

**Performance Audit:
Office of Fleet Services**

December 2008

**City Auditor's Office
City of Atlanta**



CITY OF ATLANTA

City Auditor's Office
Leslie Ward, City Auditor
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December 2008

Performance Audit:

Fleet Services

What We Found

Atlanta's large fleet inventory appears to drive its budget. Compared to nine other city and county governments that we surveyed, Atlanta's fleet size and budget were relatively high while the ratio of budget to vehicles was in the mid-range. Departments are responsible for the number and assignment of vehicles and equipment, so not all costs are under Fleet Services' control. However, Fleet Services' average hourly labor charge and markup on fuel were among the highest of the government operations we surveyed.

In fiscal year 2008, Fleet Services charged users about \$4 million (or 14%) more than its total expenditures for the year. Since charges are intended to cover operating costs plus overhead, total user charges should be about equal to Fleet Services' annual spending.

Fleet Services has adopted an industry benchmark of completing service for 70% of vehicles in one day, and 90% in three days. In fiscal year 2008, Fleet Service completed 18% of repairs within one day and 35% within three days. Fleet management told us that they measure turnaround time as the time it takes mechanics to complete a job. However this measurement fails to measure the full time the customer is without the vehicle, which is the industry standard.

Fleet Services is unable to assess its competitiveness due to lack of detailed job codes and data entry errors in its billing system. About 15% more mechanic hours were entered into Fleet Services' billing system than the mechanics were paid for by the city in fiscal year 2008. Some work orders also show hundreds of billed mechanic hours that are excessive for the value of the equipment being repaired. A pro bono study in 2004 conducted by United Parcel Service (UPS) also noted problems with incomplete and inaccurate data.

Lack of transparency in billing makes it difficult for users to verify service charges, monitor their budgets, and manage their fleets. Users do not receive a summary of work performed when they pick up equipment after servicing. Further, managers in Fleet Services' three most frequent user departments told us that they do not consistently receive monthly billing summaries from Fleet Services and do not have Service Level Agreements (SLA) with Fleet Services.

Why We Did This Audit

We undertook this audit at the request of the Commissioner of Public Works to supplement his efforts to evaluate the city's fleet maintenance costs and competitiveness.

What We Recommended

Our recommendations are intended to promote fiscal accountability and ensure that the Office of Fleet Services has systems in place to provide cost effective services to the departments. The Director of Fleet Services should:

- Enter into formal service level agreements with each department served.
- Set a standard labor charge for technicians' time that reflects the full cost of employment.
- Review markups for parts and fuel annually to ensure that they accurately reflect department overhead.
- Measure and report turnaround time consistently with the industry standard.
- Set up the billing system to capture detailed job codes so Fleet Services can evaluate its cost effectiveness compared to available industry benchmarks.
- Establish a quality control process to review work orders to ensure that data are accurate before closing; provide a copy of the completed work order with the vehicle when the customer picks it up.
- Enter into an agreement with DIT to maintain and support its data system to help ensure accurate billing.

For more information regarding this report, please contact Eric Palmer at 404.330.6455 or epalmer@atlantaga.gov.

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation:	1. Enter into formal service level agreements with each department the office serves to promote service accountability. The agreements should outline the responsibilities of each party, cost and service expectations, and how performance will be measured. The agreements should stipulate that the department receive receipts of work performed, and have an opportunity to review charges before being posted to their accounts. The agreements should be understood and acknowledged by the appropriate personnel in order to be effective.	
Response & Proposed Action:	Redevelop service level agreements with each user department, to include responsibilities of each party, budgets, methodology for calculation of costs, service delivery expectations, methodology for service delivery receipts (work performed) monthly billing, and performance metrics.	Agree
Timeframe:	January 30, 2009	
Recommendation:	2. Set a standard labor charge for technicians' time that reflects the full cost of employment.	
Response & Proposed Action:	Convert from variable labor rates (by individual) to a flat labor rate that includes all direct and indirect labor costs, consistent with industry standards.	Agree
Timeframe:	February 28, 2009	
Recommendation:	3. Review markups for parts and fuel annually to ensure that they accurately reflect department overhead.	
Response & Proposed Action:	Re-calculate the markup on fuel to reflect the actual costs of administering the purchasing of fuel and the operation of fueling stations. Re-calculate the markup on parts to reflect the actual costs of purchasing and distributing parts.	Agree
Timeframe:	February 28, 2009	
Recommendation:	4. Measure and report turnaround time consistently with the industry standard as recommended by the National Association of Fleet Administrators.	
Response & Proposed Action:	Measure turnaround time for repairs consistent with NAFA recommended standard – from the time the vehicle is dropped off until the time repairs are completed. Report performance within the DPW ATL Stat system.	Agree
Timeframe:	January 30, 2009	
Recommendation:	5. Set up the office's billing system to capture detailed job coded tasks so Fleet Services can evaluate its cost effectiveness compared to available industry benchmarks.	
Response & Proposed Action:	Revise the billing process to include detailed job codes consistent with industry standards; provide training to technicians on the use of appropriate job codes; and develop and implement standardized job rates associated with each job code.	Agree
Timeframe:	February 28, 2009	
Recommendation:	6. Establish a quality control process to review work orders to ensure that data are accurate before closing. A copy of the completed work order should be provided with the vehicle when a customer picks it up. In addition, supervisors should review time entries in Fleet Anywhere to ensure that they are consistent with time entries in the city's timekeeping system.	
Response & Proposed Action:	Implement a quality control process (check/balance) that requires supervisors and managers to verify accuracy on a daily basis; provide the customer with a copy of the work order after each repair upon pickup of the vehicle; and perform weekly comparison of total technician hours entered into Kronos timekeeping system versus the Fleet Anywhere work management system.	Agree
Timeframe:	February 28, 2009	
Recommendation:	7. Enter into an agreement with DIT to maintain and support the office's data system to help ensure accurate billing.	
Response & Proposed Action:	Meet with the management team at DIT to discuss providing technical support to OFS on an on-going basis; and develop and implement a service level agreement as appropriate.	Agree
Timeframe:	March 31, 2009	



CITY OF ATLANTA

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December 29, 2008

Honorable Mayor and Members of the City Council:

We initiated the audit of the Office of Fleet Services at the request of the Commissioner of Public Works. We included the Department of Public Works in our 2007 audit plan due to the department's high rating on our internal risk assessment in the following areas: size and complexity; change; planning and performance; public concern, perception, and ethics; and safety and liability. Through previous audit work, we identified problems with the city accurately budgeting internal services to other departments. We selected the Office of Fleet Services after consultation with the new Commissioner for the department and because of the city's need to seek opportunities for additional cost savings.

We compared the Office of Fleet Services' maintenance costs to those of similar cities, neighboring counties, and the fleet industry to assess its competitiveness and the effectiveness of its service. We found that Atlanta's large fleet inventory appears to drive its budget. Atlanta's fleet size, budget, its average hourly labor charge, and markup on fuel were among the highest of the nine other city and county governments we surveyed. Fleet Services did not meet its goals for vehicle repair turnaround in fiscal year 2008 and we were unable to assess its competitiveness due to lack of detail and probable data entry errors in its billing system. User departments also need more information from Fleet Services to monitor their budgets and manage their fleets.

