



Douglas County Internal Audit

November 21, 2014

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Clare Duda, Marc Kraft, PJ Morgan,
Chris Rodgers and Pam Tusa

Eric Carlson, Purchasing Agent
1819 Farnam Street
Omaha, NE 68183

Dear Commissioners and Mr. Carlson:

I have completed a performance audit of Douglas County's management over its fleet of vehicles. The purpose of the audit was to assess the effectiveness of current policies and procedures in making efficient use of County resources for acquiring, maintaining, and assessing utilization of vehicles and assuring the safety of drivers and the public. The audit revealed that customers of the County Garage were satisfied with its service. The audit also noted several weaknesses in management oversight as well as opportunities for improvement. Specific issues and recommendations to improve management over the vehicle fleet were identified and appear below. The customer survey and the summarized results can be found in Appendix I at the end of this report.

Background

Douglas County has a significant investment in vehicles that are used in various operations throughout the County. Per the Oracle financial system, the acquisition value of the vehicles on-hand is approximately \$18.4 million. (The vast majority of the vehicles are used by the Engineers and Sheriff Offices.) To help manage this investment, the County established a Fleet Management Council (FMC). The FMC consists of two positions appointed by the County Board (one Sheriff and one Engineer Office representative), the Fleet Manager (the Purchasing Agent), the Fiscal Administrator, the Chief Administrative Officer, and the Risk Insurance Manager. The responsibility and duties of the FMC are to administer the auto policies that are approved by the County Board. The FMC does not make or change policies.

One of the primary responsibilities of the FMC is to make recommendations to the County Board regarding acquisition, distribution, assignment, reassignment, replacement and disposal of vehicles within the fleet. The FMC auto policy also covers other areas of responsibility that include the

establishment of departmental pools, requirements for individual and departmental vehicle assignments, permissible uses, supervisory responsibilities, and safety and accident handling. The County Garage is responsible for servicing and maintaining the fleet which consists of approximately 685 pieces of motorized equipment. The Garage is an 18,500 square foot facility located at 156th & Maple. There are 16 bays and 8 mechanics to service the vehicles. The mechanics have an average of over 18 years of experience including the Supervisor who also has over 8 years of fleet management experience. The Garage uses the FASTER software system to track vehicle and parts inventory as well as all repairs, maintenance and fueling of the equipment. Numerous canned and ad hoc reports can be generated from FASTER to help manage the Garage operations. The system is also used as the source system for internal and external billings that are then uploaded into the Oracle financial system.

Objective

Specific objectives to be achieved by the audit included determining if:

- Existing policies and procedures promote the safe, efficient, and effective use of vehicles throughout the County, including the conservation of fuel and limiting operating costs.
- There are utilization guidelines that establish the need and use for particular vehicles including when it is appropriate to purchase, lease, and dispose of vehicles as well as determining what individuals should be assigned their own vehicles.
- The County has an accurate inventory of vehicles.
- The County has a system in place to monitor usage and the overall cost of each vehicle including the acquisition cost, repairs and maintenance, fuel usage, etc.
- Maintenance is performed at regularly scheduled intervals to meet manufacturer recommendations.
- The county has procedures in place to monitor the driving record of employees using County vehicles as well as those driving their own vehicles for the County's benefit.
- The County has minimum safety standards for vehicle operators that are effectively communicated to users and includes periodic training.
- The billings to outside agencies for material and labor capture all applicable costs and are recorded completely and accurately.

Scope

The scope of the audit included an assessment and analysis of the policies, procedures, and transactions in place and occurring from July 1, 2013 through the end of fieldwork, October 27, 2014. Some transactional summaries from the 2013 fiscal year were used to provide a more complete analysis.

Methodology

The information used by Internal Audit (IA) was obtained through analysis of written policies and procedures, interviews of staff and external parties, physical observations, a customer survey, and electronically obtained data from the FASTER and Oracle systems. Along with an assessment of the policies and procedures as understood, tests were performed to verify the

accuracy and legitimacy of system-produced data and adherence to departmental policies. The tests included but were not limited to the following steps below:

- Verification of the physical existence of a sample of vehicles.
- A reconciliation of information in the FASTER and Oracle systems.
- Analysis of the cost of Garage labor in comparison to local shops.
- Review of the completeness of Oracle internal and external billings.
- Examination of Employee Vehicle Use agreements and driver monitoring activity.
- Determination of taxable income to drivers for individually assigned vehicles.
- A customer satisfaction survey sent to users of Garage services.
- Examination of mileage reimbursements by department to determine if vehicle pools would be a more cost effective option.
- Examination of the preventive maintenance program.

