

4. REPORTS TO BE RECEIVED FOR FILING:

- a. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2014-05 dated February 13, 2014 – Follow-Up Audit of Fleet Allocations.
- b. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2014-06 dated February 20, 2014 – Audit of Service and Maintenance Contracts for Parks and Conservation Resources.
- c. Pinellas Planning Council Annual Report, Fiscal Year 2013, "Planning for the Pinellas Community."
- d. Dock Fee Report for the month of February 2014.
- e. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Annual Report for the Year Ended December 31, 2013.



**Ken Burke, CPA**


CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

Clerk of the County Court  
Recorder of Deeds  
Clerk and Accountant of the Board of County Commissioners  
Custodian of County Funds  
County Auditor

**Division of Inspector General**

510 Bay Avenue  
Clearwater, FL 33756  
Telephone: (727) 464-8371  
Fax: (727) 464-8386  
Fraud Hotline: (727) 45FRAUD (453-7283)  
Clerk's website: [www.mypinellasclerk.org](http://www.mypinellasclerk.org)

TO: The Honorable Chairman and Members  
of the Board of County Commissioners

FROM:  Ken Burke, CPA  
Clerk of the Circuit Court and Comptroller  
Ex Officio County Auditor

SUBJECT: Follow-Up Audit of Fleet Allocations

DATE: February 13, 2014

For your review and filing in the Official Records, I am enclosing a copy of the report dated February 13, 2014 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert LaSala, County Administrator  
Mark Woodard, Assistant County Administrator  
Paul Sacco, Director, Real Estate Management  
Andrew W. Pupke, Manager, Fleet Management  
Jim Bennett, County Attorney  
Claretha N. Harris, Chief Deputy Director, Finance Division  
Crowe Horwath



An Accredited Office of  
Inspectors General

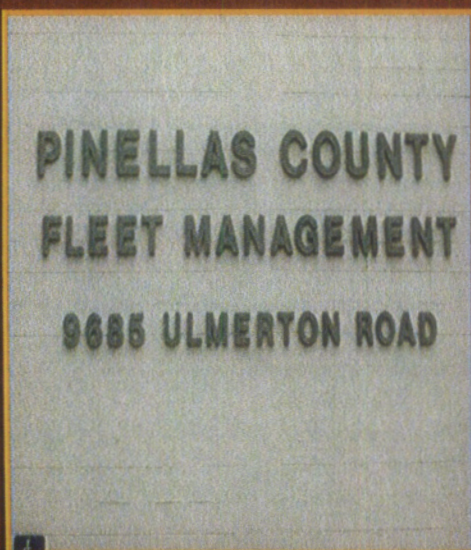


## **DIVISION OF INSPECTOR GENERAL**

**KEN BURKE, CPA**

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA**

### **FOLLOW-UP AUDIT OF FLEET ALLOCATIONS**



**An Accredited Office of  
Inspectors General**

**Hector Collazo, Jr.  
Inspector General/Chief Audit Executive**

**Audit Team**  
**Ken Green, CIGA – Inspector General Manager**  
**Greg McCullough, CPA, CIA, CFE, CIGA, CIGI – Inspector General Auditor II**

**FEBRUARY 13, 2014  
REPORT NO. 2014-05**



**Ken Burke, CPA**

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

Clerk of the County Court  
Recorder of Deeds  
Clerk and Accountant of the Board of County Commissioners  
Custodian of County Funds  
County Auditor

**Division of Inspector General**

510 Bay Avenue  
Clearwater, FL 33756  
Telephone: (727) 464-8371  
Fax: (727) 464-8386  
Fraud Hotline: (727) 45FRAUD (453-7283)  
Clerk's website: [www.mypinellasclerk.org](http://www.mypinellasclerk.org)

February 13, 2014

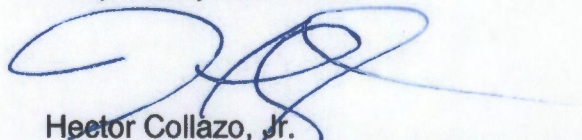
The Honorable Chairman and Members  
of the Board of County Commissioners

We have conducted a Follow-Up Audit of Fleet Allocations. The objective of our review was to determine the implementation status of our previous recommendations.

Of the 21 recommendations contained in the audit report, we determined that 3 were implemented, 7 were partially implemented, and 11 were not implemented. The status of each recommendation is presented in this follow-up review. We continue to encourage management to implement the remaining recommendations.

We appreciate the cooperation shown by the staff of Real Estate Management during the course of this review.

Respectfully Submitted,



Hector Collazo, Jr.  
Inspector General/Chief Audit Executive  
Division of Inspector General

Approved:



Ken Burke, CPA\*  
Clerk of the Circuit Court and Comptroller  
Ex Officio County Auditor

\*Regulated by the State of Florida



# TABLE OF CONTENTS

	<b>Page</b>
<b>Introduction</b>	<b>4</b>
<b>Status of Action Plan</b>	<b>5</b>
<b>Status of Recommendations</b>	<b>13</b>
1. Fleet Operations And Maintenance Costs Are Not Being Recovered By Charges To Customers.	13
2. Fleet Costing Methodology Vs. Sheriff Costing Methodology Puts Fleet At A Comparative Disadvantage.	17
3. The MOU Between The Sheriff And Fleet Does Not Support Full Recovery Of Fleet Costs Nor Does It Address The Duplication Of Function Costs.	21
4. The Number Of Fleet's Billable Hours Is Impacting The Labor Rate Charged By The Division For Services.	23
5. Vehicles/Equipment Not Included In The Fleet Vehicle Replacement Plan Could Pose A Risk To Operations If Funds Are Not Available For Replacement When Necessary.	26
6. The Vehicle Replacement Program (VRP) Process Is Ineffective.	28
7. There are No Internal Controls For Use Of The Fleet Motor Pool.	34

# INTRODUCTION

## ***Scope and Methodology***

We conducted a follow-up audit of Fleet Allocations. The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

- 1) Determine the reasonableness of the Fleet internal service fund accounting transactions and account balances.
- 2) Determine if Fleet cost allocations are accurate, substantiated, and appropriate.
- 3) Determine the most economical method to provide fleet services to Pinellas County.
- 4) Determine if budgeted assessments for the Fleet vehicle replacement fund are reasonable and appropriate.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the months of October and November 2013. The original audit period was October 1, 2008 through June 30, 2010. However, transactions and processes reviewed were not limited by the audit period:

## ***Overall Conclusion***

Of the 21 recommendations in the report, we determined that 3 were implemented, 7 were partially implemented, and 11 were not implemented. We commend management for implementation of some of our recommendations and continue to encourage management to fully implement the remaining recommendations.

## Status

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	<b><i>Fleet Operations And Maintenance Costs Are Not Being Recovered By Charges To Customers.</i></b>					
	A. Fleet Management stop adjusting the repair and maintenance (labor), parts, and fuel rates. As an internal service fund, Fleet must charge the actual costs incurred in order to recover all costs. Fleet should consider outsourcing those services that outside vendors can provide for the industry standard labor rate since Fleet's actual labor rate is higher.				✓	
	B. Fleet Management consult with OMB to consider a model where Fleet allocations from the Full Cost and Risk Management Cost Allocation Plans are funded directly through the general fund instead of passed through to Fleet customers.			✓		
	C. Fleet Management ensure all amounts from the Full Cost and Risk Management Cost Allocation Plans are accounted for during Fleet's calculation of costs incurred service rates.				✓	
2	<b><i>Fleet Costing Methodology Vs. Sheriff Costing Methodology Puts Fleet At A Comparative Disadvantage.</i></b>					
	A. Fleet Management consult with the Sheriff to develop the same costing methodologies (full cost recovery preferred best practice) when comparisons between Fleet's and Sheriff's services are made.				✓	

Introduction  
Follow – Up Audit of Fleet Allocations

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	B. Fleet Management consult with OMB to consider a model where Fleet allocations from the Full Cost and Risk Management Cost Allocation Plans, indirect labor charges and non-billable hours worked are funded directly through the general fund instead of passed through to Fleet customers.			✓		
3	<b><i>The MOU Between The Sheriff And Fleet Does Not Support Full Recovery Of Fleet Costs Nor Does It Address The Duplication Of Function Costs.</i></b>					
	A. Fleet Management analyze the impact of the MOU on the ability to fund their operations as an internal service fund.				✓	
	B. Fleet Management document how any funding deficit will be addressed.	✓				
	C. Since the Public Safety Facility & Centralized Communication Center Construction Project includes a new Sheriff's fleet facility, the timing is appropriate to consider the potential cost savings and reduction in duplication of facilities by locating the two independent fleet divisions into existing Fleet facilities.				✓	
4	<b><i>The Number Of Fleet's Billable Hours Is Impacting The Labor Rate Charged By The Division For Services.</i></b>					
	A. Fleet Management continue the process of reviewing the non-billable functions performed by staff for cost savings.			✓		
	B. Fleet Management consider outsourcing non-billable functions to free up staff time to perform billable services.			✓		