Our recommendations focus on promoting fiscal accountability and providing cost effective services to the departments. The public works department agrees with our recommendations. Their full responses to our recommendations are appended to the report.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Brandon Haynes, Katrina Clowers, and Eric Palmer.

Leslie Ward
City Auditor

Fred Williams
Audit Committee Chair

Office of Fleet Services

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Introduction

We conducted this performance audit of the Office of Fleet Services pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the City Auditor's Office and outlines their primary duties.

A performance audit is an objective analysis of sufficient, appropriate evidence to assess the performance of an organization, program, activity, or function. Performance audits provide assurance or conclusions to help management and those charged with governance improve program performance and operations, reduce costs, facilitate decision-making and contribute to public accountability. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information¹.

We undertook this audit at the request of the Commissioner of Public Works to supplement his efforts to evaluate the city's fleet maintenance costs and consider whether outsourcing the operation is warranted. The city spent about \$28 million on fleet operations in fiscal year 2008.

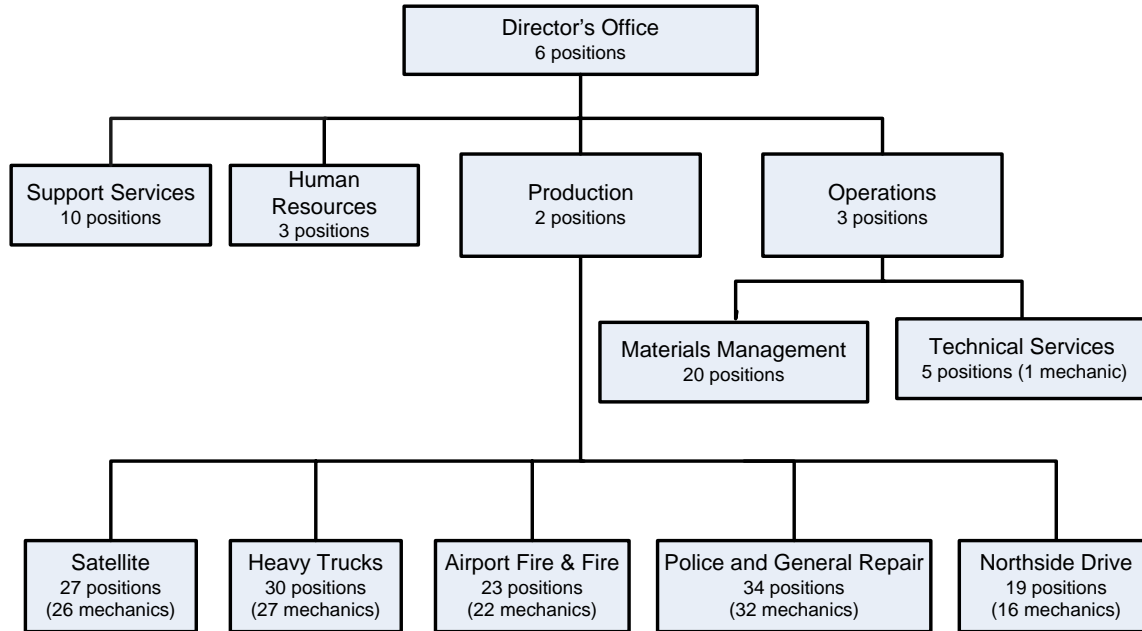
Background

The Office of Fleet Services (formerly known as Motor Transport Services) is part of the city's Department of Public Works. Fleet Services is responsible for acquiring, maintaining and disposing of vehicles and other motorized equipment; training employees on use of motorized equipment and defensive driving; and ensuring that drivers have sufficient knowledge to operate motor vehicles. Individual departments are responsible for the number and assignment of vehicles and equipment used in each department.

Fleet Services operates 13 maintenance facilities and 11 fueling stations. It currently has 182 authorized positions including 124 mechanics and mechanic supervisors (see Exhibit 1 on the next page). The remaining positions are in administrative, parts, accounting, human resources, and safety roles.

¹Comptroller General of the United States, *Government Auditing Standards*, Washington, DC: U.S. Government Accountability Office, 2007, p. 17-18.

**Exhibit 1
Office of Fleet Services
Organizational Chart**



Source: Office of Fleet Services

Note: Mechanics include mechanical supervisors.

Fleet Inventory Lists More Than 5,000 Pieces of Equipment

As of July 2008, the city had 4,428 vehicles and 628 pieces of motorized equipment in its fleet inventory. Passenger vehicles such as sedans, SUVs, vans, pickup trucks, and motorcycles make up about half of the vehicles. The remainder is specialized vehicles such as fire trucks, sanitation trucks, street maintenance vehicles, digging and construction equipment, riding mowers, and heavy trucks.

The Department of Watershed Management has the most vehicles in the inventory with 1,283 items. The Atlanta Police Department is next with 1,104 items, followed by the Department of Aviation with 611. Entities with fewer than 10 vehicles include the Municipal Court, Information Technology, Finance, Human Resources, and Procurement.

In July 2008, the city established a new vehicle use policy that required department heads to determine the number of vehicles needed and who should be assigned a vehicle. The policy is intended to reduce non-mission critical vehicles and limit overnight vehicles to first responders. It also calls for the Office of Fleet Services to analyze the fleet each year and make recommendations to the Chief Operating Officer to reduce costs and fuel usage. The policy makes departments responsible for complying with preventive maintenance schedules.

City Code Requires Charges to Departments

City Code requires the Fleet Services' director to charge the office's costs to the departments that use its services through monthly billings. The director must report monthly to the department heads and the chief financial officer the costs of labor, fuel, and parts for each department's fleet. The director must also report annually to the mayor on performance measures, inventories of equipment, parts, and tools, and the equipment costs due to accidents, abuse, and negligence.

Fleet Services tracks the fuel, labor, and parts costs for its inventory through Fleet Anywhere, a commercial fleet management system. Fleet Services bills departments based on information from the system. Fleet Services generates monthly billing summaries by cost center and send the reports to the Department of Finance. Finance creates journal entries and posts the payments in the city's financial system.

Previous Study Recommended Operational Changes

In 2004, United Parcel Service (UPS) performed a pro-bono analysis of Motor Transport Services to improve service, reduce operational costs, and recommend whether fleet services should continue to be housed within the city or outsourced. The analysis followed a previous assessment by KPMG Consulting in 2001.

The UPS study recommended service level improvements for acquiring, maintaining, and disposing of vehicles. Based on the study, Motor Transport Services revised its organizational structure and several of its operating procedures. Some of the issues noted in the study relevant to this report include findings that the Fleet Anywhere data was incomplete and inaccurate; the equipment maintenance backlog was excessive; the chargeback system needed to be reviewed and updated; and Motor Transport Services and the departments were not communicating. It also recommended that the city consider outsourcing lawn and garden and off-road heavy equipment.