IA also obtained the written policies and procedures from local governments of similar populations or fleet sizes as shown below:

- Sonoma County California – provided to IA by request
- City of Ames, Iowa – provided to IA by request
- City of Buckeye, Arizona - provided to IA by request
- Sarasota County, Florida - accessed through the Government-Fleet.com website
- City of Boise, Idaho - accessed through the Government-Fleet.com website

The fleet management policies for each of the governments listed above was included in either one or both of the 2013 & 2014 100 Best Fleets in North America awards. Proposed policy changes and other issues appear in the Findings section below.

Findings

Fleet Management Policy

Criteria: County-wide fleet management policies should be designed to manage and maintain the vehicle fleet in the most effective and efficient manner which protects the safety and resources of the County and its citizens. The policies should make use of best practices where appropriate, and provide clear direction for dissemination and enforcement of the policies.

Condition: The current FMC auto policy is detailed and includes numerous, sensible provisions and requirements. This includes specific provisions for departmental and individual usage assignments, minimum usage requirements, responsibility for vehicle maintenance, etc. (see the current policy as a separate attachment provided with this report.) There are a number of key aspects and best practices for fleet management, however, that are not included in the policy. This includes the omission of provisions that require:

- Regularly scheduled meetings of the FMC.
- Regular reviews of the FMC auto policy.
- Regularly scheduled driver and mechanic job and safety training.
- Regular monitoring of employee driving records instead of relying on self-reporting.

- Documented visual inspections of vehicles prior to use to establish accountability for damages or other issues.
- A clear statement that take-home vehicles only be allowed when it is cost effective or in the best interest of the County.
- Direction as to how to handle vehicles that do not meet the minimum usage thresholds.
- Clearly defined purchase and replacement criteria for vehicles.
- Guidelines to limit vehicle idling to help reduce fuel costs and emissions.
- Appropriate direction to develop meaningful objectives, goals, priorities and performance measures including service level agreements with users.
- Daily inspections of departmental work areas for safety issues.
- Guidelines to determine when renting or leasing would be more cost effective options over purchasing.
- A standardized methodology to provide funding for replacement vehicles based primarily upon data-driven, cost and usage factors that remove budgetary fluctuations and political maneuvering.
- Restriction of cell phone usage while driving.
- Disciplinary actions for not following the policy.

Effect: Management's policies do not work to enhance the use of the County's resources to provide the most safe and efficient usage of the County's fleet of vehicles. As an example, there is no department or individual in the County that monitors the driving records of County employees. The County relies upon employees to self-report driving infractions. Without monitoring, the County does not know what risks it may have assumed due to the driving records of its employees.

Cause: The County did not consider the function of the FMC and the auto policies it oversees as a high priority.

Recommendation: Update the current auto policy taking into consideration but not limiting itself to the provisions included in the Condition section above. Place a higher priority on making sure the FMC works as an effective body.

Management Response: Management agrees with Auditor's recommendation. Would also recommend guidelines be set on departments requesting additional or replacement vehicles. Lastly, an updated Fleet Management Policy will allow enforcement of the conditions cited above.

Performance Measurements

Criteria: Management should have a clear set of objectives and goals with clearly defined measurements to help determine if the goals and objectives are being met.

Condition: The Garage uses FASTER reports to assess some aspects of its operations, but it did not have a formal set of objectives, goals and performance measurements.

Effect: Management does not know how well the Garage is performing in comparison to an internal set of objectives or goals or in comparison to other fleet operations.

Cause: The Garage has not received guidance from management or the FMC to develop a set of objectives, goals, or performance measurements.

Recommendation: Establish formal performance measurements. Examples of performance measurements to be benchmarked include but would not be limited to the following:

- Turnaround Time
- Billable Hours Percentage in Total and by Mechanic
- Customer Satisfaction
- Preventive Maintenance Compliance
- Fleet Availability
- Return Work
- Vehicle Utilization by Class

Note: The Garage Supervisor monitors a number of these areas, but not as an available set of formal documentation. Prior to the end of fieldwork, the Garage Supervisor developed a mission statement and a set of objectives that will include formal operational measurements.