Introduction  
Follow – Up Audit of Fleet Allocations

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	C. Fleet Management consult with OMB to consider a model where non-billable indirect support costs are funded directly through the general fund instead of passed through to Fleet customers. This will reduce the labor rate charged to customers, positioning Fleet as more comparable to external service providers.			✓		
5	<b><i>Vehicles/Equipment Not Included In The Fleet Vehicle Replacement Plan Could Pose A Risk To Operations If Funds Are Not Available For Replacement When Necessary.</i></b>					
	A. County management review vehicles/equipment not currently participating in the VRP. Assets critical to county operations, especially those of high dollar value, high dollar repair history, or one of a kind items, pose the greatest risk if funds are not available to replace them.				✓	
	B. Fleet Management encourage departments owning such high-risk assets to include them in the VRP.				✓	
6	<b><i>The Vehicle Replacement Program (VRP) Process Is Ineffective.</i></b>					
	A. Fleet Management revise naming conventions documented in the procedures manual to provide a logical easy to follow pattern of workbook iterations from start through the final VRM. Documentation should aid in the achievement of accurate data entry by including user-friendly descriptions of the formulas used to derive data.				✓	
	B. Fleet Management update procedures for maintaining VRM workbooks be strictly adhered to. Housekeeping data in the "Lookup Table" spreadsheet provides an audit trail and should be updated with each iteration of the workbook.	✓				

**Introduction**  
**Follow – Up Audit of Fleet Allocations**

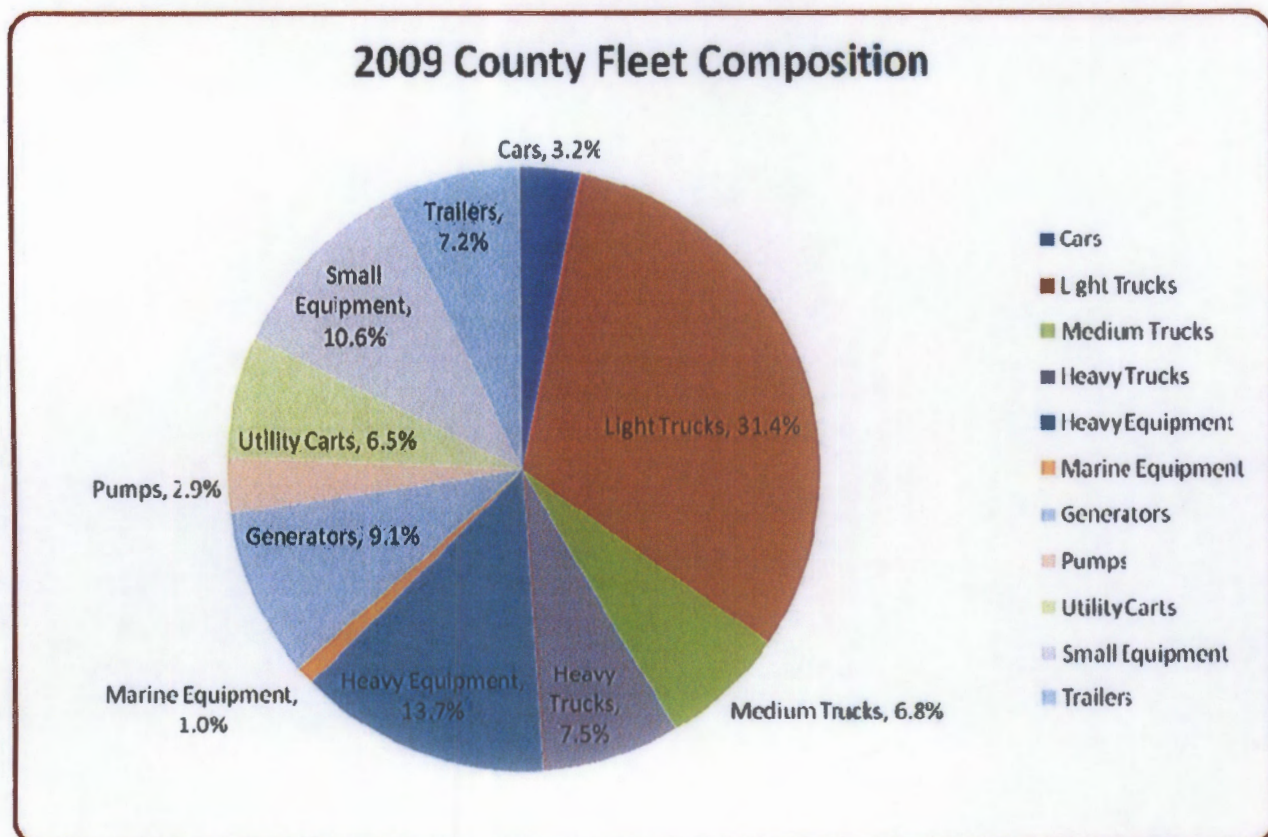
OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	<p>C. Fleet Management review the VRM workbook and several safeguards put in place.</p> <ul style="list-style-type: none"> <li>• First, cells that contain formulas should be locked to prevent improper changes.</li> <li>• Secondly, entries should be made by one person and verified by another. Both staff members should be well versed in Excel and have an in depth understanding of the process and relationship between each spreadsheet and cells in the workbook.</li> <li>• Regular reinforcement of the importance for following the procedures, not taking shortcuts, and assuring the accuracy of data should be provided. Emphasis should be placed on the fact that inaccuracy in one cell may have a ripple effect and jeopardize the value of the entire vehicle replacement process.</li> </ul>			✓		
	<p>D. Fleet Management put into place internal controls for the vehicle inspection process. The internal controls should ensure consistent enforcement of the Vehicle Inspection Form procedure. We encourage the update of this form to include:</p> <ul style="list-style-type: none"> <li>• Date of inspection.</li> <li>• Results of the inspection, including hand written notes currently found only on the Vehicle Utilization Report.</li> <li>• Signature by an authorized member of the department owning the vehicle and date signed.</li> <li>• The signed form should be kept on file for future reference.</li> </ul>				✓	
	<p>E. Alternatively, Fleet Management consider purchasing an automated, integrated off the shelf package that can be easily maintained to replace the current time consuming and error prone manual spreadsheet</p>				✓	

Introduction  
Follow – Up Audit of Fleet Allocations

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	process. Further, due to limited staffing it is recommended that Business Technology Services support for the project be requested.					
<b>7</b>	<b><i>There Are No Internal Controls For Use Of The Fleet Motor Pool.</i></b>					
	A. Fleet Management actively use the reservation function of the M-4 system for usage of motor pool vehicles and equipment. Pertinent information such as user name, user department, loan date, estimated date, and time of return, destination, and the purpose should be recorded.				✓	
	B. Fleet Management continue the process that provides departments who have a vehicle receiving maintenance with a vehicle from the motor pool free of charge on a first-come first-served basis. County departments who request motor pool vehicles to supplement their own department's fleet be charged a nominal fee (i.e. \$25 per day for cars, light trucks, etc. and \$50 per day for rental of heavy-duty vehicles and equipment).			✓		
	C. Fleet Management actively bill motor pool customers for fuel usage.	✓				

## Background

The Fleet Management Division provides a comprehensive fleet management program, beginning with the identification of equipment needs and ending with the disposal of surplus equipment. Effective May 8, 2011, the Fleet Management Department merged with the Real Estate Management Department, forming the Fleet Management Division. Fleet is established as an internal service fund to account for the costs of goods and services provided to other governmental units on a cost reimbursement basis. Fleet's cost of vehicles and their operation and maintenance is recovered through charges to users. The replacement vehicle costs are done through a separate vehicle replacement account. In Fiscal Year 2009, the fleet of 1,988 vehicles included automobiles, trucks, heavy off-road equipment, stationary generators and pumps, and other emergency equipment as shown below.



Departments make contributions to the vehicle replacement fund, which is then used to purchase replacement vehicles when they reach the end of their economically useful life. In this manner, replacements can occur in an orderly, planned fashion and necessary replacements are less likely to be deferred due to budgetary constraints. The operation and maintenance costs include such items as fuel, mechanical repairs, parts, preventative maintenance, and paint and body repairs. These costs are recovered each month from the user as they are incurred for their vehicles.

We surveyed the following seven local counties and cities to obtain information about the methodologies they use for accounting for fleet costs.

1. Hillsborough County
2. Orange County
3. Broward County
4. Miami-Dade County
5. Palm Beach County
6. City of St. Petersburg
7. City of Tampa

Out of these seven similarly sized local counties and cities, six fund their Fleet Management Division the same as Pinellas County, using an internal service fund. The differences in methodologies used by these six similarly sized local counties and cities for accounting for their fleet costs are summarized in the table below. The main difference is that the other entities surveyed charge a rental fee for motor pool vehicle use, whereas Pinellas County Fleet utilizes an annual departmental management fee charge for recovery of motor pool charges, exclusive of fuel, which is charged to using departments with each motor pool unit usage.