Audit Objectives

This audit addresses the following questions:

- What is the basis for the charges to the departments, and do they cover the costs of operations?
- How does the Office of Fleet Services compare to similar cities and other local jurisdictions?
- Are the costs of service competitive?
- Are the maintenance services effective?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We conducted our audit fieldwork from July through October 2008. We limited our scope to maintenance and repair activities and charges for fiscal year 2008. Because of time constraints, we did not review management controls over inventories of parts and fuel. We plan to review these areas later in the fiscal year.

Generally accepted government auditing 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.

Our audit methods included:

- Analyzing the basis of charges to the departments through review of financial and budgetary information;
- Surveying similar cities and other jurisdictions for comparison with the Office of Fleet Services;
- Comparing repair times and costs to industry guidelines and similar local services; and
- Calculating effectiveness measures using the Office's data and comparing them to established benchmarks.

We administered the survey of other jurisdictions by e-mail and telephone during August 2008. One jurisdiction declined to provide budget information; we obtained the data from its published 2008 budget document. All other reported data for other jurisdictions is from survey responses and follow-up questions for clarification. The questionnaire is included as Appendix 2.

Findings and Analysis

Atlanta's Fleet Services Costs More than Other Governments Surveyed

Atlanta's fleet services budget and inventory are high compared to nine other city and county governments that we surveyed. The large number of vehicles in Atlanta's fleet inventory appears to drive its budget. However, Fleet Services' average hourly labor charge is among the highest and its markup on fuel is the highest charged among the comparison operations.

City Fleet Inventory and Fleet Services Budget Are High Compared to Other Governments Surveyed

Atlanta's inventory of more than 4,400 vehicles was second highest and fleet services budget of \$28 million was third highest among the other governments we surveyed. Atlanta's budget per vehicle ranked fourth highest of ten, suggesting that fleet size is a primary budget driver. In addition, Fleet Services operates the third most services centers, charges the highest fuel mark-up, and charges among the highest hourly labor rates of the governments we surveyed. Fleet Services' parts markup is similar to the other governments that charge a markup.

Fleet operations we surveyed provide similar services. We surveyed 12 governments to compare their services to Atlanta's Office of Fleet Services, including 8 benchmark cities and 4 area counties. We received responses from 5 of the cities and the 4 counties.² The operations surveyed provide the same types of services as the Office of Fleet Services – all perform in-house preventive maintenance and outsource body repairs and warranty work (see Exhibit 3 on the next page). All of the services are at least partially funded through charges to user departments. Three-quarters of respondents said they recover all costs by directly charging departments for service. All respondents said that the fleet serviced includes sedans, light and heavy trucks, and other types of equipment such as fire or sanitation trucks, tractors, all terrain vehicles, and motorcycles (see Exhibit 2).

² We surveyed Miami, FL, Cleveland, OH, Charlotte, NC, Seattle, WA, Denver, CO, Kansas City, MO, and St. Louis, MO, because the Bain Benchmarking Study identified these cities as comparable to Atlanta. We also surveyed Cobb, DeKalb, Gwinnett, and Fulton counties for area representation and Memphis, TN, for additional regional representation. We received responses from all but Cleveland, Miami, and Denver. City of Atlanta denotes 2008 expenses.

Exhibit 2 Types of Vehicles Used

Jurisdiction	Police	Fire	Sanitation	Heavy & Light Trucks	Sedans	Equipment
City of Charlotte	X			X	X	X
DeKalb County	X	X	X	X	X	X
City of St. Louis	X	X	X	X	X	X
Fulton County	X			X	X	X
City of Memphis	X	X	X	X	X	X
Kansas City		X	X	X	X	X
Cobb County	X	X		X	X	X
Gwinnett County	X	X		X	X	X
City of Atlanta	X	X	X	X	X	X
City of Seattle	X	X	X	X	X	X

Source: Survey conducted by City Auditor's Office, August 2008

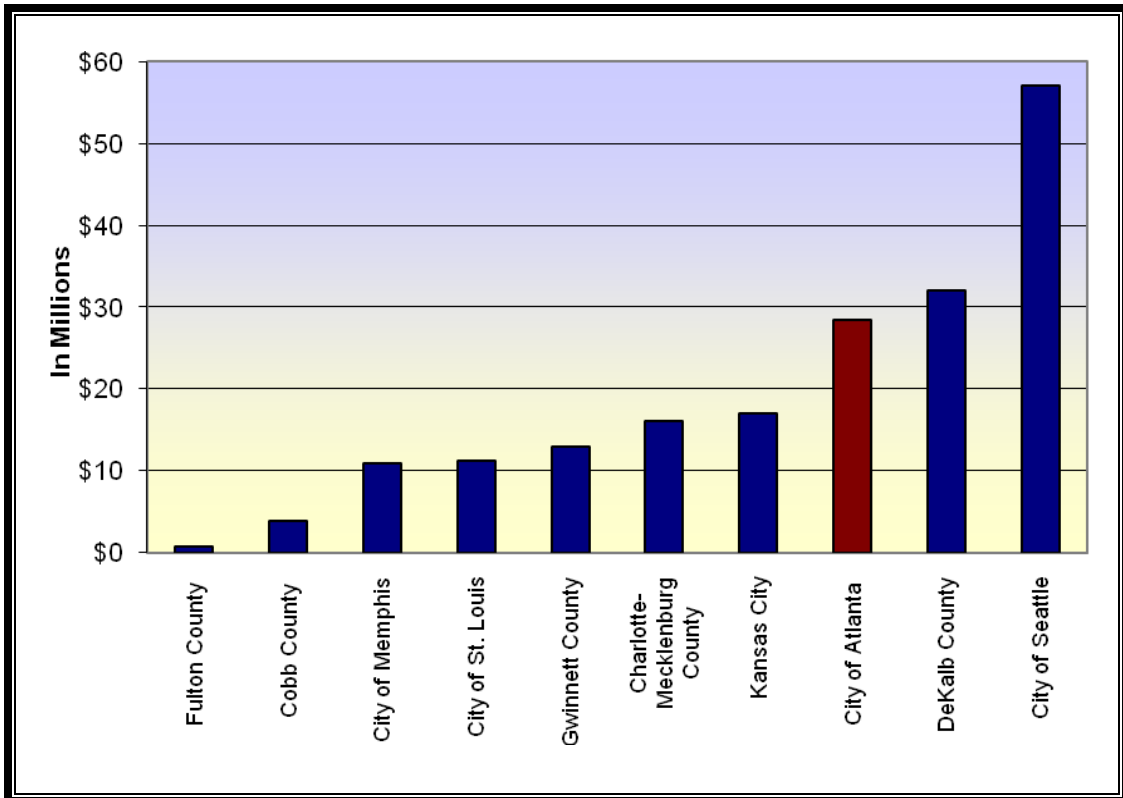
Exhibit 3 Areas of Responsibility

Jurisdiction	Vehicle Acquisition	Vehicle Assignment	Maintenance and Repair	Fueling	Vehicle Disposal
City of Charlotte	X	X	X	X	X
DeKalb County	X	X	X	X	X
City of St. Louis	X		X	X	X
Fulton County			X	X	X
City of Memphis	X	X	X	X	X
Kansas City	X	X	X	X	X
Cobb County	X	X	X	X	X
Gwinnett County	X		X	X	X
City of Atlanta	X		X	X	X
City of Seattle	X		X	X	X

