. Further, vehicle parts are highly susceptible to pilfering. Best practices would require limiting access to vehicle parts. Limiting access will help ensure the parts removed are being charged against work orders, records are updated, and the parts are safeguarded.

Recommendations:

The Equipment Services Division needs to conduct annual physical inventories of fleet vehicles and vehicle parts. The need for an annual inventory of vehicle parts was identified in a prior audit report issued by the Internal Audit Division dated December 2000.

The Equipment Services Division needs to adequately safeguard vehicle parts by limiting access to the parts inventory shop during off hours. This issue was identified in a prior audit report issued by the Internal Audit Division dated December 2000.

8. Vehicle Manufacturer Specifications

The Equipment Services Division is not following manufacturer specifications for performing preventive maintenance for special use vehicles, such as patrol and surveillance vehicles. Currently, the mechanics perform preventive maintenance on these vehicles every 6,000 miles but do not factor in idling time.

Manufacturer guidelines require preventive maintenance every 3,000 to 5,000 miles and that idling mileage be taken into consideration. Ford Motor Company's maintenance schedule for police vehicles requires preventive maintenance be performed every 3,000 to 5,000 miles. Ford's police vehicle supplement also states, "For every hour that the vehicle idles, it has accumulated the equivalent of approximately 33 miles of driving", which should be considered part of vehicle mileage. Moreover, a member of the American Public Works Association Fleet Services Committee, who is also the Director of Fleet Services for the City of Lynchburg, stated, "there is wear and tear on any vehicle that sits idling for long periods of time and this type of usage is actually more detrimental than street miles. A pro-active fleet manager will take idling into consideration for sound preventive maintenance and vehicle replacement".

To determine whether the idling requirement would impact any County vehicles, staff from the Sheriff's Office and District Attorney's Office were interviewed. Patrol and surveillance vehicles incur significant periods of idling, which cannot be avoided due to safety concerns. For example, the Sheriff's Office assigns each patrol vehicle to two deputies, one per shift. It was conservatively estimated the average patrol vehicle incurs about 10,000 idling miles each year. Idling occurs when patrol vehicles are left running while at an incident to keep the emergency lights and equipment operational, thereby protecting the deputy. Also, surveillance and K-9 vehicles are left running to keep the inside of the vehicle warm in the winter and cool in the summer to protect investigators and dogs from unhealthy temperature exposure. Because the need for idling is a safety issue, the Equipment Services Division should take vehicle idling into consideration for these types of vehicles when determining vehicle mileage.

Recommendation:

The Equipment Services Division should perform maintenance on patrol and surveillance vehicles in accordance with the manufacturer's requirements and consider idling mileage when scheduling maintenance and replacement.

9. Fleet Management System

The Equipment Services Division needs to fully utilize its Fleet Anywhere software to manage the County's fleet and the services provided. Currently, vehicle data input into the system is not always consistent. For example, vehicle in service dates vary from the date the vehicle is delivered to the Equipment Services Division to the date the vehicle is assigned to a department. In addition, data input into the system is not timely. One County department with access to Fleet Anywhere has found work orders, input of new