**Introduction**  
**Follow – Up Audit of Fleet Allocations**

Entity	Fleet Size	Budgeted Positions	Fleet Management	Applications	Vehicle Replacement Funding	Components of O&M Charges	Motor Pool Charge
<b>Pinellas County</b>	1,750	33	Multiple Fleets	FleetFocus M4 MS Office	Accumulate \$ in a fund for future replacements.	Repair & Maintenance Fuel Parts Vehicle Acquisition Administration Cost Allocation	Fuel
<b>Hillsborough County</b>	3,147	61	Central	FleetFocus M5 MS Office Crystal Reports	Accumulate \$ in a fund for future replacements.	Repair & Maintenance Administration Cost Allocation	Rental Fee
<b>Orange County</b>	3,600 +1,400 small equip.	60	Multiple Fleets	Squarerigger SQ7 MS Office	Each dept. budgets for their replacements.	Repair & Maintenance Fuel Parts Administration	Rental Fee
<b>Broward County</b>	2,282	43	Multiple Fleets	MCMS MS Office	Pay from current budget.	Repair & Maintenance Fuel Parts Vehicle Acquisition Administration	Rental Fee
<b>Palm Beach County</b>	4,234	60	Multiple Fleets	Custom	Accumulate \$ in a fund for future replacements.	Repair & Maintenance Fuel Parts Vehicle Acquisition	Rental Fee & Fuel
<b>City of St. Petersburg</b>	3,563	72	Central	MCMS MS Office	Accumulate \$ in a fund for future replacements.	Repair & Maintenance Fuel Parts Vehicle Acquisition Administration Cost Allocation	Rental Fee
<b>City of Tampa</b>	3,070	54	Central	FASTER MS Office	Pay from current budget & lease.	Repair & Maintenance Fuel Parts Administration Cost Allocation	Rental Fee

\*The Fleet Management column notes how the entity's fleet is managed:

- Central – one fleet department for all vehicles and equipment in the county/city.
- Multiple Fleets – separate fleet departments for county/city functions such as water, police, fire, ambulance, sanitation, etc.

# STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of Fleet Allocations. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

## ***1. Fleet Operations And Maintenance Costs Are Not Being Recovered By Charges To Customers.***

The cost allocation methodology employed by the Fleet Management Division (Fleet) does not recover their total costs through their operations and maintenance charges; in addition, the methodology increases Fleet's service rates. Fleet operates as an internal service fund. This accounting methodology requires full recovery of costs incurred. We analyzed the methodology used by Fleet to allocate their operations and maintenance costs to customers in Fiscal Year 2009. Customers are charged for repair and maintenance (labor), parts and fuel. The parts and fuel charges include a markup.

- A. In Fiscal Year 2009, the labor rates charged to Fleet customers were lower than the actual costs incurred. Fleet only charged the "industry standard." The industry standard is representative of the average cost for like type services provided by local/Tampa Bay area outside private sources, which are reviewed annually. To recover some of the lost revenue, the parts and fuel markups were increased within industry averages.

The actual labor rates charged to internal county departments (i.e., Department of Environment and Infrastructure, Parks and Conservation Resources, and Animal Services) are:

- \$93 per hour for vehicle and equipment repairs and generator & fuel
- \$63 per hour for welding & fabrication and body & frame repair

The external labor rates charged for work performed for other governmental agencies (i.e., Florida Department of Transportation, City of Dunedin, and East Lake Fire and Rescue) are:

- \$81.50 per hour for vehicle and equipment repairs and generator & fuel
- \$55 per hour for welding & fabrication and body & frame repair

These rates do not accurately reflect fully burdened costs incurred of \$115.15 per hour if Fleet works the targeted volume of 41,000 billable hours or \$126.91 per hour if Fleet works the low volume of 37,200 billable hours.

- B. In Fiscal Year 2009, the parts markup charged to Fleet customers was greater than the actual costs incurred. This is to recover some of the lost repair and maintenance revenue and to recover parts' costs improperly captured in the labor rate. The actual parts markup charged is \$0.33 per dollar with a per part cap of \$600. The table below illustrates the impact the parts' markup has on the price of a part.

Part Description	Part Price	Part Markup (33%)	Part Price With Markup
Battery MS31 (950 CCA)	\$61.78	\$20.39	\$82.17
Oil Filter PH2/51373	\$1.93	\$0.64	\$2.57
Windshield Washer Blade 31-20 (62-2207)	\$3.12	\$1.03	\$4.15
Anti-Freeze PXA003G/10-101	\$14.24	\$4.70	\$18.94
Tire LT235/75R15 SR-A XL	\$80.38	\$26.53	\$106.91

The actual parts markup rate of \$0.33 does not accurately reflect costs incurred of \$0.3045 (total burdened cost/parts cost spend).

- C. In Fiscal Year 2009, the fuel markup charged to Fleet customers was greater than the actual costs incurred. This is to recover some of the lost repair and maintenance revenue and to recover fuel costs improperly captured in the labor rate. The actual fuel markup charged is \$0.31. This rate does not accurately reflect costs incurred of \$0.28060 (total burdened cost/gallons dispensed per year, per fleet).

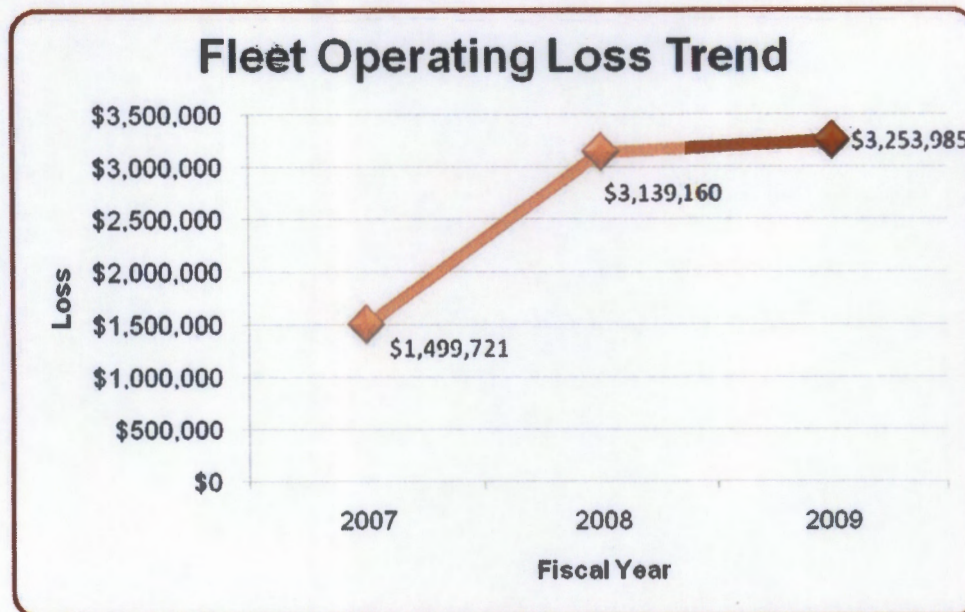
Cost allocations of central service functions such as Fleet Management are charged to other funds, departments, and agencies of the primary government. The goals are to measure the full cost of providing the central service and to fully recover those costs through fees and charges. Calculating all rates and charges using an acceptable costing methodology results in all rates and charges being based on true costs. By Fleet making adjustments to their service rates, the true cost of services is lost. In addition, it is inefficient to take the time to calculate Fleet's actual costs and the associated repair and maintenance (labor), parts and fuel rates and then make adjustments to appear "competitive" while still recovering costs as required by the fund methodology (being operated as an internal service fund). The table below summarizes Fleet's actual costs incurred compared to the rates charged to customers.

Operations & Maintenance Category	Actual Costs Incurred	Customer Charges
Repair and Maintenance (hourly labor rate)	*\$121.03	**\$93.00
Parts Markup (per dollar)	\$0.30	\$0.33
Fuel Markup (per gallon)	\$0.28	\$0.31

\*Actual labor costs incurred is the average hourly rate using the average of the target (41,000) and low (37,200) hours.

\*\*For comparison purposes, the customer labor charges used is the per hour rate for county repairs and generator & fuel since this is the most common type of service performed.

Fleet has also sustained three years in a row of operating losses, another indicator that Fleet is not recovering their operating expenses from charges for services (operating revenue).



In addition, in Fiscal Year 2009, \$500,000 of vehicle replacement plan refund of payments made toward new vehicles for all the vehicles that were turned back into Fleet and not replaced was moved to the Fleet operations and maintenance budget (considered surplus in the Vehicle Replacement Fund). The Office of Management and Budget (OMB) stated this transfer was to help bridge future staff retirements while keeping a competitive labor rate. In addition, Fleet stated the transfer was also used to offset increases in fuel pricing. This transfer of funds also indicates Fleet is not recovering their operating expenses from charges for services.