Source: Survey conducted by City Auditor's Office, August 2008

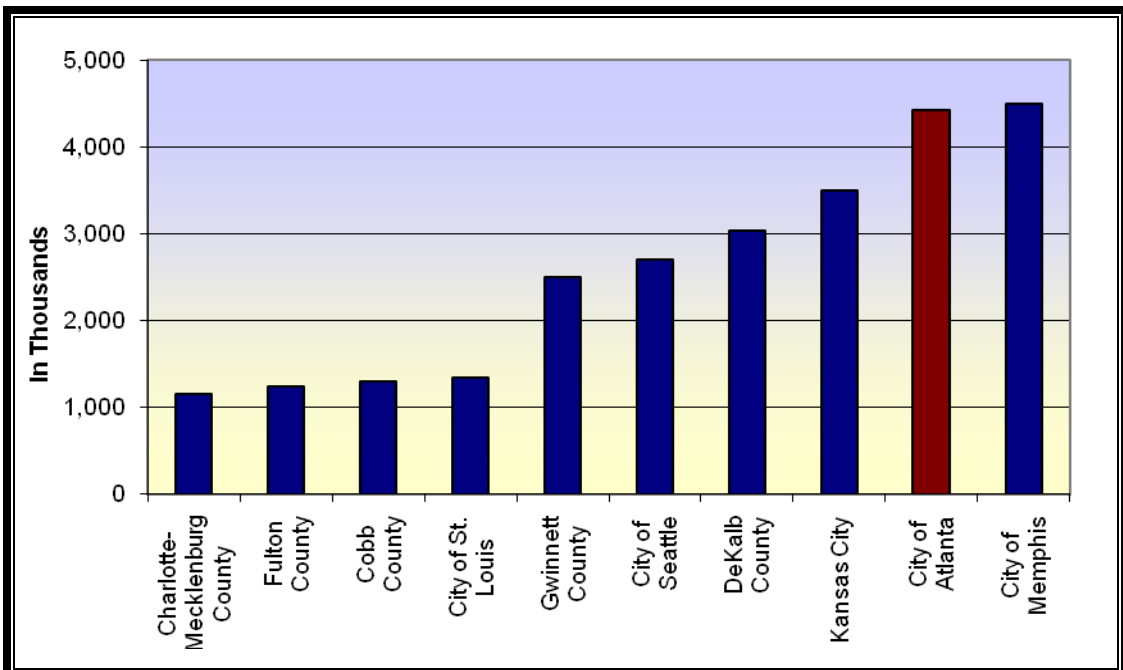
Large number of vehicles drives Fleet Services' budget. Atlanta's annual fleet services budget of \$28 million was the third highest of the ten fleet operations that responded to our survey (see Exhibit 4 on the next page). However, some of the jurisdictions do not include fuel costs in the fleet operations budget. Atlanta's 4,400 vehicle fleet was also the second largest among the comparison governments (see Exhibit 5 on the next page). More vehicles increase costs as more trained technicians are needed to service vehicles, more fuel is used to operate vehicles, and more parts are needed for repairs. After Charlotte and Memphis, Atlanta operates the third most services centers of respondents, with 13 centers across the city. The remaining jurisdictions have between one and five centers. Atlanta's cost per vehicle was seventh of ten, suggesting that the size of the fleet is a primary driver of the budget (see Exhibit 6 on page 9).

Exhibit 4 Fleet Services Budgets



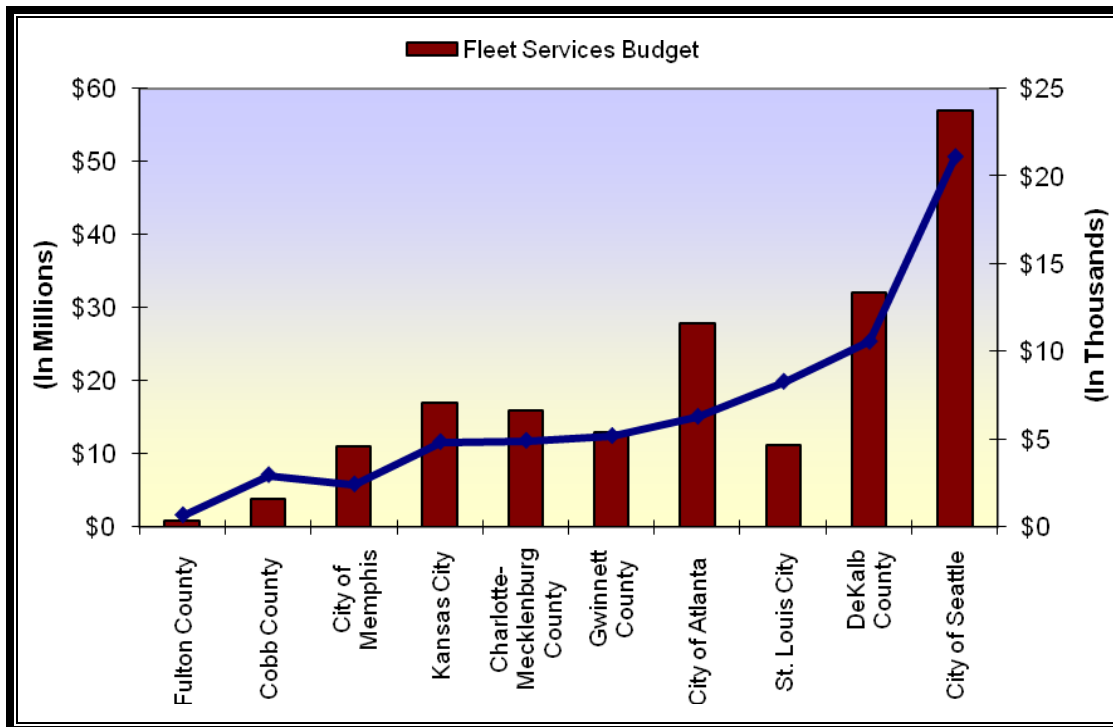
Source: Survey conducted by City Auditor's Office, August 2008

Exhibit 5 Number of Vehicles in Fleet



Source: Survey conducted by City Auditor's Office, August 2008

Exhibit 6 Budget Per Vehicle



Source: Survey conducted by City Auditor's Office, August 2008

Note: City of Atlanta denotes FY 2008 expenses

Fleet Services' average hourly labor charge is among the highest. Fleet Services' hourly labor charge varies from \$54-\$102 depending on the technician that works on a vehicle. The top of the range is the highest hourly labor charge among the governments we surveyed. In fiscal year 2008, most of Fleet Services' labor hours were charged near the lower end of the range, but Fleet Services' average hourly labor charge of \$67.42 is still among the highest of the governments we surveyed (see Exhibit 7 on the next page).

