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CLARK COUNTY
WASHINGTON

AUDITOR
GREG KIMSEY

MEMORANDUM

Date: May 27, 2014

To: Tom Mielke, Chair, Board of County Commissioners
David Madore, County Commissioner

From: Tom Nosack, Internal Performance Auditor, Audit Services

Subject: County Fleet Performance Audit Follow-up

The purpose of this follow-up memo is to provide the status of actions taken by the Public Works Department and Fleet Manager in response to recommendations made in our Audit of Equipment Services, Replacement Decision, Purchase, and Disposal Processes (Fleet 1), and our Audit of Equipment Services, Management and Operations (Fleet 2), issued September 19, 2012, and May 22, 2013, respectively.

To perform this audit follow-up we gathered and analyzed information from a number of sources. Specifically, we:

- Analyzed data reports from the Faster Fleet Management System (FASTER) as the basis to compare the fleet composition, utilization purchase and disposal. In some cases this data needed to be adjusted as vehicles were purchased and disposed of during the follow-up period.
- Used extracts and spreadsheets of information tracked by the Sheriff's Office for take-home fleet assignments and utilization.
- Interviewed the Fleet Manager and Public Works Director on a number of occasions to clarify changes made in policy, process and practice with regard to audit recommendations.
- Reviewed and compiled other data as supplied by Fleet Maintenance.

Summary Results

The Fleet 1 and Fleet 2 audits contained 27 individual recommendations, some of which overlap between the two audits. For ease of review, we have consolidated the report to 24 recommendations in a single follow-up report. In addition, a summary spreadsheet of the actions completed for each recommendation is attached to this report.

We commend Public Works for their efforts to implement the reports' recommendations. In total, we noted that 16 of the 24 recommendations were either partially or fully implemented. As a result, we were able to close eight (approximately one-third) of the recommendations and saw visible progress in about another third of them.

We were unable to verify substantive progress on the remaining 8 recommendations, including management of the "Rollover Fleet," which has actually increased in size since the audit. Of greatest concern to us was the lack of progress on implementing a long-term strategy with specific goals on the county's approach to the composition of its fleet with regard to size, fuel efficiency, economy, and other characteristics. We recognize that fleet is a customer-driven operation, and that the needs or wants of the customer may sometimes be at odds with its strategic vision. It is for this reason that we stated in our Fleet 2 report, that *the "fundamental changes needed to significantly improve fleet operations" would require the involvement and support of the Board of County Commissioners. Without this support, it will continue to be difficult for Public Works to make further progress.*

We wish to thank Public Works Director Heath Henderson and Fleet Manager Scott Rood for their cooperation and assistance in completion of this follow-up.

This follow-up memo is being delivered to you electronically, and will be available on the Auditor's web page at <http://www.clark.wa.gov/auditor/audit/audreports.html> where you can also view the full reports of both fleet audits.

If you have any questions, please feel free to contact the Auditor directly at extension 2078, or me in the Auditor's Office, at extension 4689.

cc: *Electronic copies unless otherwise noted*
Mark McCauley, County Administrator
Greg Kimsey, Auditor
Garry Lucas, Sheriff
Peter VanNortwick, Assessor
Heath Henderson, Public Works Director
Scott Rood, Fleet Manager
Darin Rouhier, Sheriff's Office Finance Manager
Mark Gassaway, Finance Director
Jon Dunaway, Fire Marshal
Matthew Grady Operations Review Manager
Bob Stevens, Budget Director
Mary Keltz, Public Information Officer
File

**SUMMARY ANALYSIS AND ACTIONS NECESSARY TO CLOSE
RECOMMENDATIONS**

1. **We recommended** the Fleet Manager resolve inconsistencies between stated age and mileage standards in the policy and current practice and adopt a leading practice of 12 year and 120,000 miles for non-emergency response (patrol) vehicles. In some cases the county exceeded our recommendation and adopted the best practice 12 year and 150,000 mile vehicle lifetimes standard.

Fleet Manager Response: Public Works has fully implemented this recommendation.

Status: Closed.

2. **We recommended** the Fleet Manager follow best practices and align the defined vehicle lifetime with the Equipment Rental & Revolving Fund (ER&R) payment schedule. It is inconsistent to have an ER&R payback age (10 years) that is different from its actual projected life (15 years for non-emergency vehicles). We recommended a leading practice of 12 years be adopted as the standard for both ER&R lifetime and most administrative vehicles replacement. It should be reevaluated after four to six years of use.

