

March 10, 2011

The Honorable Alan P. Krasnoff and
Members of the City Council
City of Chesapeake
City Hall – 6th Floor
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

As part of the annual audit plan, we reviewed the City of Chesapeake's Central Fleet Management's (Central Fleet) administrative processes for the period of July 1, 2009 to November 30, 2010. Our review was conducted for the purpose of evaluating whether Central Fleet's processes (1) were effective and efficient, and (2) goods and services were procured in accordance with applicable City and State guidelines. The audit of Central Fleet focused significantly on a review of fuel site safety and security, competitive contract procurement issues, and other operational 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.

For Fiscal Year (FY) 2009-2010, Central Fleet had an operating budget of \$9,013,734 and a capital outlay budget of \$6,369,277. Central Fleet started FY2010 with an authorized compliment of 41 full-time personnel; however, the City's 2010 reduction in force reduced its compliment by two staff members. Central Fleet 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.

To conduct this audit, we made observations at Central Fleet's fuel site locations, and obtained an understanding of Central Fleet's expenditures and competitive bidding practices. We also performed an in-depth study of Central Fleet's work flow processes which included the uploading of vehicles into the DM2 software system, the chipkey activation process for fuel pumps, and the process for transferring data captured by the

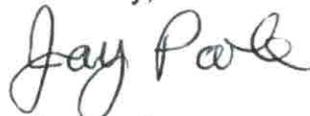
DM2 system to Central Fleet's FleetFocus system and AssetWorks InfoCenter (InfoCenter) - the system used to process reports for departmental use. Surveys were also conducted to gain insight on user departments' perceptions of their satisfaction with Central Fleet's service delivery, as well as their confidence in the reliability and accuracy of reports produced by Central Fleet's InfoCenter system. We also obtained an understanding of controls over fuel, parts inventory, and fuel credit card purchases.

Based on our review we determined that, although the majority of Central Fleet users were highly satisfied with the services they provided, there were several significant operational issues that hindered Central Fleet's ability to carry out its objectives. These issues included work flow deficiencies, fuel inventory credit card and safety controls, parts and equipment inventory control, and the need to issue Invitation For Bids (IFBs) for repair contracts and reduce the number of non-PO vouchers.

To address these issues, we recommended that Central Fleet continue to take steps to improve its workflow processes and the reliability and usefulness of vehicle reporting data. We also recommended that Central Fleet develop procedures that facilitate accurate monitoring and reconciliation of fuel inventories, eliminate its fuel credit cards, use Public Procurement to establish one centralized credit distribution point, and take steps to improve the safety and security of the fuel sites. Central Fleet should also secure and reconcile the parts and equipment inventories, work to expedite the IFB issuance process for vehicle and equipment repairs, issue all future personal chipkeys using employee numbers assigned by the City, and work with Public Procurement to stage the release of multiple POs per contract to control its spending.

This report in draft was provided to Central Fleet officials for review and response, and 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. Central Fleet management, supervisors, and staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

C: William E. Harrell, City Manager
Amar Dwarkanath, Deputy City Manager
George S. Hrichak, Fleet Manager