



# CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Cynthia D. Miller, Audit Director

May 6, 2004

Honorable Pam Iorio  
Mayor, City of Tampa  
1 City Hall Plaza  
Tampa, Florida

RE: Vehicle Replacement Program, Audit 04-24

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the Vehicle Replacement Program.

The Department of Public Works Director and the Chief of Police have already taken positive actions in response to our recommendations. We thank the management and staff of the Fleet Maintenance Division and the Tampa Police Department for their cooperation and assistance during this audit.

Sincerely,

Cynthia D. Miller  
Director of Internal Audit

cc: Jack P. Morris, Department of Public Works Director  
Steve Hogue, Chief of Police  
Steve Daignault, Public Works and Utilities Services Administrator  
Tim Perry, Fleet Manager  
Bill Hunsinger, TPD Vehicle Coordinator

**DEPARTMENT OF PUBLIC WORKS  
FLEET MAINTENANCE DIVISION  
VEHICLE REPLACEMENT PROGRAM  
AUDIT 04-24  
MAY 6, 2004**

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Auditor

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Audit Supervisor

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Director

**DEPARTMENT OF PUBLIC WORKS  
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VEHICLE REPLACEMENT PROGRAM  
AUDIT 04-24**

**INTRODUCTION**

The City of Tampa Vehicle Replacement Program was implemented in FY 99 for General Fund Departments and in FY 00 for Enterprise Fund Departments. Under this program, approximately one-seventh of the General Fund and Enterprise Fund sedan and light truck fleets are replaced each year. Prior to the implementation of this program, funds available for vehicle replacement were \$2.5 million annually. In FY 99, Utility Tax funding was increased substantially and combined with new funding that was made available from the Community Investment Tax (CIT) resulting in a vehicle replacement program of \$8.7 million. FY 00 through FY 02 funding averaged \$7.2 million. The vehicle replacement program was funded at \$10.2 million for FY 03.

As of November 18, 2003 per the FASTER Fleet Management system, the City owned and operated 1,882 sedans and light trucks, at a substantial investment of approximately \$35,111,209 and 98 percent of these vehicles were 7 years old or less.

**STATISTICS**

Number of vehicles replaced (excludes new purchases and heavy equipment)

	<u>FY 99</u>	<u>FY00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
<b><u>Tax Operating Departments</u></b>					
Sedans	19	15	24	26	30
Light Trucks	40	46	41	48	17
<b><u>Police Vehicles</u></b>					
Marked	12	31	105	106	69
Unmarked	-	-	32	32	8
<b><u>Enterprise Departments</u></b>					
Sedans	10	7	11	5	12
Light Trucks	<u>40</u>	<u>40</u>	<u>43</u>	<u>35</u>	<u>38</u>
<b>TOTAL</b>	<u>121</u>	<u>139</u>	<u>256</u>	<u>252</u>	<u>174</u>

**STATISTICS – (continued)**

**Tax Operating Departments**

Funding – Replacements Only (excludes funding for additional vehicles and heavy and medium equipment)

	<b><u>FY99</u></b>	<b><u>FY 00</u></b>	<b><u>FY 01</u></b>	<b><u>FY 02</u></b>	<b><u>FY 03</u></b>
Sedans	\$314,000	\$380,000	\$480,000	\$520,000	\$460,000
Light Trucks	817,000	800,000	820,000	960,000	1,000,000
Unmarked Police	-	-	640,000	640,000	160,000
Marked Police	<u>360,000</u>	<u>629,889</u>	<u>3,150,000</u>	<u>3,180,000</u>	<u>2,070,000</u>
<b>TOTAL</b>	<b><u>\$1,491,000</u></b>	<b><u>\$1,809,889</u></b>	<b><u>\$5,090,000</u></b>	<b><u>\$5,300,000</u></b>	<b><u>\$3,690,000</u></b>

**Enterprise Funds**

Sedans	\$156,000	\$98,000	\$154,960	\$65,500	\$179,000
Light Trucks	<u>693,000</u>	<u>748,000</u>	<u>1,029,944</u>	<u>677,840</u>	<u>1,197,000</u>
<b>TOTAL</b>	<b><u>\$849,000</u></b>	<b><u>\$846,000</u></b>	<b><u>\$1,184,904</u></b>	<b><u>\$743,340</u></b>	<b><u>\$1,376,000</u></b>

**STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Department's FY04 Audit Agenda. The objectives of this audit were:

1. To evaluate the effectiveness of the program's cycle (i.e., replacement every 7 years) related to the maintenance costs incurred at the end of the period;
2. To verify that only authorized vehicles were replaced;
3. To determine if proceeds from the sale of vehicles at auction were used for the purchase of new vehicles; and
4. To determine if proceeds received from insurance claims were used towards the purchase of new vehicles or refunded to the applicable City department to offset the costs of repairing the vehicle.