The purpose of an internal service fund is to account for and recover costs incurred; the method in which Fleet is operating is not achieving that purpose. In addition, costs allocated to Fleet from the Full Cost and Risk Management Cost Allocation Plans impact Fleet's ability to compete with other service providers that are not required to include these costs in their service rates. We analyzed the amount that allocated costs add to Fleet's costs charged to customers. These additional costs inflate the operational and maintenance rates charged to Fleet customers when compared to the rates charged by the Sheriff who is not required to pass them on to customers (i.e., Pinellas County Tax Collector and Pinellas County Fleet; see Opportunity for Improvement No. 3). The costs allocated from the Fiscal Year 2009 Full Cost and Risk Management Cost Allocation Plans are as follows.

Category	Cost Allocation
Repair and Maintenance	\$985,072
Parts	\$194,227
Fuel	\$140,963
Vehicle Acquisition	\$244,035
Total	\$1,564,297

- A. Repair and maintenance costs are allocated based on target and low range number of service hours (target number of service hours is reflective of previous fiscal year actual direct-billed hours and a projection for the developing fiscal year. Low range number of service hours reflects Fleet's best estimate of the minimum amount of direct-billed hours based on the number of available full time equivalents (FTEs) and available work). For Fiscal Year 2009, the target and low range number of hours were 41,000 and 37,200 hours respectively. Costs allocated to Fleet from the Full Cost and Risk Management Cost Allocation Plans adds approximately \$25 to Fleet's hourly labor charge, which the Sheriff is not required to pass on to customers.
- B. Parts' costs are allocated based on how much is projected to be spent on parts. For Fiscal Year 2009, projected part's cost was \$1,588,624. Costs allocated to Fleet from the Full Cost and Risk Management Cost Allocation Plans adds approximately \$0.12 to Fleet's parts markup.
- C. Fuel costs are allocated based on the number of gallons dispensed per year. For Fiscal Year 2009, the projected number of gallons to be dispensed was 1,423,782. Costs allocated to Fleet from the Full Cost and Risk Management Cost Allocation Plans add approximately \$0.10 per gallon to Fleet's fuel markup.
- D. Vehicle acquisition costs are allocated based on the number of vehicles in the fleet that participate in the vehicle replacement plan. For Fiscal Year 2009, there were 2,068 vehicles. Costs allocated to Fleet from the Full Cost and Risk Management Cost Allocation Plans adds approximately \$118 per vehicle to Fleet's vehicle acquisition fee (also known as management fee).

These additional costs allocated to Fleet, many of which are out of Fleet's control, put them at a competitive disadvantage.

In addition, during our analysis, we noted that the total amount allocated to Fleet in Fiscal Year 2009 from the Full Cost and Risk Management Cost Allocation Plans was off by \$8,591 in Fleet's documentation. The difference is in the full cost allocation of personnel service costs. \$94,053 was allocated, but only \$85,462 (\$80,759 to operations and maintenance and \$4,703 to vehicle replacement) was accounted for. Not accounting for \$8,591 understates Fleet's costs that need to be recovered from services performed.

**We recommended Fleet Management:**

- A. Stop adjusting the repair and maintenance (labor), parts and fuel rates. As an internal service fund, Fleet must charge the actual costs incurred in order to recover all costs. Fleet should consider outsourcing those services that outside vendors can provide for the industry standard labor rate since Fleet's actual labor rate is higher.
- B. Consult with OMB to consider a model where Fleet allocations from the Full Cost and Risk Management Cost Allocation Plans are funded directly through the general fund instead of passed through to Fleet customers.
- C. Ensure all amounts from the Full Cost and Risk Management Cost Allocation Plans are accounted for during Fleet's calculation of costs incurred service rates.

**Status:**

- A. **Not Implemented.** Management discussed the issue verbally with OMB (Office of Management and Budget) and stated they will not change their practices regarding adjustment of rates. They indicated that rates are updated throughout the budget process and then trued up at year-end. Management did not identify any additional areas that were outsourced for less cost than Fleet's cost since the original audit was completed to help stop adjusting labor, parts, and fuel rates.
- B. **Partially Implemented.** Fleet Management consulted with OMB but did not change the model. Management discussed the issue verbally with OMB and stated that no changes were recommended by OMB. Overall, OMB stated that they would like the billing model for Fleet to stay the way it is.
- C. **Not Implemented.** Management stated they did not implement the recommendation.

**2. *Fleet Costing Methodology Vs. Sheriff Costing Methodology Puts Fleet At A Comparative Disadvantage.***

Fleet (full cost recovery preferred best practice) and the Sheriff's (direct cost) billable labor rates cannot be compared without considering the major underlying calculation factors as illustrated in the table below.

- As an internal service fund, Fleet's costing methodology requires full cost recovery for the division. Hourly labor rates charged to their customers must be adequate to recover their total cost and yet still be competitive. Fleet's cost recovery includes cost allocations from Pinellas County's Full Cost Allocation Plan and Risk Management Allocation Plan and indirect charges for administration, shop supplies, and capital funding.

**Status of Recommendations**  
**Follow – Up Audit of Fleet Allocations**

- The Sheriff does not have to recover total costs incurred. The Sheriff's cost base includes only salaries for 2,080 hours per year per FTE. No allocation or indirect labor charges are included, nor are required to be included, in the Sheriff's cost base.

<b>Labor Rate Comparison</b>		
	<b>County Fleet Services</b>	<b>Sheriff Fleet Services</b>
<b>Full Cost Allocation:</b>		
General Govt	\$0.34	\$0.00
Clerk Cent Svs	0.01	0.00
Clerk Finance	1.63	0.00
Clerk Audit	0.04	0.00
Purchasing	0.89	0.00
Mgmt & Budget	0.11	0.00
Fac Mgt Planning	0.23	0.00
GS Real Estate	0.35	0.00
Clerk BCC Record Mgmt	0.03	0.00
GS Fac Mgmt	5.67	0.00
IS Telephone	0.20	0.00
Personnel	1.74	0.00
Human Rights	0.02	0.00
Administrator	1.46	0.00
BCC Info Systems	7.00	0.00
Commissioners	1.12	0.00
Communications	0.01	0.00
	<b>\$20.86</b>	<b>\$0.00</b>
<b>Risk Management Cost Allocation:</b>		
Workers Compensation	\$0.86	\$0.00
General Liability	0.03	0.00
Other Insurance	0.32	0.00
Property Insurance	1.34	0.00
Vehicle Liability	0.14	0.00
Risk Administration	0.58	0.00
Accrued Liabilities	1.06	0.00
	<b>\$4.33</b>	<b>\$0.00</b>
<b>Total Cost Allocation Charges</b>		
	<b>\$25.19</b>	<b>\$0.00</b>
<b>Indirect Labor Charges:</b>		
Administration	15.87	0.00
Small Tools Allowance	3.82	0.00
Capital Outlay	1.57	0.00
	<b>\$21.26</b>	<b>\$0.00</b>
<b>Direct Labor (general and supervisory)</b>		
	<b>*\$74.28</b>	<b>**\$33.14</b>

<u>Labor Rate Comparison</u>		
	County Fleet Services	Sheriff Fleet Services
<b>Total Labor Charges</b>	<b>\$95.54</b>	<b>\$33.14</b>
<b>Fully Burdened Labor Rate</b>	<b>\$120.73</b>	<b>\$33.14</b>

\*Based on 989.87 billable hours per FTE

\*\*Based on 2,080 available hours per FTE

If both division's repair and maintenance labor rates are based on 2,080 hours per year per FTE, the labor rates are comparable; Fleet at \$35.35 per hour and the Sheriff at \$33.14 per hour. However, Fleet has other costs/adjustments that must be recovered through their labor rate, which put them at a competitive disadvantage as noted in Opportunity for Improvement No. 1. Many of these costs are out of Fleet's control, which includes:

- Full cost allocations from other county functions of \$20.86 per hour.
- Risk management cost allocations of \$4.33 per hour.
- Indirect labor charges of \$21.26 per hour.
- Cost of non-billable hours worked of \$38.93 per hour. (The difference between the direct labor rate of \$74.28, calculated at 989.87 billable hours per year per FTE and the direct labor rate of \$35.35 calculated at 2,080 billable hours per year per FTE.)

The cost of non-billable hours accounts for a significantly higher direct labor hourly rate (\$74.28 vs. \$35.35 as shown in the table below) for Fleet even before the cost allocations and additional indirect charges are added. The fully burdened labor rate for Fleet comes to \$120.73 per hour.