Management Response: Performance measurements are utilized by the reports available in the Faster Maintenance Management Program. At this time, reports were not being saved as they are readily available in the Faster Report Runner. Garage Supervisor has created a daily, weekly, monthly, quarterly, semi-annual, and annual basic schedule that outlines what reports need to be run and the timeline to do so. Performance measurement reports will be run according to schedule and saved moving forward. Garage Supervisor has developed a mission statement and list of objectives.

Vehicle Utilization

Criteria: The current FMC policy for pool vehicles follows:

“Agency pool and individually assigned vehicles must acquire a minimum annual mileage in order to remain in that status. Agency pool vehicles should accumulate an annual minimum mileage of **10,000** (20,000 for Police Pursuit Vehicles) business miles per vehicle. Individually assigned vehicles should accumulate an annual minimum mileage of **8,000** business miles. Exceptions to the mileage criteria may be granted upon recommendation of agency heads and with written approval of the FMC.”

Additionally, the policy requires that:

“At the end of every year, the Fleet Manager must report to the FMC all individually assigned vehicles that fall short of the 8,000 miles of business use and attach a copy of the agency head’s review for that vehicle.”

Condition: IA defined low-mileage vehicles as those having less than 6,000 business miles in a year. Many specialized vehicles in the fleet are driven much less than other truck and passenger vehicles. Vehicles that fit this definition and were driven less than 50% of the average usage in

their particular class, per the FASTER system, were also considered to be low-mileage vehicles. In all, ninety-nine vehicles were identified as having low-mileage. This represents approximately 14% of the entire fleet of motorized vehicles. Additionally, there was no reporting made per the policy above of the vehicles that had less than 8,000 business miles.

Effect: The County is not making full use of its fleet, and may have more vehicles than it needs to operate in an efficient manner.

Cause: Vehicle utilization was not formally monitored by the County.

Recommendation: Vehicle utilization should be reviewed by the FMC to determine if further reductions in the fleet could be made. If just 5 of these vehicles did not need to be replaced, the County could save approximately \$160,000 based upon the average acquisition cost of the low-mileage vehicles identified. This does not include any recovery of the current value of those vehicles. Vehicle utilization should be monitored annually per current policy.

Management Response: County vehicle usage reports are currently monitored on an annual basis. Vehicle reassignment has taken place in some cases of high/low mileage usage. With an updated Fleet Management Policy, and vehicle utilization guidelines being established, the county will have the authority to remove underused vehicles from departments and/or reduce the fleet entirely.

Mileage Reimbursements

Criteria: Vehicle utilization analysis should include all aspects of usage including mileage reimbursements.

Condition: Over the last two fiscal years, the Health Department, and County Attorney's office employees were reimbursed for mileage equating to approximately 119,000 and 24,000 per year respectively. The average yearly costs to reimburse employees for the mileage was approximately \$27,000 and \$5,000 more than the average vehicle operating costs over the same two-year fiscal period (this includes repair and maintenance for a subcompact vehicle for the average miles driven plus yearly depreciation of acquisition cost over an 8 year depreciation period). Depending on patterns of usage, the County may benefit financially by assigning additional vehicles to the departments.

Effect: The County may be losing money by reimbursing mileage rather than providing additional vehicles for the departments listed above. The County could save approximately \$16,000 annually if the reimbursements noted above were reduced by 50% by providing additional vehicles for the departments rather than reimbursing for mileage.

Cause: Mileage reimbursement amounts were not being considered when determining the need for departmental vehicles.

Recommendation: Consider departmental and individual mileage reimbursements when reviewing overall vehicle utilization for the County.

Management Response: Management agrees with Auditor’s recommendation. By reassigning low usage vehicles to departments that have a greater need for vehicles, the county should see a significant reduction in money being reimbursed for mileage.

Labor Rate

Criteria: The County should monitor and adjust its labor rate to reflect a reasonable rate that is fair to the County and to its customers.

Condition: The current labor rate for the Garage is \$41 an hour for both internal and external customers. This rate is substantially lower than commercial dealerships and repair shops. IA obtained labor rates from three local dealerships and three commercial shops. The average rate was \$110. No one at the Garage or in the Purchasing Department knew for sure the last time the rate was adjusted. IA calculated that the County would need to charge both its internal and external customers a \$91 rate to recover all of the Garage’s labor and overhead costs. (Currently, the County does not treat the Garage as a revenue center.) The labor charged to its external customers for the period 9/15/13-9/20/14 appears below:

Douglas County Housing Authority	\$2,556.88
Eastern Nebraska Human Services Agency	\$70,500.73
Metro Area Planning Agency	\$528.98
Total	\$73,586.59

Effect: The County lost revenue by not charging a more competitive rate to its external customers. A \$50 rate for the same amount of hours would have increased annual revenues by approximately \$16,000. A \$90 rate would have increased revenues approximately \$88,000.

