



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

September 15, 2010

Mayor and City Council
City of Chattanooga
City Hall
Chattanooga, TN 37402

RE: Fleet Services Efficiency Review, Audit 09-12

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit Division's report on the efficiency of the Fleet Services garages. We would like to thank the management and staff of Fleet Services for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM
Director of Internal Audit

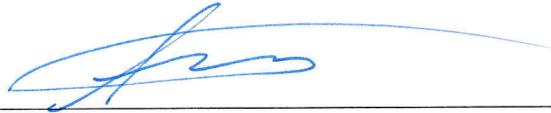
cc: Dan Johnson, Chief of Staff
Paul Page, Director of General Services
Audit Committee

**GENERAL SERVICES
FLEET SERVICES EFFICIENCY REVIEW
AUDIT 09-12
AUGUST 27, 2010**

**GENERAL SERVICES
FLEET SERVICES EFFICIENCY REVIEW
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A handwritten signature in blue ink that reads "Lisa Culver". The signature is written in a cursive style with a large initial "L".

Auditor

A handwritten signature in blue ink, which is highly stylized and illegible. It appears to consist of a few large, sweeping strokes.

Audit Director

**GENERAL SERVICES
FLEET SERVICES EFFICIENCY REVIEW
AUDIT 09-12**

INTRODUCTION

Fleet Services includes comprehensive vehicle asset management for approximately 1800 vehicles, trailers, and equipment for the City as of June 2010. Fleet Services also maintains the fleet of some local agencies which add a few hundred additional vehicles. The main outside agency is Hamilton County with their emergency equipment. They also service East Ridge Police and Fire departments, Red Bank, and other smaller municipalities and counties that don't have the facilities to provide service to their fleet. The Division includes two automotive repair centers with 32,400 square feet of work area and state of the art equipment as well as three fueling stations. They have the capability to perform all types of repairs in the automotive industry including paint, body and reconstruction. Most of the technicians are ASE and/or EVT certified.

It is the mission of the Fleet Management division to provide the highest levels of vehicle management to their customers, so that these same customers may in turn deliver the maximum level of public service to their consumers. In addition, these services are to be provided at the least possible cost to their immediate customers, as well as their ultimate customer, the citizens of the City of Chattanooga.

STATISTICS

Amnicola Labor Sales:

	FY07	FY08	FY09
Internal	\$1,282,233	\$1,465,787	\$1,418,418
Outside	265,236	263,415	237,737
	<hr/>	<hr/>	<hr/>
	1,547,469	1,729,202	1,656,155

12th St Labor Sales:

Internal	1,116,156	1,348,964	1,400,217
Outside	2,533	8,083	634
	<hr/>	<hr/>	<hr/>
	1,118,689	1,357,047	1,400,851

Total Sales	<hr/>	<hr/>	<hr/>
	\$ 2,666,158	\$ 3,086,249	\$ 3,057,006

Above sales data was obtained from the City's Accounting system – Banner.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Division's 2009 Audit Agenda. The objectives of this audit were to determine if:

1. Labor charges by Fleet Services are excessive.
2. The mechanics are performing their jobs efficiently.

STATEMENT OF SCOPE

Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover the operations of Fleet Services garages from July 1, 2009 to June 30, 2010.

STATEMENT OF METHODOLOGY

During the audit, interviews were conducted with Fleet Services personnel to gain an understanding of their operations and staffing levels. Best practices and benchmarks for fleet operations and staffing levels were researched. Information was obtained from industry sources Matrix Consulting Group and Mercury Associates, Inc., as well as the Government Fleet magazine.

Based upon industry practices, the best way to assess the efficiency of mechanic staffing is accomplished by comparing the total vehicle equivalent units (VEU) to the available technician time. The VEU is measured by each vehicle being compared to a passenger car which has a VEU of 1, e.g. pickups equal 1.5 VEU and fire trucks equal 10 VEU. To determine the available technician time, the total hours per technician per year were adjusted by deducting annual leave, holidays, sick leave and training time. This gave an estimated 1760 maximum hours that a mechanic could actually work on a vehicle per year.