No other government we surveyed charged a variable labor rate. The comparison operations charge either a standard shop hourly labor rate or a standard job rate for when billing for service. A variable labor rate makes it difficult for users to manage their fleet budgets because the same work can cost more when done by a different technician. We recommend Fleet Services set a standard labor rate or standard job rates for their operations.

Fleet Services charges the highest markup for fuel, midrange on parts. Fleet Services' 20% markup on fuel is the highest charged among the government fleet operations surveyed. Seattle and Memphis markup fuel 19% and 18% respectively, while the other respondents have markups of 10% or less. Fleet Services' 20% markup on parts was near the middle (see Exhibit 7). A markup is used to recoup administrative

costs associated with a transaction such as utilities, office supplies, or management salaries. A markup rate can be added to the cost of a service at the end of the transaction or factored into the rate charged for a service.

**Exhibit 7
Hourly Labor Charges and
Markups for Fuel and Parts**

Jurisdiction	Hourly Rate	Fuel	Parts
City of Charlotte	\$50.55	N/A	10%
DeKalb County	\$52.50	0%	0%
City of St. Louis	\$53.00	\$0.005	30%
Fulton County	\$55.00	0.13	0%
City of Memphis	\$58.00	18%	18%
Kansas City	\$64.50	10%	25%
Cobb County	\$65.00	0%	0%
Gwinnett County	\$65.00	5%	0%
City of Atlanta	\$67.42	20%	20%
City of Seattle	\$98.00	19%	26%

Source: Survey conducted by City Auditor's Office, August 2008

Fleet Services Not Meeting Turnaround Goals, Unable to Assess Competitiveness

Fleet Services is not meeting its goals for turnaround time, which measures how long a customer is without their vehicle. Fleet Services has adopted an industry benchmark of completing service for 70% of vehicles in one day, and 90% in three days. In fiscal year 2008, Fleet Service completed 18% of repairs within one day and 35% within three days. Fleet management told us that they measure turnaround time as the time it takes mechanics to complete a job. However this measurement is inaccurate and fails to consider service from the customer's point of view.

Fleet Services is unable to assess its competitiveness due to data problems in its billing system, including lack of detail in job codes and data entry errors. Additionally, the 2004 UPS study noted problems with incomplete and inaccurate data. They recommended Fleet Services train staff on accurately collecting mileage, correct data in Fleet Anywhere, and annually conduct a complete inventory of the city's equipment; however it appears the data problems still exist. In a limited comparison of labor times for three types of jobs, Fleet Services was faster than an industry benchmark for preventive maintenance and slower for battery and tire replacement or repair.

Turnaround Time Fell Far Short of Goal in Fiscal Year 2008

In FY 2008, Fleet Services was not able to meet its turnaround goals for maintenance and repair work on vehicles using the industry measurement for turnaround time. Fleet Services managers told us that they have been tracking the time that a technician spends on the vehicle instead of the industry standard, which measures the vehicle's downtime for the customer.

Turnaround time measures efficiency and customer service.

Turnaround time is an industry performance measure used to monitor efficiency and customer service. An industry benchmark for turnaround time is to service 70% of vehicles within one day, and 90% within three days. Fleet Services adopted this benchmark as its goal and included it as the agreed upon performance standard in its 2006-2008 Service Level Agreement with the Parks Department.

In fiscal year 2008, Fleet Services completed service within one day for only 18% of vehicles, and completed service within three days for and 35% of vehicles (see Exhibit 8).

Exhibit 8
Vehicle Turnaround Percentage

	2008 Vehicle Turnaround	Fleet Services Goal
% w/in 1 day	18%	70%
% w/in 3 days	35%	90%

Source: Fleet Anywhere

Fleet Services management told us that they calculate turnaround time as the time a technician is assigned to the job in Fleet Anywhere until the technician completes the work. This measures the technician's efficiency, but not how long the customer is without their vehicle. The National Association of Fleet Administrators recommends calculating turnaround time as the time it takes a vehicle entering a shop to be served and ready to leave the shop. We recommend that Fleet Services measure and report turnaround time consistently with the industry standard as recommended by the National Association of Fleet Administrators.

Poor Data Limits Fleet Services' Ability to Assess Its Competitiveness

Lack of detailed job coding in the billing system prevents Fleet Services from assessing its competitiveness against industry benchmarks.

Additional data problems raise questions of accuracy. About 23% more mechanic hours were entered into fleet's billing system than the mechanics were paid for by the city in fiscal year 2008. Some work orders also show hundreds of billed hours by a mechanic that are excessive for the value of the equipment being repaired and could indicate errors.

Lack of detail in job coding limits Fleet Services' ability to assess its industry competitiveness. Fleet Services' billing system is not set up to capture detailed information on jobs performed by technicians. Many of the job codes identify the system undergoing maintenance or repair, but not the specific task (see Exhibit 9). For example, one job code in the system is "cooling system". Many types of repairs and parts could fall under the category of "cooling system". Tasks could range from changing fluids to replacing a water pump, each with varying costs. Fleet Services' average cost to repair a cooling system, is not necessarily comparable to industry benchmarks for replacing a radiator hose or thermostat, although all these jobs would fall under the "cooling system" category. Fleet Services should set up its billing system to capture detailed job coded tasks so it can evaluate its cost effectiveness compared to available industry benchmarks.

**Exhibit 9
Top 20 Jobs in Fleet Billing System Fiscal Year 2008**

PM SERVICE B	LINES/HOSES/FITTINGS
TIRE REPAIR/REPLACE	COOLING SYSTEM
LIGHTING SYSTEM	AIR CONDITIONING
POST SERVICE INSPECTION	FUEL SYSTEM
SAFETY EQUIPMENT (SIRENS)	PRE-SERVICE INSPECTION
BRAKES - RELINE/REPLACE	TRANSMISSION - REPAIR/ADJUST
BRAKES - REPAIR/ADJUSTMENT	CONTROLS
ACCESSORIES	HOISTING DEVICES
POWER PLANT-REPAIR/ADJUST	BATTERY
CRANKING SYSTEM	ROAD CALL TRAVEL

Source: Fleet Anywhere

We compared Fleet Services' average labor time charged for three of these jobs on two common vehicles to an industry database of repair times³ and to labor estimates provided by Clark Truck Repair, a vendor currently used by the Bureau of Drinking Water in the Department of Watershed Management (see Exhibit 10 on the next page). The jobs – preventive maintenance, tire repair/replace, and battery repair/replace –

³ We used RealTime Labor Guide, a commercially available database of labor time statistics by repair and vehicle type compiled from repair shop invoices since 1989 and updated annually.

are less complex vehicle repairs and should have less variability in completion times. The industry data provides a low, average and a high value for each type of repair on a specific make and model. We asked the vendor to provide estimates for each repair.

