

**DEPARTMENT OF PUBLIC WORKS
FLEET SUBLETS
AUDIT 07-19
FEBRUARY 18, 2008**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

February 18, 2008

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

RE: Fleet Sublets, Audit 07-19

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Fleet Sublets.

The Fleet Management Division of the Department of Public Works, the Accounting Division of the Department of Revenue and Finance, and the Purchasing Department have already taken positive actions in response to our recommendations. We thank the management and staff of the Fleet Division; the Accounting Division, and the Purchasing Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Roger Strout

Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Steve Daignault, Administrator of Public Works and Utility Services
Bonnie Wise, Director of Revenue & Finance
Irvin Lee, Director of Public Works
Tim Perry, Fleet Manager

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/s/ Thomas A. Sanchez

Auditor

Not available to sign

Audit Supervisor

/s/ Roger Strout

Audit Director

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INTRODUCTION

Logistics is a section of the Fleet Maintenance Division in the Public Works Department. One of its responsibilities is for the sublet and warranty repairs for City equipment¹. This includes the coordination of customer service when equipment is brought in for service and the notification of customers when work is completed. Subletting to outside vendors for equipment repairs is based on criteria established by the department. These criteria include highly technical repairs that can not be accomplished in-house, repairs of specialty equipment, work that can be provided more economically by a vendor, and when work overloads occur. The Section is also involved in the acquisition and disposal of equipment.

The Logistics Section utilizes the Fleet Maintenance software system (*FASTER*) to record all sublet transactions.

STATISTICS²

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Budget</u>
Personnel Expenses	\$190,717	\$212,886	\$221,608
Sublet Costs	638,955	537,720	701,696
Other Operating	4,493	4,399	2,484
Total	<u>\$834,165</u>	<u>\$755,005</u>	<u>\$925,788</u>
Authorized Positions	5	5	5

¹ Throughout this report, the term “equipment” includes all vehicles.

² City of Tampa FY 07 Annual Budget.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY07 Audit Agenda. The objectives of this audit were to ensure that:

1. The established criteria for allowing equipment sublet repairs were satisfied.
2. Work was properly accounted for in Fleet's Management System (*FASTER*), the Purchasing System (ADPICS), and manual file records.
3. Procedures were in place to provide reasonable control over disposal of equipment.

STATEMENT OF SCOPE

This audit included Sublet operations which occurred between April 1, 2006 and March 31, 2007³.

Source documentation was obtained from the Fleet Logistics office and from the Property Control Section of the Department of Revenue and Finance. Original records as well as copies were used as evidence and verified through physical examination. Verbal confirmations of a sample of auction sales were made directly with the buyers.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. 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 the City's financial system (FAMIS) and the purchasing and inventory system (ADPICS). These systems have been determined in previous audits to be reliable. We also utilized the *FASTER* Fleet Management System, which has previously been determined to be reliable, with some exceptions. Those exceptions were not relevant to this audit. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

³ Disposal of equipment was expanded to include some sales activity after this period.

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. Fleet's subletting practices appeared reasonable, but written policies and procedures have not been updated to reflect actual practice. The procedures also did not address use of the FASTER system, or use of an automated quote system for soliciting bids.
2. Work was generally recorded accurately in FASTER.
3. The City's procedure for disposal of equipment was reasonable, but internal control can be improved.

SUBLET PROCEDURE

Fleet's Policies and Procedures provide for reasons why work might be sublet. The instructions focus on a case by case basis, and require a "Request for Sublet" (RFS) form to be submitted and approved.

In addition, much repair work is automatically sublet because the Division does not provide that particular repair service. In fact, most of the sublets are contracted in advance and are used routinely for certain tasks. These include:

- Exhaust Systems
- Glasswork
- Major Transmission Work (such as an overhaul)
- Major Paint/Body
- Tire Repairs
- Welding

Generally, recurring contracted work was done without preparation of the RFS as required under Fleet's Policies and Procedures. Another form was developed to record recurring sublets for each vendor, but it required neither justification nor supervisory approval. The RFS was used when Fleet judged it appropriate to further document the sublet.

