

Managerial Summary

A. Objective, Scope, and Methodology

We have completed our review of the City of Chesapeake's (City) Central Fleet Management's (CFM) for the period of July 1, 2019 to May 1, 2020. Our review was conducted for the purpose of evaluating whether Central Fleet Management was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was following City and departmental procedures in its handling of surplus property, fixed assets, fuel issues, contracts, staffing, and fuel site safety and security issues.

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.

The Department provided essential services for the City that improved the operational effectiveness and efficiency of the City's various departments. The CFM was an internal service fund of the City that maintained the City's vehicles and small equipment. Its' mission was to provide a safe, reliable, and economical fleet for the City's operations. CFM accomplished this by maintaining fleet availability by performing needed preventative maintenance inspections, required repairs, and tracking of the fleet from acquisition to disposal.

For Fiscal Year (FY) 2019-2020, Central Fleet Management had a total budget of \$19,164,687, divided between an operating budget of \$12,536,362 and a capital outlay budget of \$6,628,325. The budget is spread across five service areas, Fuel Sales, \$4,580,116, Fleet Acquisition and Disposal \$6,840,883, Fleet Repair and Service \$7,261,627, Parts management \$374,220, and Fleet Environmental and Regulatory Management, \$107,841. Central Fleet Management started FY2020 with an authorized compliment of 42.25 full-time personnel. Central Fleet Management maintained a repair facility and occupied offices on Executive Blvd at the City's Butts Station Operating Center. They were also responsible for seven fuel site locations throughout the City, two compressed natural gas stations, and one propane station.

Major Observations and Conclusions

Based on our review, we determined Central Fleet Management had accomplished its overall mission of providing essential services that improved the operational effectiveness and efficiency of the City's various departments. However, we did identify several areas of concern that needed to be addressed. Those areas included the

handling of surplus property, fuel fobs, and fixed assets. Also, there were issues with fuel billings, staffing, contracts, and safety concerns.

This report, in draft, was provided to Central Fleet Management officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. The Department Director, Fleet Business Specialist, Fleet Service Coordinator, Fleet Safety Specialist, and staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Methodology

To conduct this audit, we reviewed and evaluated City and Department policies and procedures, operations, documents, and reports, both internal and external. This review included testing and evaluation of the CFM's AssetWorks system, fuel fob tracking program, and CFM safety programs. We examined the disposition of surplus property. The fuel agreements and billing arrangements with related City agencies and departments were reviewed. We made observations at CFM's fuel site locations, repair facilities, and general office facilities. Audit Services obtained an understanding of Central Fleet Management's expenditures and competitive bidding practices. We performed a comparative review of the assets entered into AssetWorks and the assets maintained by the City's finance department. Part of this review examined the use of asset tags. Audit services also reviewed the CFM administrative staffing levels and workload.

In addition to these items, we reviewed compliance with selected City and State policies and procedures. We reviewed related prior audits. We also reviewed various other municipalities' performance audits of their central fleets, garages, and vehicle repair facilities. We conducted interviews with the CFM Director, Fleet Business Specialist, Fleet Service Coordinator, Fleet Safety Specialist, and other CFM staff, as well as personnel in Finance and Purchasing.

B. Performance Information

CFM was organized as an internal service fund of the City for the purpose of servicing the vehicle and small power equipment needs of the City's departments. As such the CFM received it's funding from these internal customers to cover their costs. Also, some funding was received from other City components, such as Chesapeake Schools and the Chesapeake Airport, for fuel purchases from CFM.

1) Mission

The mission of CFM was to manage the vehicles and small power equipment, items such as generators, pumps, and chainsaws, for the City. Their responsibilities were to perform preventative maintenance inspections, major and minor mechanical repairs, and other tasks necessary to ensure a safe, reliable, and economical vehicle fleet for the

City's various departments. The CFM also maintained the City's inventory of small powered equipment, managed the citywide motor pool, and controlled the distribution of fuel and repair parts for the City. In order to accomplish this, CFM operated seven fueling stations located throughout the City, which included two compressed natural gas (CNG) stations, one propane station, and one E85 fueling station. E85 is a combination of 85% denatured ethanol and 15% gasoline. CFM was also tasked with maintaining the individual vehicle and equipment records, procuring new and replacement vehicles, and disposal of used and surplus vehicles and equipment.