Limited comparisons are inconclusive. Fleet Services was faster at performing preventive maintenance than the industry average, but took longer than the high values to complete battery repair/replacement and tire repair replacement jobs. Clark Truck Repair provided lower estimates of labor hours than Fleet Services to complete preventive maintenance and battery repair, and only provided an estimate for parts for tire repair. It is possible that Fleet Services is capturing other jobs in their job coding. Detailed job codes and accurate coding will allow Fleet Services to assess its competitiveness, make changes in areas where it is inefficient, and better manage its fleet inventory.

**Exhibit 10
Comparison of Estimated Labor Completion Time in Hours**

2007 Crown Victoria			
	PM Service	Tire Repair/Replace	Battery Repair/Replace
Fleet Billing System	1.24	1.24	1.2
Clark Truck Repair	0.5	N/A	0.5
Industry Average	2.45	0.4	0.3
Industry Low-High	1.55-3.70	0.20-0.70	0.25-0.35
2005 Ford Ranger			
	PM Service	Tire Repair/Replace	Battery Repair/Replace
Fleet Billing System	1.23	1.08	1
Clark Truck Repair	0.5	N/A	0.5
Industry Average	2.45	0.4	0.2
Industry Low-High	1.55-3.70	0.20-0.70	0.10-0.50

Sources: Fleet Anywhere, Clark Truck Repair, Industry Guide

Fleet billing system shows more time for technicians than in the city’s payroll system. We compared hours worked by mechanics in fiscal year 2008 recorded in Fleet Services’ billing system to hours worked recorded in the city’s timekeeping/payroll system. About 23,000 (15%) more hours were recorded in the fleet system for the same group of employees than were recorded in the city’s timekeeping system as worked. It is unrealistic that a technician, or any hourly employee, would work more hours than they were clocked in for work. This discrepancy between Kronos and Fleet Anywhere indicates potential errors and suggests that departments may have been overcharged for services.

Fleet Services data shows hundreds of billed technician hours on some work orders. We also observed some records with excessive amounts of time charged that appeared to be errors. Exhibit 11 shows

examples of high service hours that resulted in repair charges of one-third to one-half of the equipment's purchase price – or in some cases that exceeded the purchase price. For example, one work order showed 475 hours of service charged to an individual work order for one piece of equipment. Fleet Services' management confirmed that this resulted from a data entry error.

Exhibit 11
Examples of Questionable Labor Hours on Equipment Repairs

Year	Description	Purchase Price	Service Hours	Labor Cost
2007	SAW - CHAIN (MEDIUM)	\$721.95	240.38	\$13,220.90
2005	PATROL	\$26,697.00	191.1	\$12,507.50
1997	MOWER - TRACTOR ATTACHED	\$2,921.00	475	\$28,500.00
2006	PATROL	\$29,893.00	184.18	\$11,050.80
2000	SUV-SMALL	\$20,989.00	180.4	\$10,824.00

Source: Fleet Anywhere

We reviewed supporting information for fiscal year 2008 charges to departments and found that Fleet Services had overcharged Public Works by nearly \$4 million in August 2007. The cause of the error was inflated parts costs for two repairs. Fleet Services discovered the error the following month and credited the amount back to Public Works. However, the incorrect parts charges are still in the billing system and are still associated with August 2007 billing reports for that department.

Fleet Services should establish a quality control process to review work orders to ensure that data are accurate before closing a work order. In addition, supervisors should review time entries in Fleet Anywhere to ensure that they are consistent with time entries in the city's timekeeping system.

Lack of Transparency in Service and Billing Makes Managing Fleet Difficult

Lack of information makes it difficult for users to verify service charges, monitor their budgets, and manage their fleet inventories. Users do not receive a summary of work performed when they pick up equipment after servicing. Further, managers in Fleet Services' three most frequent user departments told us that they do not consistently receive monthly billing summaries from Fleet Services and do not have Service Level Agreements (SLA) with Fleet Services.

Charges in excess of Fleet Services' spending, an unclear rationale for the markup rate and lack of information leads some users to believe they are being overbilled. We were unable to reconcile service charges from the billing system to the May 2008 monthly billing report.

Departments Need Information to Manage Their Fleets

Fleet managers in the three largest department users of Fleet Services – the departments of Aviation, Watershed Management, and Police – told us they were not receiving invoices or consistent monthly billing statements from Fleet Services. Without this information users do not know what they are being charged for services. Users do not have an opportunity to review service charges before they are posted to their accounts. Furthermore, users cannot track charges monthly because postings to the city's financial system are inconsistent. Fleet Services only has one signed Service Level Agreement with city departments. Lack of transparency could lead to mistrust and dissatisfaction with service. The 2004 UPS study identified similar issues with lack of communication between Fleet Services and the user departments.

Users do not receive enough information to manage their fleet.

Users told us they do not receive a notification of charges or services rendered when they retrieve their equipment from the service center. We observed the service process at two repair facilities to confirm that customers do not receive invoices or closed work orders showing the work performed; we found they did not. Service invoices are the only way a user can verify the work done and that the charges are appropriate. Monthly billing summaries show total service charges for an account, but not for individual pieces of equipment. This means a department with many vehicles can only see the monthly totals, but cannot tell if they were charged correctly for service on individual vehicles.

Users also reported not receiving a monthly statement of charges on a consistent basis. Staff in Watershed Management said they only received one monthly report in fiscal year 2008. They also said that they'd requested past reports from Fleet Services, but did not receive them.

Users do not have a chance to review charges before finance posts them to the general ledger. Fleet Services management said they send monthly charges directly to the accounting department for posting without review by users. Accounting staff confirmed this saying they rely on the accuracy of Fleet's data when posting it to the general ledger. Users need the chance to review the accuracy of charges before they are posted.

Charges for fuel and repairs are inconsistently posted to the general ledger. In fiscal year 2008, we found that charges were posted in irregular patterns; some were posted every other month, while a lump sum was posted at the end of the fiscal year. Because postings are irregular, users can only track their spending at the end of a fiscal year, when it is too late to make changes. Without timely information, departments will find it hard to manage their own fleet inventory, to properly budget for the services they need in the future, and to understand how reducing their fleet size will affect them going forward.

Fleet Services should provide repair invoices to users after servicing each vehicle. They should also ensure they are consistently sending a monthly summary of charges to users as well as to the Finance Department.

Fleet Services has signed Service Level Agreement with one department. Fleet Services and the Parks Department entered into a signed Service Level Agreement (SLA) in 2006. A SLA formally defines the level of service that will be provided between two parties. With a SLA, users will know what services to expect from Fleet Services, and in turn, Fleet Services can use these agreements to manage user expectation, as well as manage staff by providing trainings to address shortcomings. Fleet administrators in Aviation, Watershed, and the APD said they did not have a SLA with Fleet. Fleet Services provided electronic copies of 10 unsigned SLAs, but did not have signed copies. Fleet management should enter into Service Level Agreements with all users and keep signed copies of the agreements on file.