## **STATEMENT OF SCOPE and SCOPE LIMITATION**

The audit was originally planned to review vehicle replacement activity for sedans and light trucks including Police vehicles for model years 1997 and later. Heavy equipment replacement was excluded. Maintenance of about half of the Police vehicles is out-sourced under the Dealership Maintenance Program. The remainder of the vehicles is maintained by the Fleet Maintenance Division. However, during test work it was noted that the life-to-date maintenance costs for the Fleet maintained vehicles were not accurate. Analysis of the maintenance and repair costs compared to the vehicle replacement period for the Fleet maintained vehicles was not possible without this data. Therefore, test work was limited to the Police vehicles maintained at the dealership.

Source documentation was obtained from the Fleet Maintenance Division, Tampa Police Department and Budget Office. Original records as well as copies were used as evidence and verified through physical examination.

## **STATEMENT OF METHODOLOGY**

For police vehicles, the sample size and selection were statistically generated using a desired confidence level of 95%, expected error rate of 5% and a desired precision of +/- 5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in a Microsoft Access 97 database maintained by the Tampa Police Department and the FASTER Fleet Management System maintained by the Fleet Maintenance Division. A limited review of general and application controls for the Microsoft Access 97 database consisting of interviews of applicable personnel and a review of user access capabilities was conducted and found to be adequate. Sufficient tests of the data were also performed. Based on these tests, the data that is maintained in the Microsoft Access 97 database was deemed sufficiently reliable to be used in meeting the audit objectives.

General and application controls for FASTER was conducted in the Fleet Operations audit issued December 12, 2003 and were found to be adequate. Test work disclosed that work order detail was reliable. Thus, it was deemed not necessary to assess the data reliability during this audit. However, as mentioned previously, during the performance of test work on vehicles maintained by the Fleet Maintenance Division it was noted that the life-to-date maintenance cost totals were not accurate, and was considered unreliable. Reliance on this data was required to achieve the audit objectives. Any conclusions on applicable audit objectives using the data could probably lead to an incorrect or misleading audit conclusion. The identified data problems are considered significant. As a result, an analysis of the maintenance data for vehicles maintained by the Fleet Maintenance Division could not be completed.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

## **AUDIT CONCLUSIONS**

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

1. The Police vehicles were replaced on average 5.5 years after being placed in service which appeared reasonable related to the maintenance costs incurred at the end of the replacement period;
2. Only authorized vehicles were replaced;
3. Proceeds from the sale of vehicles at auction were deposited into the General Fund and not committed for the purchase of new vehicles; and
4. Proceeds received from insurance claims were deposited into the Self-Insurance Fund. City departments could request reimbursement from the Fund.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Vehicle Replacement Program, they do present risks that can be more effectively controlled. Before we completed our audit, the Fleet Maintenance Division and the Tampa Police Department personnel implemented some of the Internal Audit Department's recommendations.

## **DATA RELIABILITY**

During the performance of test work, we discovered that the vehicle life-to-date maintenance and repair cost totals recorded in the FASTER Fleet Management System were not accurate. The system was installed in August 1998. The maintenance and repair cost data from the former computer system MESIS was converted and entered into FASTER. However, the conversion was at a summary (total) level for each vehicle versus at the detail level. In June 2003, the Fleet Maintenance Division upgraded to a later version of FASTER.

During the billing process, FASTER updates the life-to-date maintenance and repair totals through the summation of the detail maintenance and repair transactions. It was represented that when FASTER was upgraded, the life-to-date maintenance and repair data converted properly. However, when the first billing period was executed, the MESIS data was omitted from the calculation. Thereafter, only the detail transactions recorded in FASTER were included in the life-to-date totals. Vehicles purchased prior to August 1998 do not include the maintenance costs from the former MESIS system and the life-to-date maintenance and repair costs are understated. For example, one vehicle (model year 1996) had a life-to-date maintenance and repair total of \$23,786 in the former version of FASTER (which included the costs incurred in MESIS of \$15,276) but the upgraded version indicated a life-to-date maintenance and repair total of \$8,471.

In addition, as a result of Fleet researching the discrepancy in the life-to-date maintenance and repair totals, it was discovered that the markup accumulator was not transferred to the upgraded FASTER. Thus, the life-to-date cost recorded only reflects the cost to Fleet versus what was actually charged to the City department for vehicle maintenance and repairs. However, it was represented that the markups were correctly included in the monthly billings to City departments.

As a result of these conditions, the maintenance and repair costs for vehicles that are being reviewed by management to determine the cost effectiveness of repairs are unreliable. Moreover, because of the inaccuracy of the data, we were unable to evaluate the maintenance and repair costs with the current replacement policy for the sedans and light trucks maintained by the Fleet Maintenance Division.

The Fleet Maintenance Division is currently working with the developer of FASTER (i.e., CCG Systems, Inc.) to make the necessary corrections.

## **RECOMMENDATION 1**

The Division should continue to work with CCG Systems, Inc. to correct the FASTER system deficiencies.