2) Departmental Goals

The goals of CFM were to repair vehicles within 4 days, maintain fleet availability above the industry standard of 90%, and reduce repair comebacks to less than the industry standard of 2%. CFM expected to meet these goals by providing a highly trained ASE (National Institute for Automotive Service Excellence) and EVT (Emergency Vehicle Technician) certified, technical workforce, keeping overdue preventative maintenance inspections to less than two a month, all while keeping customer service satisfaction metrics above 90% Good/Excellent.

3) Organization

The CFM is organized into five service areas.

- a) The first service area was Bulk Fuel Distribution & Management. This service area was responsible for all aspects of fuel, fuel distribution, and environmental compliance at the seven fuel sites.
- b) The second service area was Fleet Acquisition and Disposal. This service area was responsible for all aspects of vehicle and small powered equipment acquisitions and disposals.
- c) The third service area was Fleet Repair and Service Management. This service area was responsible for providing necessary preventative maintenance inspections, major and minor repairs, overhauls, state inspections, and accident repairs for all vehicles and powered equipment owned by the City.
- d) The fourth service area was Parts Management. This service area was responsible for overseeing the in-house parts vendor, Tidewater Fleet Supply, LLC, which owned and managed the \$2 million parts and supply inventory.
- e) The fifth service area was Fleet Services Environmental and Regulatory Management. This service area was responsible for providing safe, reliable, and accurate environmental programs that exceed both state and federal guidelines and regulations.

4) Joint Use Maintenance Facility

CFM has entered into an agreement with Chesapeake Public Schools to construct a joint vehicle maintenance facility. The facility to be located on seven acres in the Deep Creek section of the City will be 46,000 square and have two floors. The facility will be

occupied by CFM and Public Schools Student Transportation Department and will supplement existing facilities in both systems. The Public Schools Student Transportation Department will occupy offices on the second floor. CFM will initially use the facility to conduct preventative maintenance inspections on their fleet of CNG waste trucks, which were not able to be accommodated inside the existing repair facility. Even though the garage could accommodate the vehicle size, the Fire Marshall would not authorize CFM to work on CNG vehicles inside the building. The Schools were expected to use the facility to perform preventative maintenance inspections on their fleet of buses.

5) Diversity in Fuels

When CFM opened its' fast-fill CNG fueling station in 2018 it was the first in the area. It came as no surprise as CFM had made a habit of being a leader when it came to the use of alternative fuels. As of 2020 more than 36% of the 1,504 city-owned vehicles used alternative fuels. CFM had 57 trucks using CNG, 27 vehicles using liquid propane, and 405 vehicles using E85. It also had 53 hybrid vehicles running on electric-gasoline power as well as 4 vehicles that ran only on electric.

6) Recycling

Keeping step with the increased use of alternative fuels is the CFM's commitment to recycling and pollution prevention. As part of this program CFM safely recycled or disposed of used oil, solvents, antifreeze, filters, scrap metal, and tires. CFM had entered into contracts with various vendors to collect and recycle what would have otherwise been disposed of as hazardous materials at the landfill.

6) Central Fleet Management Accomplishments and Awards

Central Fleet Management had been awarded the Automotive Service Excellence "Blue Seal of Excellence" every year since 2009 from the National Institute for Automotive Service Excellence. Central Fleet Management is the only ASE Blue Seal of Excellence Certified Garage in Chesapeake and one of six municipal garages Blue Seal Certified in Virginia.