<u>Billable Hour vs. Available Hour Labor Rates</u>						
2009	# FTE Positions	Projected Salary	Average Billable Hours	Billable Hour Labor Rate	Available Hours	Available Hour Labor Rate
<b>Repairs General</b>	35.00	\$2,536,426	34,646		72,800	
<b>Repairs Supervisory</b>	4.50	\$367,824	4,454		9,360	
	39.50	\$2,904,250	39,100	<b>\$74.28</b>	82,160	<b>\$35.35</b>
Billable Hours based on average high of 41,000 and low of 37,200 hours						
Available Hours based on 2,080 hours per FTE						

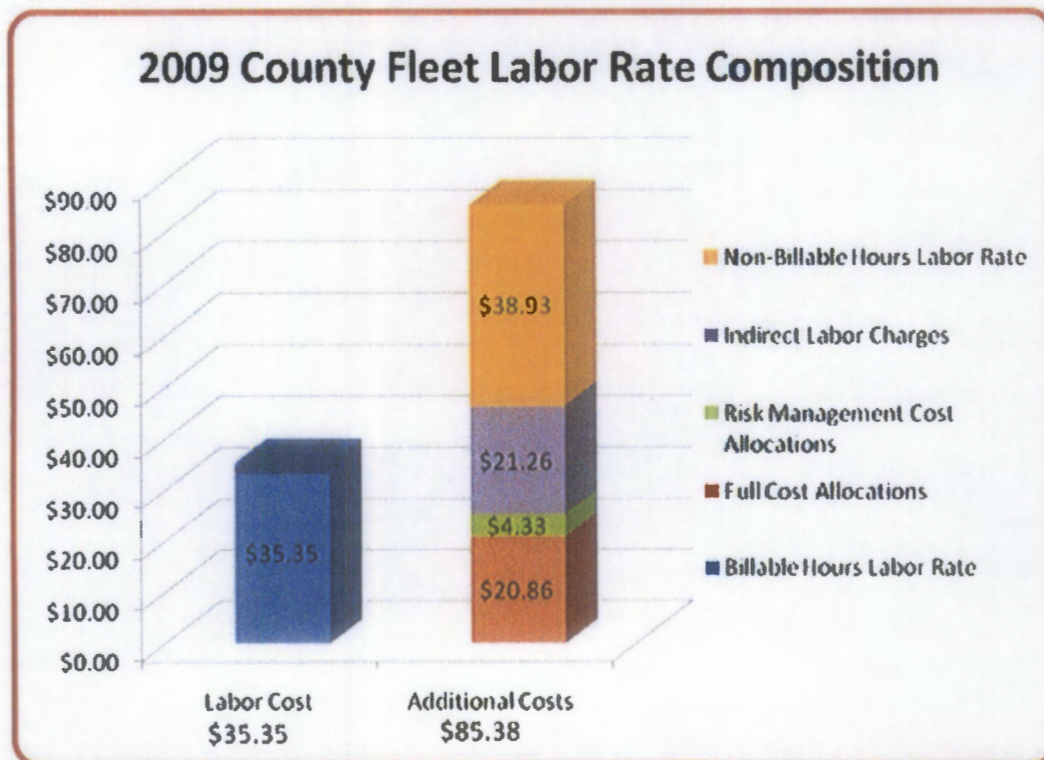
Fleet operates as an internal service fund. By definition, an internal service fund must recover costs incurred. In addition to indirect and direct labor costs, cost allocations must also be

recovered. Pinellas County has contracted with Maguire Associates of Virginia, Inc. to produce four cost allocation plans annually, two of which affect Fleet:

- Risk Management
- Full Cost (also known as General Cost)

A cost allocation plan (CAP) distributes central service overhead costs to operating departments. Central services are those administrative units that mainly provide services to other governmental departments and not to the general public. Fleet receives allocations from the Full Cost Allocation Plan and the Risk Management Allocation Plan.

The additional items, which make up Fleet's cost base and the difference in the calculation of the hourly labor rate creates an uneven playing field when it comes to comparing Fleet service rates to the Sheriff's labor rates. Comparing dissimilar methodologies make the Sheriff's services *seem* like a bargain compared to the same services provided by Fleet. Pinellas County also has the statutory obligation to supply the facilities for the Sheriff's Fleet operations that is not included in the Sheriff's operating expenses.



The \$85.38 additional costs included in the County Fleet labor rate, necessary to fully recover costs, results in an inflated and non-competitive labor rate as shown above when compared to the Sheriff direct-cost method of \$35.35. This inflated labor rate encourages Fleet's customers to consider more cost effective service providers and makes little budgetary sense from the perspective of the Sheriff to consolidate the two fleet operations. However, reducing Fleet's

customer base may increase costs to remaining customers. Because only variable costs decrease, fixed costs must still be recovered. The majority of Fleet's fixed costs are not controlled by Fleet management.

It is important to note that governmental entities have an obligation to the taxpayer to reduce costs and operate as efficiently and effectively as possible. This has resulted in those entities seeking solutions to become leaner while remaining effective. If Fleet does not change their cost methodology, customers looking for department operational cost savings may reduce their dependency on Fleet and seek services elsewhere at a reduced cost to the department, but not to the overall county.

**We recommended Fleet Management:**

- A. Consult with the Sheriff to develop the same costing methodologies (full cost recovery preferred best practice) when comparisons between Fleet's and Sheriff's services are made.
- B. Consult with OMB to consider a model where Fleet allocations from the Full Cost and Risk Management Cost Allocation Plans, indirect labor charges and non-billable hours worked are funded directly through the general fund instead of passed through to Fleet customers.

**Status:**

- A. **Not Implemented.** Management stated they did not implement the recommendation.
- B. **Partially Implemented.** Fleet Management consulted with OMB, but did not change the model. Management discussed the issue verbally with OMB and stated that no changes were recommended by OMB. Overall, OMB stated that they would like the billing model for Fleet to stay the way it is.

**3. *The MOU Between The Sheriff And Fleet Does Not Support Full Recovery Of Fleet Costs Nor Does It Address The Duplication Of Function Costs.***

Based on the structure of the memo of understanding (MOU), the objective of the agreement is to gain effectiveness and efficiencies by having the Sheriff service car and sedan classes of vehicles and Fleet service diesel and heavy-duty classes of vehicles. The services will be billed at a rate of \$34 per hour. Parts and fuel expenses will be billed at cost. The perceived benefit is not supported by reliable, substantiated data. The MOU may or may not create cost savings for Fleet or the Sheriff. However, the one tangible factor that affects cost savings is the fact that the County has two fleet functions that supply the same general services. There is a clear duplication of services that creates unnecessary expenses for the county. There is duplication in the areas of:

- Administration
- Supervision
- Facilities
- Utilities
- Supplies/parts inventory

The MOU does not address this major cost factor. The MOU also affects Fleet's recovery of cost allocations, non-billable hours worked and indirect labor costs by reducing the base of customers receiving service since the MOU rate only covers billable labor costs.

Agreements entered into by the county should support the department funding plan and consider cost saving in the overall function.

The MOU only addresses a very small segment of the overall fleet function that is relevant to possible cost savings for the county and will have a negative impact on the ability of Fleet to fund their operations as an internal service fund.

A new Public Safety Facility & Centralized Communication Center is being built to replace existing overcrowded and aged facilities and consolidate Pinellas County Sheriff's Office activities. \$81.4M of funds are being allocated for this capital improvement project. Part of this facility will include a new Sheriff's vehicle maintenance building. Construction of a new Sheriff's fleet facility proliferates the duplication of fleet services within the county and results in increased costs.

**We recommended Fleet Management:**

- A. Analyze the impact of the MOU on the ability to fund their operations as an internal service fund.
- B. Document how any funding deficit will be addressed.
- C. Since the Public Safety Facility & Centralized Communication Center Construction Project includes a new Sheriff's fleet facility, the timing is appropriate to consider the potential cost savings and reduction in duplication of facilities by locating the two independent fleet divisions into existing Fleet facilities.

**Status:**

- A. **Not Implemented.** Management stated they did not implement the recommendation.
- B. **Implemented.** Fleet and OMB will continue to review and track costs on an ongoing basis and address any potential deficits.
- C. **Not Implemented.** Management stated they did not implement the recommendation.

#### 4. The Number Of Fleet's Billable Hours Is Impacting The Labor Rate Charged By The Division For Services.

The total available hours per year, per FTE is 2,080. Fleet bases their labor rate calculation on an average (2009 target of 41,000 and low of 37,200) number of *billable* hours. For 2009 the average 39,100 billable hours divided by the number of FTE's, 39.5, equals 989.87 hours per year per FTE. The 1,090.13 hour difference between available and billable hours accounts for necessary, but indirect support activities, which are not billable to a specific Fleet customer. Cost recovery for indirect support activities is more appropriate from the General Fund than through the current method of fuel and labor rate markups or management fees. The table below reflects indirect support activities.