## **AUDITEE RESPONSE –Fleet Maintenance Division**

Staff is working with CCG Systems to recapture the missing historical data. Fleet staff has created and transmitted to CCG Systems a database containing the information that was not properly converted. CCG will make a modification to our existing database to include this cost information; however, it will not include work order detail, as this was not originally converted from MESIS.

**POLICE VEHICLES – ACCIDENT REPAIRS**

During our review of maintenance cost for police vehicles, it was noted that 4 vehicles had over \$10,000 in maintenance and repairs costs during a fiscal year. The maintenance files for these vehicles were reviewed. All four of the vehicles were involved in accidents and had major body damage. The vehicle folders for two of the 4 contained an appraisal from an independent agency stating the vehicles were a total loss. However, the vehicles were still repaired and returned to service. Below is a chart showing the accident repair cost, retail value at time of accident, and mileage for the aforementioned vehicles.

	<b><u>Model Year</u></b>	<b><u>Accident Repair Cost</u></b>	<b><u>Retail Value**</u></b>	<b><u>Mileage</u></b>
Vehicle 1*	1997	\$10,593	\$14,350	48,374
Vehicle 2*	1997	\$12,055	\$14,800	32,650
Vehicle 3	1997	\$ 8,280	\$14,175	42,170
Vehicle 4	1998	\$11,984	\$16,500	17,764

\* Vehicle slated as total loss per appraisal.

\*\* Per the National Automobile Dealers Association (N.A.D.A) Official Used Car Guide

There was no written explanation in the file to indicate why the vehicle was repaired instead of being disposed of. Prudent business practice requires documenting the rationale for the reason the vehicles were repaired when it has been identified as a total loss or when the repair costs are material.

**RECOMMENDATION 2**

A written explanation should be provided explaining the reason why a vehicle is repaired when it has been identified as a total loss or when the repair costs are material.

**AUDITEE RESPONSE –Tampa Police Department**

The information that was reviewed for this audit was completed by the previous vehicle coordinator. This individual is retired and no longer employed by the Tampa Police Department. We currently review each body damage repair estimate and repair only if the total cost is no greater than 80% of the retail value of the vehicle. The independent appraisal is no longer part of the current procedure to decide if a car will be repaired. Correct documentation of the rationale for repair will be completed.

### **FASTER SYSTEM UTILIZATION**

The FASTER Fleet Management System currently has a vehicle replacement module that is currently not utilized by the Fleet Maintenance Division. FASTER takes into consideration three factors when it calculates equipment replacement: age, usage, and maintenance dollars spent. Vehicles are then ranked in a certain order for replacement. As such, the FASTER system is not being utilized to its fullest potential. Representatives from the City of Orlando and Collier County that use FASTER indicated that the vehicle replacement module is a useful tool in analyzing vehicles due for replacement.

### **RECOMMENDATION 3**

The vehicle replacement module should be reviewed to determine if it would be a useful tool to assist management in the replacement decision process.

### **AUDITEE RESPONSE – Fleet Maintenance Division**

Fleet concurs with this recommendation. The candidates identified in the FASTER replacement module are being compared with those identified through the current system for FY 05. This will provide a crosscheck and ensure that all appropriate candidates are identified.

## **RECONCILIATION**

The Tampa Police Department (TPD) maintains a Microsoft Access database of all police vehicles. The maintenance costs for the vehicles maintained by the dealership are recorded in this database. Maintenance costs for the vehicles maintained by Fleet are recorded in FASTER, as well as, the equipment information for the vehicles assigned to the dealership. The TPD database is not periodically reconciled to FASTER. As a result, all police vehicles may not be accounted for. Proper internal controls require that the two systems be reconciled to ensure the propriety of the vehicle information recorded in both systems.

## **RECOMMENDATION 4**

The Tampa Police Department and the Fleet Maintenance Division should establish a procedure to reconcile the two systems on a periodic basis.

### **AUDITEE RESPONSE – Tampa Police Department**

The Tampa Police Department will investigate with Fleet the possibility of the two systems reconciling quarterly.

### **AUDITEE RESPONSE – Fleet Maintenance Division**

Fleet staff will work with TPD to establish a procedure for reconciling the databases annually.

## **VEHICLE ACQUISITION PROCEDURES**

Fleet is using criteria outlined in a memorandum from the previous administration for vehicle replacement. Although the current administration has not changed any of the policies, Fleet should incorporate them into a formal written policy in the procedure manual. This would ensure that the acquisition procedures are applied consistently to all City departments. It would also provide guidance that the process is being accomplished in accordance with this administration's management objectives.

## **RECOMMENDATION 5**

The manual should be updated to reflect the current vehicle replacement policy and procedures.

## **AUDITEE RESPONSE – Fleet Maintenance Division**

The appropriate policy will be prepared for inclusion in the Fleet Division Policy and Procedures Manual.