In determining the annual maintenance labor hours needed to efficiently maintain the City's fleet, we took into consideration the fleet's age, condition and the experience of our mechanics. We noted that the City has a good mix of newer, older, and average aged vehicles. Also, our mechanics have an average of 10 years of experience.

The Ron Turley Associates (RTA) system was utilized to review work orders and obtain a fleet inventory listing. Record retention guidelines were reviewed in the Records Management for Municipal Governments reference guide. Original records as well as copies were used as evidence and verified through physical examination. We reviewed a sample of work orders noting, among other items, the work requested as compared to the work performed, the expected billing amount and the amount billed.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Labor charges by Fleet Services appear to be appropriate.
2. Fleet Services mechanics are performing their jobs at an efficiency level that is near or at the industry average.

FLEET SERVICES EFFICIENCY

The necessary staffing levels for Fleet Services mechanics was determined using the total VEU's for the City's fleet inventory and the City's current mechanic staffing levels. We used two separate standards to compare the City's staffing level to the expected or average (standard) staffing required. Utilizing one standard, we determined it would require a total of 30 mechanics to handle the entire work load. Currently, the City has 33 mechanics on staff. Therefore, it appears Fleet Services is operating slightly below the industry average. However, a second standard is that each mechanic should be capable of handling approximately 120 VEU's. City mechanics are handling 122 VEU's per mechanic. This indicates Fleet Services is operating at the industry average. In addition, we found that their customers were satisfied with the work performed on their vehicles and the turnaround time of the repair.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of Fleet Services, they do present risks that can be more effectively controlled.

RECORDS NOT RETAINED PROPERLY

After interviewing Fleet employees and visiting both garages, it is clear that the original hard copy work orders are not being retained properly. When a customer requests service for their vehicle, they fill out a work order with the repair problems, car information and signature. These original hard copy work orders are distributed to the mechanics for the repair. Upon completion of the repair, these original hard copy work orders are filed by each garage in various ways.

The 12th Street garage staff files their hard copy work orders in a box. Once two boxes have been filled, they dispose of the oldest box and start a new one. The Amnicola garage (Police/Lt. duty) staff places the hard copy work orders on their service desk and once a month they are placed in the filing cabinet. These documents are not filed in any specific order and once the cabinet is full the files are boxed up. The boxed files are not retained for any specific time. Neither staff for 12th Street nor the staff from the Police/Lt. Duty garage has a good system in place for filing or organizing these records. The Fire garage personnel, who are a part of the Amnicola garage, seem to be retaining and filing their hard copy work orders properly.

During the repair process for the vehicle, the data from the original hard copy is entered into the RTA system along with all the information from the repair. The system captures all the work performed on the vehicle. However, the original hard copy work order captures the customer's request for service and sometimes additional repair details from the mechanic. These documents should also be retained.

RECOMMENDATION 1

We recommend the Fleet Services comply with the MTAS Record Retention Policy Manual and keep all original work order documents for at least 3 years from the date of service. We also recommend that a filing system be developed to help organize these records to better facilitate locating a document in the future.

AUDITEE RESPONSE

While we certainly recognize the need for record retention, it is our belief that need is met with the work order that is contained within the RTA fleet system which currently contains all vehicle repair records for at least a 5 years minimum. Fleet Services is an Internal Service Fund, and as such, operates from an income statement. Operating from an income statement means we have a strong desire and need to keep our expenses to a minimum. Adding clerical duties to staff already heavily burdened on an ever increasing basis might be considered good government; however, it does not always make for good business. In order to keep staffing low, we must always remain vigilant for duties as to whether they are absolutely necessary or just nice to have for matters of convenience. Also, as we are changing over to an internal lease program with all vehicles being owned by General Services, the need for this record is further reduced as the repair cost burden is being carried by us internally. There is also the possibility of doing away with the paper copy altogether and simply filling out the electronic work order while the operator is at the garage, however, it does restrict both the shop foreman and the operator from doing these duties without both parties present and there is no electronic signature option as yet.