Fleet Manager Response: Public Works has aligned vehicle ER&R lifetimes with retirement ages for new vehicles. The new standard of 12-year and 150,000 mile lifetime for standard sedans has been adopted.

Status: Closed.

3. **We recommended** requests for 4 wheel drive or all wheel drive (4x4) and any exceptional use vehicles are in writing and reviewed by an oversight organization.

Fleet Manager Response: The request program is in place and Audit staff verified that 2013 requests were adequately documented and reviewed by the Public Works Director.

Status: Closed.

4. **We Recommended** that the Fleet Manager verify and correct known user data and settings issues in the FASTER fleet management system.

Fleet Manager Response: This is an ongoing effort. Most errors were found and corrected. While minor errors in the "description" field still remained, they are being addressed.

Status: Closed.

5. **We recommended that** the Fleet Manager share information about lifetime cost of operation for county-owned hybrids versus conventional vehicles with internal customers.

Fleet Manager Response: Information is shared with the customer prior to vehicle replacement.

Status: Closed.

6. **We recommended** the Fleet Manager improve senior manager education about the fleet management standards and policies, encouraging alternatives to vehicle ownership where appropriate.
- Encourage expanding the use of diverse transportation options.
 - Put a copy of a trip comparison calculator on the county's intranet page
 - Encourage expansion of the employee mileage reimbursement program.

Fleet Manager Response: Elected officials' representatives and department directors were briefed on mileage reimbursement at the last senior management meeting.

Status: Closed: Initial discussion has begun, further progress is up to management.

7. **We suggested** the Sheriff's Office consider possible day use assigned or pooled vehicles which under the following three circumstances could result in better utilization and lower costs without compromising mission effectiveness:
- For positions with over forty percent of their annual mileage for commuting; or
 - For positions that consistently use their vehicles for less than 4,000 annual non-commuting miles; or
 - For positions with exceptionally low likelihood and no recent history of providing an off-duty emergency response as part of their regular duties.

Sheriff's Office Response: The Sheriff's Office had taken the suggestion under consideration. According to Operations Chief Mike Evans, after review, the Sheriff's Office has decided for operational reasons not to change its fleet deployment policy at this time.

Status: Closed.

8. **We recommended** that the draft Fleet Policy be completed before the end of 2013 and include goals, measures of success and guidance related to fuel economy, vehicle uses and size, and overall sustainability. Replacement criteria and purchase limitations as defined in the previous audit should also be included. The Fleet Manager should discuss the updated policy with the Board of County Commissioners (BOCC) in work session, then seek to have the Board approve a staff report that implements the policy during Consent.

Fleet Manager Response: The updated Fleet Policy included all elements except goals and sustainability. It was presented to the board for discussion and approval. The board declined discussion and approved the staff report without comment.

Status: Open. Board has not engaged in providing strategic direction or long term goals related to fleet composition, efficiency, or environmental sustainability.

9. **We recommended** the County adopt a best practice that equipment be evaluated against at least three end-of-life criteria and meet two of them before replacement. These criteria should be clearly identified within the Fleet Management Policy.

Fleet Manager Response: Vehicle replacement policy was updated in late 2013 and

approved by the Board of Commissioners in January 2014. It includes evaluation against programmed life in *age* and *miles* as the primary determiner, with *current repair cost* as an alternative representing mostly vehicles in accidents.

Status: Open, partially adopted. We noted that *operating cost per mile*, *maintenance cost per mile* or similar indicators were not included in assessing maintenance costs with regard to vehicle replacement. Management has adopted a leading practice by using multiple criteria but has decided not to formally pursue the best practice of three formal criteria. In order to close this recommendation, Public Works should reconsider its decision to exclude any form of maintenance costs from its formal end-of-life vehicle replacement analysis.

10. **We recommended** that the Fleet Manager integrate best practice and add consideration of use, size, type, and configuration into vehicle replacement decision criteria.

Fleet Manager Response: We added language concerning replacement vehicle size and type, but decided to not include policy guidance for implementation of a lighter more fuel-efficient fleet to the policy at this time.

Status: Open, partially adopted. This recommendation can be closed when Public Works revises its policy to provide clear policy guidance on vehicle replacement options that add consideration of use, size, type, and configuration into vehicle replacement decision criteria

11. **We recommended** that the motor pool (be reduced by two or three low-usage non-sedan vehicles and) continue to work toward a composition of primarily small, high fuel efficiency vehicles and improved utilization.