Central Fleet Management had been named one of the 100 Best Government Fleets in North America six times since 2009 placing as high as #1 in 2017. Central Fleet Management was number #34 for 2020. Central Fleet Management had also made the Top 50 of the Government Green Fleet Awards, ranking #33 in 2018 and #29 in 2019. The 2020 results were still pending at the time of this audit. These awards were presented by 100 Best Fleets in North America and were recognized by the NAFA Fleet Management Association.

CFM carried the designation of Environmental Enterprise or E2. This designation indicated that CFM is a facility in the early stages of implementing an environmental management system emphasizing pollution prevention. Facilities achieving E2 status were eligible for a number of benefits, including technical assistance for the development

and implementation of an environmental management system and pollution prevention program. Other incentives included positive public recognition and possible reductions in annual permit fees.

The U.S. Environmental Protection Agency notified Central Fleet Management that they had been honored as the “2019 Local Government Partner of the Year Award” for their recycling efforts. Central Fleet Management had been a partner in the EPA’s WasteWise Program since 2012.

Since 2015 Central Fleet Management had been designated as a sustainable fleet by the NAFA Fleet Management Association in association with CALSTART. CFM is one of only two fleets in Virginia that had been designated as sustainable. The organization defined fleets as sustainable if they managed and reduced net environmental impacts from fleet operations at or ahead of the pace required for environmental need.

On June 16, 2020 Central Fleet Management was named the ninth best leading fleet in the country by *Government Fleet* magazine and the American Public Works Association. In 2018 CFM was ranked as the fourth best leading fleet. CFM had been ranked in the top 50 best leading fleets since 2016.

Central Fleet Management had also been recognized as a “Star Business” by the Elizabeth River Project which recognized local businesses for their efforts in promoting environmentally friendly business practices.

8) Fleet Composition

CFM operated over 1,600 vehicles and over 1,100 pieces of construction and lawn and turf equipment. The vehicles included 1,495 on-road vehicles and 115 off road vehicles. The fleet included everything from heavy equipment vehicles such as cement mixers, vacuum trucks, backhoes, and street sweepers to police cars, fire trucks, ambulances, and motor pool cars. The vehicle inventory was valued at over \$100 million.

C. Operational Issues

Based on our review, we determined that Central Fleet Management had accomplished its overall mission of maintaining the City’s vehicles and small equipment and provided a safe, reliable, and economical fleet for the City’s operations. However, we did identify several areas of concern that needed to be addressed. These areas included lack of memorandums of understanding for fuel services, disposition of surplus property, fixed assets, fuel fobs, and fuel service billings. Audit services also noted several operating, safety, and fueling station processes that needed to be reviewed, as well as vendor contracts and staffing issues.

1. Memorandum of Understandings

Finding – Central Fleet Management (CFM) provided fuel services for the Airport Authority, Chesapeake Schools, Mosquito Control and Cedar Manor. CFM did not have Memorandum of Understandings (MOU) with those entities. Most importantly, the City did not have any Administrative Regulation (AR), City Ordinance nor documented guidelines that articulated when a MOU(s) needed to be obtained by City Departments.

Recommendation – All agreements between the aforementioned entities should be reduced to writing using an MOU to capture the rights, duties, obligations, terms and intensions of all the parties involved, and identify remedies for breach of the agreement.

Response - CFM agrees with the recommendations and will work with the aforementioned parties to establish MOUs.

2. Surplus Property

Finding – Central Fleet Management (CFM) was not in compliance with City Ordinance 54-96 that assigned responsibility for the transfer and sale of surplus property. The City also did not have an Administration Regulation that addressed the handling of surplus property.

Recommendation – CFM should follow the procedures outlined in City Ordinance Sec. 54-96 - Procedure and Purchasing Manual Section, 13.0 for the transfer and disposal of surplus property. In addition, the City should develop an Administrative Regulation for the disposition of surplus property.