Having stated our position in this matter, if it is deemed necessary for us to retain these records, we will absolutely do so.

AUDITOR COMMENT

Systems designed to promote efficiency are desirable and should be encouraged. However, as a governmental entity, the City of Chattanooga must make such efforts within the confines of the law. The record retention requirement from MTAS for original records must be adhered to. This is a legal requirement. The hard copy work orders are the original record of entry. Further, we found that Fleet Services staff is already retaining these records (for a short time period). Additional staff should not be required to implement this recommendation. We cannot envision any efficiency gained by taking records to a storage room in lieu of a trash bin. In regard to the recommendation that such records be kept in an organized fashion, a simple filing system (by date) should result in efficiency loss due to the instances when a document must be retrieved, even though it may be rare. Again, we cannot envision it taking staff any material amount of additional time to place the document in a box/cabinet noting its placement (in lieu of haphazardly placing it in a box). We agree this recommendation would not be necessary if Fleet Services moves to a completely electronic work order system.

We reaffirm our finding and recommendation.

GARAGE BILLINGS ARE NOT REVIEWED

While conducting the audit, it became evident that there is lack of internal control by City departments in the review of their garage billings. During the audit, some City employees were contacted who had repair work performed on their vehicle. These employees stated that they never see the bill from the garage for their repair work. Several departments were questioned about who actually sees the final bills for the repairs and none of the departments have the actual driver review the final bill for the repair work charged. Also, supervisors in both Public Works and Parks and Recreation stated they don't see the bills for their division's repairs.

RECOMMENDATION 2

We recommend that Fleet Services provide the work order showing the work performed on the vehicle when the driver takes possession of the car. In addition, the driver should review and sign the work order and then forward it to their department's designee who should compare this work order to the final bill.

AUDITEE RESPONSE

We strongly disagree with this recommendation. While it is used extensively in private individuals, it doesn't fit the circumstances that fleets operate in. In years past we have attempted trials of the various ways to deliver repair billings. We have printed and delivered repair work orders and associated costs to the vehicle for the operator to review as is being

recommended here and each time it failed miserably. The only contribution that was gained was the street side litter. This is not a typical repair situation whereas the owner delivering a vehicle to a shop owns the vehicle and is both the operator and stakeholder in financial terms. What's not being recognized here is the operator of a city vehicle, in most cases, is not the stakeholder. He or she simply desires the vehicle repaired in good working order and as quickly as possible. The stakeholder in financial terms is whoever in the department that has budget responsibility. That can be a Supervisor, Division head or Department Administrator. Current practice is to send both a summary and detail billing to the budget position in each department, they distribute it to whomsoever deemed necessary This eliminates a great deal of waste. This information can be distributed as paper copy or electronically but is reduced to the stakeholders. From our perspective, if it is not being distributed appropriately, it is a matter for the department internal workings, not Fleet Services.

Also not recognized here is the fact that roughly half of the fleet is now owned internally by General Services and as such we are the stakeholders in repair costs and matters, very soon this recommendation will be a moot point entirely.

Again, if it is deemed necessary, we will comply regardless of the compelling reasoning against it.

AUDITOR COMMENT

The purpose of our recommendation was not to provide a mechanism for the various departments to ensure their vehicle repair expenses fall within budget limits. The recommendation was made to ensure someone (the vehicle operator) separate from the Fleet Services Division can provide a review to ensure there are no overbillings. A department budget contact is in no position to determine if the work billed appears to mirror the work requested/provided. It is also important to note that our recommendations are essentially just that, recommendations. We recognize that there may be multiple alternatives to address our findings. Perhaps, a more appropriate recommendation would be that the various departments forward a copy of the completed repair order to the vehicle operator for sign off.