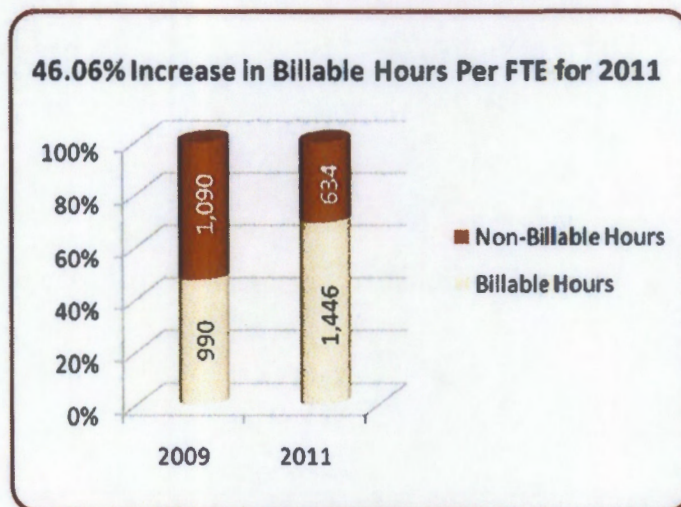
Indirect Support Activities	Cost Recovery Method
<b>Emergency Management Support</b> - Provide and administer county's fuel contingency plan during storm or emergency event activation, both pre and post storm; includes deliveries as required to all county fuel sites, generator sites, POD sites, county operated field equipment, and cross body fuel tanks.	None
<b>Fuel Site Remediation</b> - Fleet Management provides oversight and resolution to all county owned petroleum sites which have been identified by the state as known contaminated sites. Fleet Management provides direct interaction and coordination with pollutant contractors for site remediation; this includes all tank closures and required reporting mechanisms as required by state regulators. This includes fuel transfers from site to site as required for sites that are being remediated as exemplified by the fuel removal at the Sheriff's Office for remediation efforts associated with the construction of the new public safety campus.	Fuel Markup
<b>Emergency Power System Requirements &amp; Unit Specifications</b> - Meet with using departments, facilities management, and contractors for determination of emergency power requirements during building design process. Develop and provide generator specifications as required in support of this process. Provide oversight as required and requested during construction activities to ensure contract adherence and system reliability long term.	None
<b>Leave Time &amp; Holidays</b> - Sick, Annual & FMLA time.	Labor Rate
<b>Vehicle Transport</b> - Transporting of vehicles to dealership or vendors for warranty, major outsourced repair, or accident work. In the case of accidents, insurance only pays for the actual repair, not the transportation to and from the place of repair.	Labor Rate
<b>Inventory Control Sub-Shops</b> - Procurement and inventory of parts in sub-shops. As a result of the significant reduction in staff, sub-shop personnel are now responsible for the ordering of parts at their respective locations.	Parts Markup
<b>Parts Pickup &amp; Delivery</b> - Not all parts are delivered, includes items being delivered to vendors for repair, which do not provide pickup and delivery services.	Parts Markup
<b>Shop Maintenance (All Locations)</b> - Site maintenance - this includes all types of shop clean-up from oil spills to bathrooms, which must be done at the end of each day as vehicles may come in from the field full of muck and debris, which is hazardous if left on the shop floor before a weekly cleanup.	Labor Rate
<b>Steam Pad Operations</b> - Ongoing maintenance and repairs to steam cleaning pad at fleet main yard; includes steam Ginny Maintenance & Repair, reclaimed water system maintenance, diagnosis, and repairs as required. Repairs now performed by certified mechanics due to staffing reductions. Regulatory compliance inspections associated with steam pad operations and waste oil collection activities includes manifest data entry and tracking.	Labor Rate

**Status of Recommendations  
Follow – Up Audit of Fleet Allocations**

Indirect Support Activities	Cost Recovery Method
<b>Vehicle and Equipment Maintenance and Repair (Fleet Management)</b> - Repair and maintenance of vehicles and equipment utilized for shop and field operations (i.e. trucks, forklifts, pumps, building generators, fuel tanker, and carts).	Labor Rate
<b>Shop Equipment Maintenance &amp; Repair (Fleet Management)</b> - Shop equipment maintenance and repairs (i.e. presses, grinders, lifts, fluid recovery equipment (i.e. coolant, transmission, and hydraulic)), a/c recovery equipment, cranes, wheel jacks, lathes, shop air compressors, related moisture removal systems, etc.	Labor Rate
<b>Shop Safety</b> - OSHA shop safety activities (inspections, follow-up inspections, meetings and related training)	Labor Rate
<b>Fuel Site Regulatory Compliance (Sub-Shops)</b> - Regulatory compliance activities associated with fuel site operations at sub-shop locations, activities which require monitoring of fuel inventory balances, receipt of deliveries, regulatory required meter and tank readings, and customer assistance for customers utilizing the fuel site.	Fuel Markup
<b>Auction and Surplus Activities</b> - Includes vehicle and equipment prep for disposal, surplus yard maintenance, loading of vehicles for transport to auction, jump starting of vehicles, removal of good tires for redeployment into the fleet; activities now performed by certified mechanics due to the reductions in staff.	Management Fee

The availability of staff time for billing purposes accounts for the significantly higher hourly labor rate, an increase of \$38.93 (\$74.28 vs. \$35.35) for Fleet before the cost allocations, non-billable hours worked, and indirect labor costs are added. Leave time and holidays are governed by personnel policy and are not at the discretion of the division. However, the remaining non-billable indirect support activity time can be controlled by the division's internal processes. For Fiscal Year 2009, 52% of the 2,080 hours per FTE were not available for repair and maintenance services that are billed.

There is no available data to evaluate the time needed for essential indirect support activities. Fleet Management has continuously reviewed functions performed by the staff and been able to make major adjustments in this area. For Fiscal Year 2011, the non-billable hours decreased to 30% (634 non-billable hours per year per FTE at 30.5% and 1,446 billable hours per year per FTE at 69.5 %). Staff was also reduced to 20.5 FTE's.



Fleet, operating as an internal service fund, must recover costs through the service fees collected. The time spent on indirect support activities cannot be included in the labor rate calculation. Two examples are:

- Industry standard times for repair and maintenance activities include only direct time spent performing the task. Fleet follows industry standard guidelines to ensure staff efficiency.
- Additionally, when applicable, insurance reimbursements for accident vehicle repairs performed externally includes only time spent on repair and maintenance activities not travel time to and from the repair facilities.

In order to deliver the most cost effective services to its county customers, staff non-billable hours must be kept to a minimum.

The additional mark up on Fleet's cost base related to the calculation of the hourly labor rate further adds to the creation of an uneven playing field when it comes to comparing Fleet service rates to those of external service providers.

**We recommended Fleet Management:**

- A. Continue the process of reviewing the non-billable functions performed by staff for cost savings.
- B. Consider outsourcing non-billable functions to free up staff time to perform billable services.
- C. Consult with OMB to consider a model where non-billable indirect support costs are funded directly through the general fund instead of passed through to Fleet customers. This will reduce the labor rate charged to customers, positioning Fleet as more comparable to external service providers.

**Status:**

- A. **Partially Implemented.** Management indicated they participate with Volunteer Services to use volunteers and community service workers to perform some non-billable functions for cost savings.
- B. **Partially Implemented.** Management indicated they are engaged in an effort to outsource the parts function.
- C. **Partially Implemented.** Fleet Management consulted with OMB, but did not change the model. Management discussed the issue verbally with OMB and stated that no changes were recommended by OMB. Overall, OMB stated that they would like the billing model for Fleet to stay the way it is.

**5. Vehicles/Equipment Not Included In The Fleet Vehicle Replacement Plan Could Pose A Risk To Operations If Funds Are Not Available For Replacement When Necessary.**

County vehicles and equipment not included in the Fleet Vehicle Replacement Program (VRP) may have an impact on department services if the funding is not available for key items when replacement is needed or retirement is cost justified. We compared the fixed assets inventory with the ending 2011 vehicle replacement inventory and found that 387 items at a cost of \$5.3 million are not included in the VRP. However, the analysis for Fiscal Year 2011 funding shows the replacement risk to be diminished by adequate department planning for funding.

Department ranking from highest to lowest dollar value is as follows:

Department	Total Cost	Total Count
Parks & Conservation Resources	\$2,143,207.00	218
Public Works*	\$1,129,480.98	95
Real Estate Management	\$977,585.72	34
Public Safety Services	\$845,434.68	24
Emergency Management	\$164,741.00	12
Clerk of the Court	\$32,863.00	1
Communications	\$22,000.00	1
Risk Management	\$10,320.00	1
Health and Human Services	\$5,000.00	1
Total	\$5,330,632.38	387

\*Department has been merged with Utilities, which does not participate in the VRP.

Departments that participate in the VRP choose which vehicles/equipment to include in the plan. Fleet Management stated that owner department decisions for such choices are based on both the short and long-term business requirements of the department and corresponding vehicle and equipment requirements. Vehicles/equipment that are not to be replaced or that are necessary for programs that are to be eliminated, downsized and/or consolidated do not pose a risk to the department or the county as a whole. However, assets that are critical to a department's operations, especially those of a high dollar value, high dollar repair history or one of a kind items such as Belle Harbour's marine forklift, *do* pose a significant risk if funds are not available for replacement when necessary.

The Fleet M-4 system (Fleet Enterprise Asset Management Software) keeps track of all vehicles and equipment serviced through Fleet and corresponds to the county's Fixed Asset system by asset number. Repair history, mileage/hour usage, and dollar value, if known at the time of entry, is recorded in M-4. Otherwise, vehicle/equipment dollar value is captured in the Fixed Asset system.

Based on the information obtained from management, a major portion of the funding needed to replace the vehicles identified in the chart above has been mitigated by the county departments as noted below.