Response - AR 4.21 does, in-fact, address the handling of surplus property. That authority and those procedures were put in place with the consent of the Purchasing Manager and City Manager years prior to the new Procedure and Purchasing Manual being published. We will review AR 4.21 and our SOPs and tweak to incorporate the new purchasing procedures. The department did not send in disposition forms when assets transferred to different departments because the assets are still considered assigned to Central Fleet Management. If Finance deems the transfer form necessary for their records, the Fleet will supply it. Depositing checks on the same as received is not realistic with our present staffing and location. Fleet typically makes deposits within five business days.

3. Fixed Assets

Finding – Central Fleet Management (CFM) did not have documented Standard Operating Procedures (SOP) for various fixed asset processes. Fixed asset list for Central Fleet Management (CFM) and Finance department were not in agreement. CFM had not performed an annual physical verification of their fixed asset

inventory since 2017. Asset number tags received from the Finance department had not been attached to City equipment since January 2018.

Recommendation – We recommend that Central Fleet Management (CFM) develop and implement documented standard operation procedures for fixed asset processes. Fixed assets should be set up in PeopleSoft within 30 days from date of receipt. The physical verification of fixed assets should be done at least once each year. Fixed asset list for (CFM) and Finance department should be kept in agreement to the extent practical. Asset tag numbers should be attached to City equipment when received.

Response - CFM will coordinate our procedures with Finance to establish a mutually agreeable process. CFM will submit fixed asset forms to be set up in PeopleSoft within 30 days from date of receipt of complete equipment, this includes the vehicle being final with all upfits. The physical verification has happened this past year and will continue to happen yearly. Central Fleet Management puts vehicles in service after they are upfitted with all necessary equipment, not when they are registered with DMV. Vehicles must be registered before they are in service in order to get the equipment to different vendors. CFM is going to work on documenting standard operating procedures for fixed asset processes. Finance is still requiring titles for the assets. CFM will turn over asset tags after asset numbers are documented in the AssetWorks software, to the service department to affix on the equipment.

4. Fuel FOB's

Finding – Central Fleet Management (CFM) did not have a documented standard operating procedure (SOP) for the security, control and use of fuel fobs.

Recommendation – We recommend that CFM develop and document an SOP regarding the security, control, usage, verification and issuance of fuel fobs. Also, CFM should improve controls over unissued fobs, maintenance of inventory records, and periodic verification of fobs and improve segregation of duties as it relates to the issuance of fobs.

Response - CFM agrees that standard operating procedures need to be created for fob usage and verification. Information about fobs and the requirements of the fobs will be disbursed during the fleet meetings.

Central Fleet Management is unable to provide more in depth training than what is currently offered on the AssetWorks system due to current staffing levels.

A Crystal Report was created to assist departments with the ability to identify possible misuse of fobs and available for them to view and will be emphasized at the next Fleet User's Group meeting.

Currently the AssetWorks system records the issuance fob #, date issued, and issued by in the system. Going forward the department will record who is receiving the fob, if it is not an equipment specific fob. The department review and update the process for issuing miscellaneous fuel fobs to include a form signed by an authorized person in the department and the Fleet Director. CFM will implement fob inventory during the physical inventory.

5. Billing

Finding – Monthly fuel billing for Chesapeake Schools, Mosquito Control, Chesapeake Airport Authority, and Cedar Manor were not actually being sent every month.

Recommendation – Central Fleet Management should work with the agencies they bill to develop a consistent billing schedule.

Response - Central Fleet Management is reassigning the billing to another staff member that should be able to maintain the more stringent requirement of the billing timeline. CFM anticipates that this will remove the late billings.

6. Central Fleet Management Processes

Finding – We identified a number of Central Fleet Management operating processes that could be enhanced. These processes included updating Standard Operating Procedures, installing cameras on the grounds, and tracking employees authorized to operate city vehicles.

Recommendation – Central Fleet Management should consider establishing a process review system.

Response - Fuel site signage will be reviewed and updated. An authorized user list will be prepared for industrial equipment. All maintenance and inspections of fuel sites is documented in log books kept in the Fleet Safety Specialist's office. Generator inspections are facilitated through Facilities' contractor, Carter Machinery, quarterly and PM'd annually. A new emergency shutoff switch checklist has been created for an annual test. We'll review our State Inspection sticker safeguards.