Contracting recurring specialized work conformed with the City's policy of outsourcing work when it was more economical to do so, but the procedure was not properly documented. Additionally, written procedures did not address the use of the *FASTER* Fleet Management System, or an automated quote system now in use when prices from multiple vendors were solicited.

RECOMMENDATION 1

Fleet's Policies and Procedures should be amended to provide for justification of recurring sublets. Once documented and approved, no additional Request for Sublet documentation would be required, except under conditions developed by Fleet. The amended procedures should include updates related to the use of *FASTER* and the automated quote system.

AUDITEE RESPONSE

Concur. Fleet's Policies and Procedures will be updated to reflect current practice regarding sublet activities, including the use of *FASTER* and Quotewire.

TOWING

When towing services were required, Fleet used a rotation list of approximately 15 companies. There was no written policy for the use of a rotation list, nor were any contracts in place. We found no justification for this practice. It apparently evolved from the Police use of a wrecker rotation when needed to impound a vehicle, or if requested by a motorist. In those cases, the cost was normally born by the owner of the vehicle, not the City.

Hillsborough County has contracted towing services. For larger equipment, the county rate is lower than what the City usually pays. Where an hourly rate applies, the County rate is \$90 per hour. The City typically pays \$137.50 per hour, including a fuel surcharge.

Fees are at the discretion of the towing company, but cannot exceed the maximum rate established by the Hillsborough County Public Transportation Commission.

A rough estimate of savings, based in part on the lower hourly rate contracted by the County, is \$15,000 to \$20,000 annually.

RECOMMENDATION 2

Fleet and Purchasing should review the current towing rotation policy to determine if contracted towing services could reduce towing expense. Consideration should be given to using the County contract if it would benefit the City. Otherwise, soliciting a Request for Proposal (RFP) for the City's towing services could help significantly reduce this expense.

AUDITEE RESPONSE

Concur. Fleet and Purchasing will review the towing issue and determine whether or not it would be in the City's best interest to utilize the County contract or issue an RFP.

PROCEDURES FOR DISPOSAL OF EQUIPMENT

Most equipment to be disposed of was sold at public auction. Tampa Machinery Auction (TMA) was selected through the RFP process as the City's auction vendor. Total sales at auction approximate \$1 million annually. The contract is not exclusive, and the City recently began a trial of sales via an internet site specializing in on-line auctions of government equipment. Initial indications are that the City is obtaining higher prices from internet auctions than from TMA. If this proves to be a consistent situation, more items will be sold on the internet. However, internet sales require additional staff work. The equipment has to be photographed and posted on the website, questions have to be answered, and it must be shown to prospective buyers who want to see it before the auction. Additionally, title, transfer, and sales tax work currently performed by TMA has to be handled by staff.

After each TMA auction, the Property Control section of General Accounting received an itemized listing from TMA showing the equipment description, sales price, commissions, towing charges, and title processing charges. Property Control also received the check for the net proceeds. This is a control weakness since the sale of the asset and the receipt of the proceeds would be handled by the same person, which could allow the proceeds to be misdirected without detection. (Our tests did not indicate any inappropriate recording of such transactions.)

Fleet monitored items sent to TMA and compared them to sales records, which provided some control. Additional control could be added with a minimum of administrative work if the TMA check was not sent directly to Property Control.

RECOMMENDATION 3

TMA should be directed to remit the check directly to another division of General Accounting (i.e., Banking), and the paperwork sent to Property Control.

If internet sales continue to be used, written procedures should be developed and incorporated into the policy and procedures manual.

AUDITEE RESPONSE

Concur. Fleet will recommend that any checks from TMA not be sent to Property Control, but rather to another division of General Accounting.

Fleet and Purchasing will develop appropriate written procedures for internet auction sales for incorporation into their policy and procedures manuals.