- Parks & Conservation Resources, \$2,143,207.00 - Parks has reduced the need for the replacement of equipment by sharing current equipment among the park facilities. Some of the equipment is cost justified to be leased vs. purchased. Many items such as trailers and attachments have a very long life expectancy and may not be replaced. There are some high dollar items such as mowing equipment that will have to be replaced through the yearly budget process that could be affected by funding issues. The department is currently working with Fleet on a replacement process for some of the items to reduce the future funding risk.
- Real Estate Management, \$977,585.72 - Management stated that with the exception of two vehicles, one that will not be replaced, the remaining items are building system equipment. Funding for replacement comes from the capital funding or from the Capital Improvement Program (CIP). Replacement is planned through those funding sources. When applicable, the use of CIP funds relieves the burden on capital funding sources.
- Public Safety Services, \$845,434.68 - A detailed review with Public Safety Services for the individual assets noted that replacement was properly covered by the following: grant funding, donations, back-up for the asset has been either budgeted or purchased, or the asset will not be replaced. The additional capacity generators, if required, will be budgeted or leased. The remaining items are in the one to three thousand dollar range and present no major funding risk.

While alternative replacement plans and funding are utilized in many cases, not all assets that exist outside of the VRP are included. Other means for replacement of assets such as grants, capital funding, and CIP have been available in the past. In current economic times, grants and

capital funding are less likely to be an option; therefore, exposing assets not included in the VRP.

A formal VRP allows for funding of replacement for vehicles or equipment as well as tracking of maintenance and repairs including standards for such. Effects of not having a comprehensive plan include:

- Performing costly repairs when the vehicle/piece of equipment should have been replaced.
- Inability to perform a department's services altogether.
- Using funds intended for other functions or services to replace a vehicle/piece of equipment.
- Necessitating the use of an inappropriate vehicle/piece of equipment.
- Costly rental of a vehicle/piece of equipment.

**We recommended Fleet Management:**

- A. Review vehicles/equipment not currently participating in the VRP. Assets critical to county operations, especially those of high dollar value, high dollar repair history, or one of a kind items pose the greatest risk if funds are not available to replace them.
- B. Encourage departments owning such high-risk assets to include them in the VRP.

**Status:**

- A. **Not Implemented.** Management could not provide sufficient documentation that this recommendation was implemented.
- B. **Not Implemented.** Management could not provide sufficient documentation that this recommendation was implemented.

## ***6. The Vehicle Replacement Program (VRP) Process Is Ineffective.***

- A. The Fleet Management Division Operating Procedures Manual (the procedures manual) for the VRP does not support operations. Two areas of deficiency affect the accuracy of the development of the Vehicle Replacement Model (VRM). The VRM is a collection of workbooks produced in Excel, which contain multiple spreadsheets (tabs, approximately ten) with formulas that use data from the different spreadsheets. The VRM is a critical part of the process.
  - 1. The naming conventions specified in the procedures manual are not informative or intuitive making identifying and understanding VRM's difficult and unverifiable. The procedures state the naming convention for the first and last iterations, but there is no instruction for each iteration in between. Management stated that the naming

conventions are not effective and should clearly state "start" and "version number" for each iteration and "final" in the name for the final VRM. Management further stated that they are in the process of updating the procedures manual to reflect these conventions.

2. No documentation explaining the formulas used to derive column values was found in the procedures manual. Due to the complexity of the spreadsheets and the reliance on calculated values to calculate other values, it is important to document, in descriptive language, the components of each formula. An explanation of what role each row and column plays in the overall function of the VRM would add value and understandability to the manual. Without clear understanding of the purpose and origin of data, reliability and verifiability is lost.

Explicit procedures are needed to properly develop the VRM. Each year the process for maintaining the VRM for the upcoming fiscal year starts by copying and renaming the last VRM for the current fiscal year. The process involves multiple steps and cannot be done all at once. Each iteration of the VRM is saved. As additional steps are started, the VRM is again copied, worked on, and renamed as the next iteration until the final step, when the process is complete.

The procedures manual provides naming conventions and steps for initiating the VRM process. The manual should support the performance of the process and also serve as support for training and back-up functions.

Verifying the reliability and completeness of data in the VRM is questionable due to ineffective operating procedures. Poor naming conventions lead to confusion in locating the correct series of VRM's from one fiscal year to the next. For Fiscal Year 2009, this was additionally problematic as the "housekeeping" data within the "Lookup Table" spreadsheet, which identifies the last update along with other fields that would help identify the data, was not updated. Due to the complexity of the VRM, following the process and verifying results is difficult. No explanation of column use and the fact that many columns are based on formulas, which use other columns also based on formulas, often from different spreadsheets within the VRM, add to the difficulty. An explanation of what role each row and column plays in the overall function of the VRP is necessary for the proper performance of the process. The lack of adequate procedures has affected maintenance and backup for the VRM from year to year. Further, in keeping with best practice guidelines, it is necessary to maintain sufficient and relevant documentation in order to provide reliability and traceability for the process.

- B. The VRM for Fiscal Year 2009 does not contain complete and correct information to document functionality and ensure accurate financial data is rendered. The different spreadsheets within the VRM produce the financial information used by Fleet to create the annual financial information for the VRP, including the inter-governmental assessment charges for future replacement vehicles.

Of key importance is the "housekeeping" data contained in the "Lookup Table" spreadsheet. This spreadsheet contains key parameter data used:

- In calculations used throughout the VRM.
- To help identify what stage of the process the VRM is in.

The Fiscal Year 2009 "Lookup Table" spreadsheets were never updated to reflect Fiscal Year 2009 information and do not properly identify the data within them. It should be noted that management corrected inaccuracies in the Fiscal Year 2011 and Fiscal Year 2012 VRM.

The procedures' manual states that the following information should be updated each time the VRM is saved under a new name:

- Last Update Date
- Current Fiscal Year
- Plan Year
- Current Month
- Fiscal Year Begins Date
- Vehicle Cycle Begins Date

Outdated information in the "housekeeping" section of the "Lookup Table" spreadsheet made it difficult and confusing to identify which workbook started the process, which came next, and which one was the final workbook for Fiscal Year 2009. Of key concern, the calculations using the incorrect "housekeeping" data could have produced inaccurate data that was used in producing the final 2009 VRM. The accuracy of the calculations in the VRM could not be confirmed.

C. Our review and testing of the Fiscal Year 2009 VRM workbooks based on the procedures manual identified inaccuracies in several columns' formulas that affected the calculations being performed. Although, the examples noted below were not major, the errors indicate the possibility of other errors that could have an impact on the overall projections.

1. "In Service Date" Column - Carryover vehicles should be identifiable by looking at the "In Service Date" column ("Y") of the "Replacement Model" spreadsheet. Vehicles that should have been replaced in Fiscal Year 2008, but did not come in until after September 30, 2008 would have been carried over to Fiscal Year 2009 and should have an "In Service Date" greater than September 30, 2008. No vehicles matching this criteria were found in the "Replacement Model" spreadsheet in the final 2009 workbook, yet carryover vehicles were identified by management in the general ledger.
2. "Life To Date Payments" Column - The amount contributed, to date, for the entire fleet can be found in the "Life To Date Payments" column ("EI") which is totaled at the top of the page. This total was not inclusive of all the rows in the "Replacement

Model" spreadsheet. The formula was apparently changed from one iteration of the spreadsheet to the next and somewhere in the process, the number of rows changed. When brought to management's attention, the Fleet manager agreed that there was a problem and stated that the error probably stemmed from an error in another column. Revisions have since been completed by management

3. "Class Code" Column - This code is used to look up a value from the "Lookup Table" spreadsheet. Improper coding lead to the wrong value returned in the "Replacement Model" spreadsheet from the "Lookup Table" spreadsheet, which in turn transcended across the "Replacement Model" spreadsheet resulting in a division by zero error in some cells of the "Life to Date Payments" column ("EI") which in turn caused the total at the top to result in the same error.
4. "Adjusted Life" Column - For example (not limited to) three vehicles (Vehicle Numbers 111562, 87171 and 87065) were scheduled for replacement, but were deferred based on documentation provided by management. These vehicles all show Fiscal Year 2009 as a "Next Replace Year" column ("AZ") and in the "2009 Replacement Expenditures" column ("BB"):

- \$22,145 for Vehicle 11156
- \$36,565 for Vehicle 87171
- \$10,300 for Vehicle 87065

All vehicles also show a blank in "Adjust Life" column ("AY"). Replacement dollars are also found in:

- "2012" column ("BE") of \$24,198 for Vehicle 11156
- "2019" column ("BL") of \$49,140 for Vehicle 87171
- "2016" column ("BI") of \$12,668 for Vehicle 87065

Since the vehicles were deferred, the expected values in the "Adjust Life" column ("AY") would correspond to the number of years they were deferred by, the "2009 Replacement Expenditures" column ("BB") should be blank leaving the replacement dollars in the column year corresponding to the adjusted replacement year.

Formulas are used throughout the VRM. In particular, the "Vehicle Replacement Model" spreadsheet contains numerous formulas, which rely on data from other VRM spreadsheets to derive cell values for many of the columns.

