



AUDIT HIGHLIGHTS

Fleet Operations

August 7, 2020

Audit Report No. 2008

WHY WE DID THIS AUDIT

An audit of *Fleet Operations* was included on the City Council-approved fiscal year (FY) 2019/20 Audit Plan. The audit objective was to assess management controls and cost-effectiveness of Fleet operations, such as planning, providing and charging fleet services.

BACKGROUND

Fleet Management is responsible for purchasing and maintaining the City's fleet of more than 1,200 vehicles and related equipment. The varied fleet includes firetrucks, police cars, solid waste trucks, street sweepers, trolleys, forklifts, light-duty pickup trucks, sedans and other types.

Reporting to the Fleet Management Director, the Fleet Asset Manager oversees parts, vehicle acquisition and budget, and the Fleet Operations Manager oversees vehicle service and maintenance.

City departments with fleet equipment pay three rates:

- 1) Replacement fees based on the projected future replacement cost.
- 2) Maintenance & Operation fees based on prior year actual costs plus a markup.
- 3) Fuel fees, based on actual fuel costs plus markup.

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WHAT WE FOUND

Fleet Management can improve its replacement rate methodology and the accuracy and consistency of its application.

Specifically, Fleet Management should:

- Use published automobile inflation data to determine the cost escalation rate and determine discrete escalation rates for specialty vehicles.
- Include salvage value in calculating replacement fees.
- Systematically compare the length of actual vehicle and equipment use to their estimated useful lives.

Calculations of replacement fees are not applied correctly or consistently.

Over the past 6 years, replacement fees for 42% of the fleet were calculated incorrectly. Specifically, Fleet Management:

- Due to a programming error, overcharged \$1.05 million in replacement fees over the past 6 fiscal years.
- Undercharged \$1.1 million by not properly ending or starting replacement rates when some vehicles were taken out of or put into service.
- Overcharged \$876,000 for exempt vehicles and undercharged \$62,000 by excluding certain vehicles and equipment.

Cost savings or avoidance may be achieved by reducing low-use vehicles and ensuring timely preventative maintenance.

We found:

- Developing an effective motor pool could allow departments to reduce the number of low-use vehicles to create savings and be more efficient.
- Developing more effective preventative maintenance reminders may help avoid costly repairs or breakdowns.

WHAT WE RECOMMEND

We recommend the Fleet Management Director:

- Improve the replacement fee methodology.
- Correctly and consistently charge replacement fees.
- Work with departments to promote the use of motor pool vehicles and standardize communications about overdue preventative maintenance.

MANAGEMENT RESPONSE

The department agreed with the audit recommendations, proposing to implement improvements between June 30, 2021, and July 1, 2023.