Cause: Adjusting the Garage labor rate has not been a priority of the County.

Recommendation: Adjust the County Garage labor rate, particularly for its external customers, to a more realistic, competitive level.

Management Response: Management agrees with Auditor’s recommendation and concurs that the labor rate should be increased to \$90 per hour for external agencies. Garage Supervisor will determine the time-frame and communicate the rate change to these agencies as soon as it is feasible.

Inventory Systems

Criteria: Management should periodically substantiate and evaluate recorded balances for its fixed asset accounts. Management should have accurate data to accurately assess the performance of its assets.

Condition: The FASTER and Oracle systems are not reconciled to each other. IA initially identified 121 differences between the FASTER and Oracle systems. The differences were due

to different treatment of data fields by the systems, data entry errors, incomplete or unavailable filing of forms, timing differences, etc. All but four of the differences were ultimately explained. There were two vehicles in the FASTER system that were not included in the Oracle system - a 1974 Allis Chalmers tractor and a 1996 Bobcat. There were two vehicles in Oracle that were not in FASTER – a 1983 motor scooter and a 2001 minivan. None of the vehicles could be physically located. The net value of the vehicles was zero.

Twenty-three of the differences identified were due to timing differences. Vehicle acquisitions were added to FASTER before they were added to Oracle as fixed assets. Twelve of the vehicles were placed into service prior to the 2014 fiscal year-end. The acquisition value of these assets was approximately \$235,000.

The vehicle acquisition costs in the FASTER and Oracle systems were significantly different. The total amount of acquisition costs in Oracle was \$18,365,000 versus \$15,794,000 in FASTER. IA did not have the resources available to investigate all the cost discrepancies.

Effect: Not reconciling the systems results in a number of inaccuracies in both systems. Vehicle inventories are not completely accurate. Erroneous acquisition cost data in the FASTER system prevents an accurate assessment of fleet costs in total as well as by class and individual vehicle. The 2014 financial statement amount for fixed assets and the resulting depreciation expense are understated.

Cause: The County did not consider reconciling the FASTER and Oracle systems a priority.

Recommendation: Reconcile the FASTER and Oracle systems at least annually and use the same source of information when possible to populate both systems. Physically verify the fleet inventory on a periodic basis. Adjust the 2014 year-end financials to reflect the true fixed assets and related depreciation.

Management Response: Adjustments are being made to the 2014 financial statements to reflect these assets and depreciation. The Clerk/Comptroller's office will work with the Purchasing Agent and his staff to develop a process to reconcile the two applications. County Garage will work to reconcile Oracle fixed asset/Faster discrepancies for all items prior to 2013. Additionally, the Garage will begin to reconcile fixed asset/Faster on a quarterly basis. Contact has been made with County Clerk's office to reconcile current discrepancies and discuss how to move forward with more efficient processing of fixed asset disposition forms.

Driver Use Authorization

Criteria: FMC policy requires that a driver must first have authorization from his/her agency head or supervisor to use a FMC pool vehicle and properly complete the Vehicle Use Agreement, Form FMC-01. By signing the form the employee acknowledges that:

- They have read and understand the County Auto Policy.
- Agree to a check of their driving record.
- Agree to notify their supervisor of any change in their driver's license.
- Agree to notify their supervisor and the Fleet Manager of any negative change in the status of their driving record.

The form indicates that it must be returned to the Risk Management Department.

Condition: IA selected a sample of fifteen of the sixty-nine employees who drive assigned vehicles to see if the Risk Management Department had the FMC-01 forms available for review. None of the forms from the sample were on-hand in the Risk Management office. One departmental manager was not aware of the need for employees to complete the form.

Note: Eight of the fifteen forms sampled were Sheriff Office employees. They had their own copies for seven of the eight. They obtained a new form for the one that could not be found.

Effect: The employees may not have signed copies of the FMC-01 forms or the County may not be able to prove that employees were aware of the acknowledgments outlined in the form if the need ever arises.