Service charges listed on monthly reports could not be matched to charges in Fleet Anywhere. We tested 10 selected cost centers in Fleet Anywhere to match service charges to those printed in the May 2008 monthly billing summary. Exhibit 12 on next page shows that we were able to reconcile only 3 of 10 cost centers with the billing summary, indicating a possible error in the program that produces the billing summary report or changes to underlying data after the report was run. Because Fleet Services, Finance, and user departments rely on the accuracy of data from Fleet Anywhere, Fleet Services should enter into an agreement with DIT to support the system.

**Exhibit 12
Comparison of May 2008 Bill Data in Fleet Anywhere**

Cost Center	Billing Report Cost	Fleet Anywhere Cost	Billing Report Hours	Fleet Anywhere Hours
Police Chief	\$1,222.47	\$952.82	18.1	13.99
Public Affairs Unit	\$651.88	\$651.88	9.1	9.13
Director of Communications	\$1,459.66	\$1,394.21	22.7	21.72
Chief of Staff	\$1,086.23	\$27.13	15.4	0.38
Aviation- Human Resources	\$1,016.39	\$1,016.39	15.2	15.21
Director of Code Compliance	\$3,749.63	\$2,598.23	56.9	39.68
Transportation- Engineering Operation Division	\$971.22	\$997.07	14.3	14.75
Finance- Risk Management	\$299.76	\$168.86	4.6	2.58
AWDA	\$229.73	\$229.73	3	2.97
Corrections Detention Facility	\$1,772.96	\$1,422.79	26.4	21.02

Source: May 2008 bill from Office of Fleet Services and Fleet Anywhere
Note: Matching figures are in **BOLD** text.

Fiscal Year 2008 Service Charges Exceeded Fleet’s Costs

Fleet Services charged users about \$4 million (14%) more than its total expenditures in fiscal year 2008. Since charges are intended to cover operating costs plus overhead, the total charges to users should be similar to what the division or Fleet Services spends annually.

Fleet Services management provided inconsistent information about the markups applied to fuel, parts, and labor. The markup rate is manually entered by Fleet Services management when creating bills. An unclear understanding of the markup rate coupled with its manual entry into bills increases the chance for inaccurate billings.

Fleet Services charged users more than its expenditures. Fleet Services billed departments about \$32 million for fuel and repairs in fiscal year 2008, while department expenditures for the year were \$28 million. Fleet Services’ charges users actual cost for goods and services used plus a markup to recoup administrative costs. Therefore total charges should be close to Fleet Services’ expenditures. Management from both Fleet Services and Finance told us that Fleet generally operates in a deficit.

Basis for markup on fuel, labor, and parts is unclear. Fleet Services charges a markup rate on parts, labor, and fuel in order to recover their administrative costs. Fleet Services total service charges are based on multiplying a base cost for fuel, labor, and parts by a markup percentage. Fleet Services management initially told us that the markup rate was 35%. We reviewed a 2006 bill showing the markup rate at 30%. A May 2008 bill showed the markup at 20%. Management said they reduced the rate because they felt it was too high. Management

later told us that fuel charges were only marked up by 10%. However, we could not find an option in the billing system that allowed different markups. Fleet Services should review its markups for parts and fuel annually to ensure that they accurately reflect department overhead.

The markup percentage is manually entered when generating a report. The markup percentage used to compute the final charges to the departments for fuel, labor, and parts is not automatically generated by the Fleet Anywhere system. System users set the markup percentage when generating reports, which could lead to billing errors if entered incorrectly. Since city users do not have the opportunity to review monthly charges, errors could go undetected. Fleet management should ensure markups accurately reflect department overhead, and that the correct markup rate is applied to charges before sending the billing summaries to user departments and the Department of Finance.

Recommendations

Our recommendations are intended to promote fiscal accountability and ensure that the Office of Fleet Services has systems in place to provide cost effective services to the departments. The Director of Fleet Services should:

1. Enter into formal service level agreements with each department it serves to promote service accountability. The agreements should outline the responsibilities of each party, cost and service expectations, and how performance will be measured. The agreements should stipulate that the department receive receipts of work performed, and have an opportunity to review charges before being posted to their accounts. The agreements should be understood and acknowledged by the appropriate personnel in order to be effective.
2. Set a standard labor charge for technicians' time that reflects the full cost of employment.
3. Review markups for parts and fuel annually to ensure that they accurately reflect department overhead.
4. Measure and report turnaround time consistently with the industry standard as recommended by the National Association of Fleet Administrators.
5. Set up its billing system to capture detailed job coded tasks so Fleet Services can evaluate its cost effectiveness compared to available industry benchmarks.
6. Establish a quality control process to review work orders to ensure that data are accurate before closing. A copy of the completed work order should be provided with the vehicle when the customer picks it up. In addition, supervisors should review time entries in Fleet Anywhere to ensure that they are consistent with time entries in the city's timekeeping system.
7. Enter into an agreement with DIT to maintain and support its data system to help ensure accurate billing.

Appendices

Appendix A
Management Review and Response to Audit Recommendations

Report # 07.07	Report Title: Office of Fleet Services	Date: 12/9/2008
Recommendation Responses		
Rec. # 1	Enter into formal service level agreements with each department it serves to promote service accountability. The agreements should outline the responsibilities of each party, cost and service expectations, and how performance will be measured. The agreements should stipulate that the department receive receipts of work performed, and have an opportunity to review charges before being posted to their accounts. The agreements should be understood and acknowledged by the appropriate personnel in order to be effective.	Agree
	<p><u>Proposed Action:</u> Redevelop service level agreements with each user department, to include responsibilities of each party, budgets, methodology for calculation of costs, service delivery expectations, methodology for service delivery receipts (work performed) and monthly billing, and performance metrics.</p> <p><u>Implementation Timeframe:</u> January 30, 2009</p> <p><u>Comments:</u> Draft agreements will be developed and meetings held at Commissioner level, with senior Fleet Services staff and management counterparts from the user departments. This is consistent with the FY09 budget that organizes Fleet Services as in internal service agency, with budgets distributed to the user departments.</p> <p><u>Responsible Person:</u> Joe Basista</p>	
Rec. # 2	Set a standard labor charge for technicians' time that reflects the full cost of employment.	Agree
	<p><u>Proposed Action:</u> Convert from variable labor rates (by individual) to a flat labor rate that includes all direct and indirect labor costs, consistent with industry standards.</p> <p><u>Implementation Timeframe:</u> February 28, 2009</p> <p><u>Comments:</u> Flat labor rates will make it easier for the user departments to understand the cost of work performed and allow them to better judge our performance and cost structure – it offers improved transparency to the billing process. Billing rates will be reviewed and adjusted annually within the FY budgeting process.</p> <p><u>Responsible Person:</u> Tracey Woods, Brian Ford and Steve Riley</p>	