Fleet Manager Response: We disposed of an older low use vehicle (hybrid), which should improve overall utilization.

Status: Open, improvement noted.

12. **We recommended** that the Fleet Manager meet with customers and develop mutually acceptable service level contracts that identify service levels, performance expectations and cost as well as maintenance and billing procedures. Contracts would help customers focus on what they need vehicles to do, not on specific replacement dates, maintenance schedules or accessory services.

Fleet Manager Response: We are discussing with customers, starting with the Sheriff.

Status: Open, improvement noted.

13. **We recommended** the Fleet Manager expand his communications of performance data, goals and expectations.

Fleet Manager Response: We (The Public Works Director and the Fleet Manager) met with senior managers about the program, but not performance data.

Status: Open. Some initial discussions about the contents of the new policy have begun, but they do not yet involve performance data or goals.

14. **We recommended** that the light fleet be downsized to smaller and higher efficiency (MPG) conventional and hybrid vehicles; *the standard vehicle for Clark County employee use should be a compact or subcompact car, whichever has the lowest life cycle cost.* Variations from this configuration should be in writing.

Fleet Manager Response: The policy recommends, but does not require the smallest vehicle in its class because it may not be appropriate for all business needs.

Status: Open, not adopted. Fleet management is driven by individual customer desires, and does not include an overriding strategic goals based on the most effective and efficient use of county resources.

15. **We recommended** The Fleet Manager adopt a long term ownership strategy with goals that identify the fleet management approach they are modelling. Consistent with best practices, this plan should identify any focus or transition needed, such as to smaller vehicles with better MPG, reducing the number of 4x4 vehicles, increasing hybrid vehicles, or other overarching goals for the fleet program.

Fleet Manager Response: The fleet is representative of customer needs. The intent of this policy is to establish guidelines for the acquisition, retention, and replacement of County vehicles; clarify replacement schedules by vehicle/equipment classifications; Establish vehicle utilization standards for County vehicles; and reduce the past practice of retaining replaced vehicles. The policy includes a recommendation for using the smallest vehicle in its class, and outlines 4x4 vehicle requirements.

Status: Open, no significant change. While the fleet may meet the desires of its customer groups, the light fleet continues to be composed primarily of large and medium sized multi-passenger, gas-powered vehicles. There is no organizational effort to purchase compact or subcompact sedans; and neither is there evidence of any additional alternative fuel vehicles purchases since January 2013.

16. **We recommended** the Public Works Director develop county-wide fleet performance goals based on Board guidance.

Fleet Manager Response: We have decided not to pursue this approach.

Status: Open.

17. **We recommended** that the Fleet Manager, working with other county vehicle users, improve assigned vehicle utilization by retiring chronically underused vehicles.

Fleet Manager Response: This effort is in progress as part of policy implementation.

Status: Open. Based on the data obtained during this follow-up, we were not able to verify whether chronically underutilized vehicles were being retired without replacement. However, the Public Works Director and Fleet Manager both have initiated an effort to educate managers on the minimum utilization standards and other aspects of fleet policy. In

order to close this recommendation, please provide evidence that chronically underutilized vehicles are being targeted for retirement without replacement.

18. **We recommended** the County should purchase smaller, more efficient two wheel drive vehicles where such vehicles can effectively fulfill the mission.

Fleet Manager Response: The policy recommends, but does not require, the smallest vehicle in its class. The size vehicle may not be appropriate for all business needs.

Status: Open. No significant change in the number of small vehicles in the fleet.

19. **We recommended** that Fleet Manager consider extending mileage-based maintenance intervals.

Fleet Manager Response: Most county-owned vehicles operate in what manufacturers consider to be "severe" conditions, and our service intervals meet their recommendations.

Status: Open; not adopted. We agree that some county-owned vehicles, such as Sheriff Patrol would fall under the definition of "severe" use vehicles. However, for those vehicles that do not fall under the standard definition of severe use, management should consider revisiting its current maintenance intervals or the use of onboard vehicle maintenance computer recommendations.

20. **We recommended** the rollover fleet be actively managed to eliminate light vehicles retained over six months and ensure only the minimum numbers of appropriate vehicles are temporarily retained to meet the county's needs.

Fleet Manager Response: The rollover fleet is reviewed each year and those that need rollovers for a defined use and duration (six months +/-) will justify the need. Some rollovers are kept at Operations for temporary need. Twenty vehicles will be auctioned in June.

Status: Open. Based on the most current data obtained, the size of the rollover fleet has actually expanded.