Cause: The County did not consider the proper filing of form FMC-01 a priority. The auto policy requiring the use of the form was not properly disseminated throughout the County departments.

Recommendation: Obtain new FMC-01 forms for all employees who regularly drive vehicles for County business. For new employees, Human Resources (HR) should ensure these forms are completed prior to the commencement of their job duties. Consider keeping the forms in the HR office with other personnel information.

Management Response: Management agrees with Auditors recommendation. Updating the Fleet Management Policy and disseminating it to all departments will ensure compliance throughout the county. Garage Supervisor will work directly with Risk & Safety Coordinator to identify the best course of action for implementation and monitoring.

Audit Standards

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with the Douglas County Purchasing Agent, Chief Deputy Douglas County Clerk, Douglas County Garage Supervisor, and the Claims and Safety Coordinator.

Internal Audit appreciates the cooperation provided by the office's management and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Paul Tomoser
Donald Stephens
Jude Lui
Thomas Cavanaugh
Kathleen Hall
Jerry Prazan
Patrick Bloomingdale
Diane Carlson
Joe Lorenz
John Solano
Darrel Neely
Frank Hayes
Tumi Oluyole

Appendix I

Garage Customer Survey

- **The amount of time that it takes to repair/maintain our vehicles is reasonable in light of the work that is performed.**
 Strongly Agree Agree Somewhat Agree Disagree
- **We are kept informed if there are delays.**
 Strongly Agree Agree Somewhat Agree Disagree
- **Replacement vehicles if needed are adequate.**
 Strongly Agree Agree Somewhat Agree Disagree
- **Garage personnel are courteous.**
 Strongly Agree Agree Somewhat Agree Disagree
- **The garage fleet reservation process is simple and easy to use.**
 Strongly Agree Agree Somewhat Agree Disagree
- **The drop-off/return process is simple and easy to complete.**
 Strongly Agree Agree Somewhat Agree Disagree
- **The vehicles used in my department fit our job functions.**
 Strongly Agree Agree Somewhat Agree Disagree
- **The amounts I am billed for repairs and maintenance are reasonable.**
 Strongly Agree Agree Somewhat Agree Disagree
- **Please rate your overall experience with Garage repairs and maintenance.**
 Excellent Very Good Good Poor Terrible
- **Please provide any other pertinent comments you wish to make in the space below.**
[Click here to enter text.](#)

The above survey was sent to each of 19 internal and external customer departments or offices who have their vehicles service at the County Garage. Responses were received from 10 and are summarized below. For questions 1-8, a Strongly Agree response was rated as a 1, Agree 2, Somewhat Agree 3, and Disagree 4. For last Question 9, Excellent was rate as a 1, Very Good 2, Good 3, Poor 4, and Terrible 5. The answers from respondent were averaged as shown below:

Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8	Question 9
1.5	2.1	1.9	1.5	2.1	2.0	1.2	2.0	1.8

Additional Comments were received and appear below:

“A good part of the services we provide in our programs depends on staff getting around reliably and safely in the community, and having the resource of county vehicles is very much a plus in helping us do that. We have always had very good communication and cooperation with the county garage. When staffs notices a “noise” or other concern when driving one of the county fleet, the garage is always quick to get the car in, resolve the issue and have it ready in good time and do this in a patient and professional manner. My only suggestion would be to have some sort of standard reminder process as to when oil changes or other regular checks are due.”

“The Garage personnel are very professional and do a great job.”

“If a vehicle has a repair issue that will require an extended period of time that needs to be clearly communicated back to the department in a timely manner. Garage employees handle small, impromptu or unscheduled repairs quickly and are helpful. These would otherwise be safety concerns or delay work and these efforts are appreciated. Garage needs adequate heavy equipment mechanics with ample experience in order to make repairs in a timely manner.”

“More organized now than in the past years. Garage personnel are very practical when making decisions regarding equipment purchases and installation. Garage Supervisors are willing to listen to agency needs and assist with finding practical solutions.”

“I am extremely happy with John & Dustin - Unbelievably more efficient than previous management team.”

"Our vehicle selection has improved vastly over the last 2 years.”

“1. The County Garage at times doesn't do a good job at warranty or work performed on parts installed. They need to keep better track of their parts and come back work and make it write [sic] in their billing.

2. Our departments - HR goes through our driver’s driving record each January-February.”