Inaccuracies in these formulas have multiple specific causes. In general, all can be traced back to not following or not understanding the policy set forth in the procedures' manual. Weak internal controls allow steps to be skipped or only partially completed and individual column or cell formulas to be altered. Due to the fact that columns within the VRM are heavily interrelated, a mistake in one column of one spreadsheet could affect values in a multitude of other columns in one or more spreadsheets within the VRM.

Inaccuracies in the VRM lead to inability to verify and rely on the data within the spreadsheets. The VRM impacts budgetary planning and is utilized by county departments participating in the program as well as Fleet and other stakeholders. Improperly calculated values such as "Life to Date Payments" column ("EI") or yearly expenditures columns represent a significant risk to the budgetary process. Inaccuracy jeopardizes the value of the entire vehicle replacement process and the information it provides.

- D. Vehicle inspection information is not adequately maintained on the vehicle inspection form. Management does not keep on file written, signed vehicle inspection forms. The M-4 system provides a "Vehicle Utilization Report" which is used during an annual site visit and vehicle inspection conducted by Fleet. Various notes covering the inspection are hand written on this report. These notes are not entered into the M-4 system and not always transcribed onto a "Vehicle Inspection Form" for signature by the department. No date is recorded as to when these notes were made. The lack of documentation affects the ability to properly evaluate a vehicle's condition.

Vehicles are reviewed for wear and tear, general condition and other maintenance needs throughout the year when the vehicle is brought to the Fleet facility for service. This is in addition to the Fleet annual site visit which occurs in the October - January time range. The most important annual inspection is the one that occurs in the last year of the vehicle's expected life. If a vehicle has excessive use, wear and tear, or breakdown history, the inspection during which this is recognized becomes most important. Due to staff reductions, in shop inspections done at the time of vehicle service became critical. Specific utilization data such as mileage and repair costs are entered into M-4 from work orders and fuel is downloaded directly from the Ward system (fuel records).

Internal procedure states, "If a vehicle's time line is to be extended or shortened, the proper Vehicle Inspection Form shall be completed and filed with the results of the review." The department that owns the vehicle is required to sign and date this form and this form is to be kept on file. This form is not always being utilized, and therefore not kept on file, which constitutes non-compliance with internal controls.

By not keeping a signed Vehicle Inspection Form on file, there is lack of documentation for condition of a vehicle, and therefore lack of support for decisions made to either extend or shorten the life of a vehicle. Mileage/hours, age and repair records do not present a full picture. Physical inspection of a unit reveals specific wear and tear details, which are not entered into the M-4 system. If a vehicle's time line is to be extended or shortened, a vehicle inspection form cannot be prepared as required by policy and procedure.

**We recommended Fleet Management:**

- A. Revise naming conventions documented in the procedures manual to provide a logical easy to follow pattern of workbook iterations from start through the final VRM. Documentation should aid in the achievement of accurate data entry by including user-friendly descriptions of the formulas used to derive data.

- B. Update procedures for maintaining VRM workbooks be strictly adhered to. Housekeeping data in the "Lookup Table" spreadsheet provides an audit trail and should be updated with each iteration of the workbook.
- C. Review the VRM workbook and several safeguards put in place.
- First, cells that contain formulas should be locked to prevent improper changes.
  - Secondly, entries should be made by one person and verified by another. Both staff members should be well versed in Excel and have an in depth understanding of the process and relationship between each spreadsheet and cells in the workbook.
  - Regular reinforcement of the importance for following the procedures, not taking shortcuts, and assuring the accuracy of data should be provided. Emphasis should be placed on the fact that inaccuracy in one cell may have a ripple effect and jeopardize the value of the entire vehicle replacement process.
- D. Put into place internal controls for the vehicle inspection process. The internal controls should ensure consistent enforcement of the Vehicle Inspection Form procedure. We encourage the update of this form to include:
- Date of inspection.
  - Results of the inspection, including hand written notes currently found only on the Vehicle Utilization Report.
  - Signature by an authorized member of the department owning the vehicle and date signed.
  - The signed form should be kept on file for future reference.
- E. Alternatively, consider purchasing an automated, integrated off the shelf package that can be easily maintained to replace the current time consuming and error prone manual spreadsheet process. Further, due to limited staffing it is recommended that Business Technology Services support for the project be requested.

**Status:**

- A. **Not Implemented.** Management stated that revisions to the written Fleet procedures are pending.
- B. **Implemented.** Management stated the issues were corrected at the time they were identified. The original audit report indicates that management corrected inaccuracies in the Fiscal Year 2011 and Fiscal Year 2012 VRM.
- C. **Partially Implemented.** Management stated the issues were corrected at the time they were identified. However, the original audit report indicates that management corrected inaccuracies for one of the four types of formula errors during the audit. Management

stated that ongoing training is being conducted on the proper operation of the VRP, but no documentation could be provided.

D. **Not Implemented.** Management stated that revisions to the written Fleet procedures are pending and that recommended changes were implemented at the time identified. However, management could not provide any documentation that this recommendation was implemented.

E. **Not Implemented.** Management stated they did not implement the recommendation.

## ***7. There Are No Internal Controls For Use Of The Fleet Motor Pool.***

Fleet could not provide any documentation on motor pool usage. According to Fleet, prior to October 1, 2010, the M-4 system did not track motor pool usage; it was tracked manually. Management stated during that time period, the motor pool had minimal usage and therefore no relative historical or current data was available. Beginning on October 1, 2010, a reservation form process was put in place. The reservation form is part of the M-4 system to which customers have access. No rental fee is charged; a customer is only charged for fuel usage based on a mileage chart. We requested from Fleet the Fiscal Year 2009 and Fiscal Year 2010 motor pool usage reports and the motor pool fuel charge mileage chart. This documentation was never received.

Keeping track of motor pool vehicles/equipment and usage is an important internal control. Fleet should actively use a reservation process so they are aware of who has a vehicle at any given time and how long that vehicle will be out of the motor pool and not available to other customers. Keeping track of usage is an important function, which allows management to analyze usage data such as who is the most frequent user of the motor pool. This data analysis can help in making decisions such as increasing or decreasing the size of the motor pool or recommending that frequent users purchase their own vehicles.

Charging for fuel usage is important to recoup some of the costs of operating the motor pool. Currently, the vehicle acquisition fee, also referred to as the management fee, is charged monthly to departments based on the number of vehicles in Fleet's M-4 system. This fee includes the cost of the motor pool. The use of motor pool vehicles is open to all departments, yet departments that do not own vehicles or have vehicles are not included in the M-4 system do not share in the cost of the motor pool. We could not analyze motor pool usage such as whether departments which do not own vehicles are frequent users of the motor pool since Fleet could not provide us with any documentation. Management stated that since testing, the deployment of a full motor pool was put in place with complete tracking and reporting mechanisms re-established in addition to deployment of an online reservation system.

Lack of motor pool usage documentation precludes Fleet from conducting management analysis and ensuring the vehicle is necessary to conduct county business. In addition, the ability to analyze usage for the cost effectiveness of pool vehicle use, appropriate mix of

vehicles, and the appropriate number of vehicles is made difficult, if not impossible. As a result, accountability over usage of pool vehicles is inadequate.

**We recommended Fleet Management:**

- A. Actively use the reservation function of the M-4 system for usage of motor pool vehicles and equipment. Pertinent information such as user name, user department, loan date, estimated date, and time of return, destination, and the purpose should be recorded.
- B. Continue the process that provides departments who have a vehicle receiving maintenance with a vehicle from the motor pool free of charge on a first-come first-served basis. County departments who request motor pool vehicles to supplement their own department's fleet be charged a nominal fee (i.e. \$25 per day for cars, light trucks, etc. and \$50 per day for rental of heavy duty vehicles and equipment).
- C. Actively bill motor pool customers for fuel usage.

**Status:**

- A. **Not Implemented.** Management could not provide any documentation that this recommendation was implemented.
- B. **Partially Implemented.** Management stated that motor pool rental fees are included in the allocated management fee. Management could not provide sufficient documentation that this recommendation was fully implemented.
- C. **Implemented.** Management stated that fuel is charged to the motor pool customer based on miles traveled.



# DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA  
CLERK OF THE CIRCUIT COURT  
& COMPTROLLER  
PINELLAS COUNTY, FLORIDA

## SERVICES PROVIDED

AUDIT SERVICES

INVESTIGATIONS

GUARDIANSHIP SERVICES

CONSULTING

TRAINING

GUARDIANSHIP FRAUD HOTLINE

COUNTY FRAUD HOTLINE



An Accredited Office of  
Inspectors General


**Call:** (727) 45FRAUD

(727) 453-7283

**Fax:** (727) 464-8386

**Internet:** [www.mypinellasclerk.org](http://www.mypinellasclerk.org)

 [www.twitter.com/pinellasig](http://www.twitter.com/pinellasig)

 [www.facebook.com/igpinellas](http://www.facebook.com/igpinellas)



**Write:**

Fraud Hotline

Public Integrity Unit

Division of Inspector General

510 Bay Avenue

Clearwater, FL 33756