Rec. # 3	Review markups for parts and fuel annually to ensure that they accurately reflect department overhead.	Agree
<p><u>Proposed Action:</u></p> <p><u>Implementation Timeframe:</u></p> <p><u>Comments:</u></p> <p><u>Responsible Person:</u></p>	<p>Re-calculate the markup on fuel to reflect the actual costs of administering the purchasing of fuel and the operation of the fueling stations. Re-calculate the markup on parts to reflect the actual costs of purchasing and distributing parts.</p> <p>February 28, 2009</p> <p>FY 09 to date billings for parts and fuel will be adjusted upon completion of the recalculation of the markup for fuel and parts, thus assuring that FY 09 billings reflect the actual cost of service. This will assure that user departments are not overcharged for fuel and parts.</p> <p>Steve Riley</p>	
Rec. # 4	Measure and report turnaround time consistently with the industry standard as recommended by the National Association of Fleet Administrators.	Agree
<p><u>Proposed Action:</u></p> <p><u>Implementation Timeframe:</u></p> <p><u>Comments:</u></p> <p><u>Responsible Person:</u></p>	<p>Measure turnaround time for repairs consistent with NAFA recommended standard – from the time the vehicle is dropped off until the time repairs are completed. Report performance within the DPW ATL Stat system.</p> <p>January 30, 2009</p> <p>Within FY09 ATL Stats, Fleet Services has developed the following turnaround goals:</p> <ul style="list-style-type: none"> • Cars, light trucks – 90% of repairs completed within 1 working day • Heavy trucks – 90% of repairs completed within 2 working days • Off-road vehicles – 90% of repairs completed within 3 working days <p>Brian Ford, Tracey Woods and Steve Riley</p>	
Rec. # 5	Set up its billing system to capture detailed job coded tasks so Fleet Services can evaluate its cost effectiveness compared to available industry benchmarks.	Agree
<p><u>Proposed Action:</u></p> <p><u>Implementation Timeframe:</u></p> <p><u>Comments:</u></p> <p><u>Responsible Person:</u></p>	<p>Revise the billing process to include detailed job codes consistent with industry standards; provide training to technicians on the use of appropriate job codes; and develop and implement standardized job rates associated with each job code</p> <p>February 28, 2009</p> <p>Currently working with our Fleet Management Computer Contractor (AssetWorks) to provide user friendly detailed billing reports. Each user department will receive a monthly billing report indicating the cost of fuel and repairs made to each vehicle/equipment. This will assure a transparent invoicing process that will provide the user departments with sufficient information to manage their fleets. Comparing actual hours worked to complete a job versus the standardized job rate associated with the particular code, over time, offers a reasonable measure of technician productivity.</p> <p>Tracey Woods; Brain Ford, Steve Riley</p>	

Rec. # 6	Establish a quality control process to review work orders to ensure that data are accurate before closing.	Agree
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<p><u>Proposed Action:</u></p> <p><u>Implementation Timeframe:</u></p> <p><u>Comments:</u></p> <p><u>Responsible Person:</u></p>	<p>Implement a quality control process (check/balance) that requires supervisors and managers to verify accuracy on a daily basis; provide the customer with a copy of the work order after each repair upon pickup of the vehicle; and perform weekly comparison of total technician hours entered into the Kronos timekeeping system versus the Fleet Anywhere work management system</p> <p>February 28, 2009</p> <p>Providing customers with a copy of the work order upon pickup of the vehicle offers the user departments an immediate and transparent method to judge and if necessary, question the repairs prior to development of monthly invoices. Implementation of the quality control process will be reinforced with the progressive discipline procedures as appropriate. Comparing Fleet anywhere hours against Kronos hours offers an accurate determination of the % of billed hours versus total hours (industry standard is about 70%)</p> <p>Brian Ford & Tracey Woods</p>
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Rec. # 7	Enter into an agreement with DIT to support its data system to help ensure accurate billing.	Agree
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<p><u>Proposed Action:</u></p> <p><u>Implementation Timeframe:</u></p> <p><u>Comments:</u></p> <p><u>Responsible Person:</u></p>	<p>Meet with the Management Team at DIT to discuss providing technical support to OFS on an on-going basis; and develop and implement a service level agreement as appropriate.</p> <p>March 31, 2009</p> <p>Meetings will be held at the Commissioner level, with appropriate Fleet Services staff and DIT counterparts.</p> <p>Joe Basista</p>
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Appendix B
Questionnaire Given to Comparable Jurisdictions

Municipal Fleet Services Survey

1. Contact Information

*** 1. Contact Information**

Name:

City/County:

Email Address:

Phone Number:

2. Fleet Composition and Functions

*** 1. What is your fleet department's budget?**

*** 2. How many service centers do you have?**

*** 3. What is the size of your fleet?**

*** 4. Of those in question #3, how many are vehicles? (Please include all vehicles)**

5. What is the make-up of your fleet? (Check all that apply)

- Police vehicles
- Fire vehicles
- Sanitation vehicles (ex: garbage truck)
- Heavy trucks (over 1 ton)
- Light trucks (under 1 ton)
- General purpose sedans
- Equipment
- Other (please specify)

*** 6. Is the majority of your fleet services:**

- Outsourced
- Performed in-house

Municipal Fleet Services Survey

*** 7. If you outsource for certain types of jobs, what are they? (Check all that apply)**

- Preventative Maintenance
- Body Repair
- Specialty Work
- Warranty Work
- We do not outsource any jobs
- Other (please specify)

*** 8. Is your fleet service division responsible for: (Check all that apply)**

- Acquisition of vehicles/equipment
- Assignment of vehicles/equipment
- Maintenance and Repair of vehicles/equipment
- Fueling of vehicles/equipment
- Disposal of vehicles/equipment
- We are not responsible for any of these functions
- Other (please specify)

*** 9. Do you lease or purchase vehicles/equipment?**

- Lease
- Purchase
- Both

*** 10. Do you perform preventative maintenance?**

- Yes
- No

3. Goals for Fleet Services

Municipal Fleet Services Survey

1. At what age do you like to replace vehicles?

Police vehicles	<input type="text"/>
Fire vehicles	<input type="text"/>
Sanitation vehicles	<input type="text"/>
Heavy trucks	<input type="text"/>
Light trucks	<input type="text"/>
General purpose sedans	<input type="text"/>

* 2. What is the expected turnaround time for:

Preventative Maintenance	<input type="text"/>
General repairs	<input type="text"/>

3. What are your goals for rework on vehicles?

4. Budgeting and Cost Recovery

1. How do you charge labor on repairs? (Select all that apply)

- Standard labor rate for the shop times hours worked on a vehicle
- Variable based on the technician's rate of pay times hours worked on a vehicle
- Standard rate based on the job type
- Multiple methods or Other (please specify)

2. Do you have a standard labor rate?

- Yes
- No

If Yes, what is it?

* 3. What is your mark-up percentage on:

Fuel	<input type="text"/>
Labor	<input type="text"/>
Parts	<input type="text"/>

Municipal Fleet Services Survey

*** 4. Are costs fully recovered by charges to other departments?**

- Yes
- No

5. What is your cost recovery method?

- Fixed annual rate
- Direct billing to department
- Mileage or usage basis
- No direct charges
- Other (please specify)