CFM does not have a staff member that reviews video daily, much like all of the other video surveillance systems in the city. It is reviewed if something is observed as destruction of property at the fuel site, verification of fueling transactions, or because a department has requested the footage.

We double checked and all motor pool vehicles *do* have operators manuals in them, and all vehicles issued to departments are issued with operator manuals.

Additionally, Fleet is willing to train employees how to operate the Motor Pool vehicles – the employee just needs to ask.

7. Contracts

Finding – Central Fleet Management’s contract planning and administration practices for vehicle and equipment procurement and repairs could be enhanced.

Recommendation – Central Fleet Management should work with Purchasing to and Information Technology to streamline its procurement process for vehicle equipment and repairs.

Response - CFM is constantly evaluating the need for additional contracts to simplify operations and adding more contracts as staffing and city resources allows.

8. Safety

Finding – Central Fleet Management (CFM) had several safety issues that needed to be addressed.

Recommendation – Central Fleet Management should review these safety items and address them as appropriate.

Response - I.A.W the Virginia Fire Prevention Code, Section 2303.2, “An emergency disconnect switch for exterior fuel dispensers shall be located within 100 feet of, but not less than 20 feet from, the fuel dispenser and EMERGENCY FUEL SHUTOFF signs shall be provided in approved locations.” To be more proactive we will be adding a better background for visibility of the signs. All signs have been measured and are within the standard. Every fire extinguisher box is inspected weekly and if a hammer is missing a new one will be installed. New reflective tape has been added on UST vent tubes which may come into contact with vehicles. A new Central Fleet Management Department SOP was written in April 2020 stating our policy for using vehicle exhaust hoses. All employees have been instructed on the use of the system and have signed a sheet stating that they have reviewed the policy. CFM will install two additional portable eye wash units within the building to make it more convenient for employees in the event an employee gets chemicals in their eyes. Work orders have been submitted to Facilities to correct the leaking fuel island canopies; the flood lights have been replaced and are working correctly. CFM will investigate to possibility of installing fuel site alarm systems. We’ll reiterate that Department’s should train their operators each year on the proper usage of portable fire extinguishers. Every fuel dispenser has instructions on fueling the vehicle, who to contact in the event of a fuel spill, and signage indicating where the emergency shutoff valve is located. Staging spill cleanup material at the unmanned fuel sites results in vandalism and theft of the items; Departments will

be reminded of their responsibility to train operators on proper procedures for spills.

9. Fuel

Finding – Central Fleet Management’s internal controls for fuel replenishment needs improvement.

Recommendation – Central Fleet Management should consider developing a process for an independent method of fuel inventory.

Response - Fuel tank access caps are inspected weekly and documented on our weekly inspection report. We’ll look as the feasibility of installing alarms. Pump calibration frequency has been changed to every three years. Pump calibration test and results will be kept in log books in the Fleet Safety Specialists Office.

Fueling for the fuel sites has been updated to automatic ordering. Office staff are no longer required to call in orders for fuel.

10. Staffing and AssetWorks

Finding – The CFM Administrative function was under staffed in performance of their required job responsibilities and did not have adequate positional back up. Also, the Fleet Business Specialist had various job responsibilities, outside of the accounting functions, that created numerous segregation of duty and efficiency issues. AssetWorks had an excessive amount of system administrators.

Recommendation – When the current fiscal condition improves consideration should be given to adding additional administrative staff to improve required operational responsibility.

Response - CFM agrees that there needs to be additional administrative staff and will continue to request the positions through the budget process. Access rights for current administrative rights to the AssetWorks system will be reviewed and adjusted to allow only those with actual administrative rights, with that access.

Due to staffing constraints, CFM will continuously attempt to train others on duties carried out by the Fleet Business Specialist.