



**CENTRAL FLEET
MANAGEMENT
PERFORMANCE AUDIT**



JUNE 1, 2019 THROUGH MAY 1, 2020

**CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT**

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September 15, 2020

The Honorable Rick W. West and
Members of the City Council
City of Chesapeake
City Hall – 6th Floor
Chesapeake, Virginia 23322

Dear Mayor West and Members of the City Council,

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.

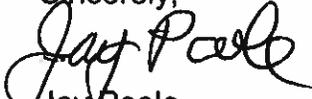
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To conduct this audit, we reviewed and evaluated City and Department policies and procedures, operations, documents, and reports, both internal and external. This review included testing and evaluation of the CFM's AssetWorks system, fuel fob tracking 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.

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.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

C: Christopher M. Price, City Manager
Robert N. Geis, Deputy City Manager
George Hrichak, Fleet Manager

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.

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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.

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Methodology

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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.

CENTRAL FLEET MANAGMENT

PERFORMANCE AUDIT

JULY 1, 2019 TO MAY 1, 2020

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Audit of Central Fleet Management

A. Objective, Scope, and Methodology

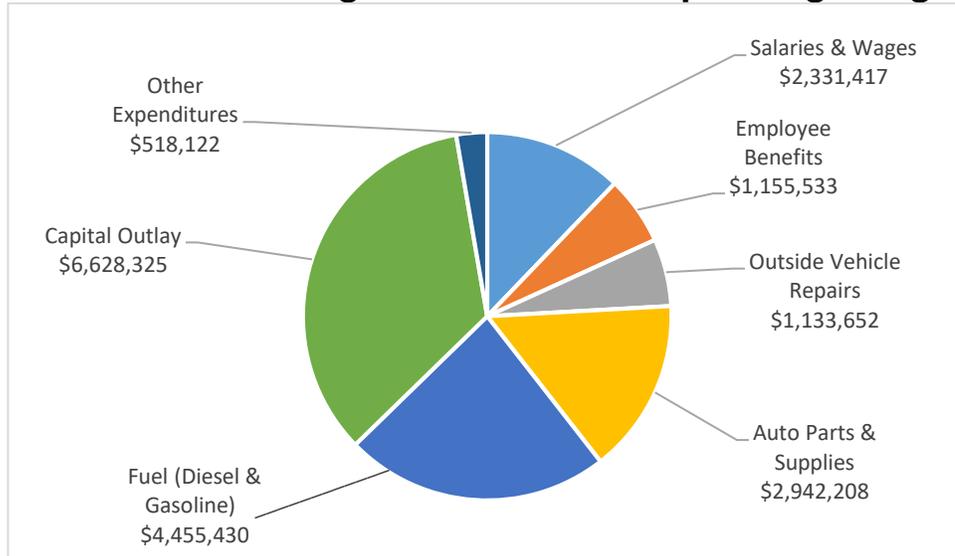
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Exhibit A Central Fleet Management's FY2020 Operating Budget



Major Observations and Conclusions

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2) Departmental Goals

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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. This area was also responsible for the sale of fuel to other City entities such as Chesapeake Schools and Chesapeake Mosquito Control. This service area had a budget of \$4,580,116 and a staffing compliment of 1.20 FTEs for FY 2020.
- 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. This area helped departments identify specific vehicle needs, helped to procure needed alterations, and helped determine when vehicles needed to be disposed of. This service area had a budget of \$6,840,883 and a staffing compliment of 2.65 FTEs for FY 2020.
- 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. This area outsourced repairs to outside vendors as needed. All required service records were maintained by this service area for the life of the individual asset. This service area had a budget of \$7,261,627 and a staffing compliment of 35.90 FTEs for FY 2020.
- 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. This area was also responsible for supplying the necessary parts for required vehicle repairs. This service area had a budget of \$374,220 and a staffing compliment of 0.80 FTEs for FY 2020.
- 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. This area was also responsible for setting the standards needed to meet for all state and federal environmental regulatory management and compliance programs. This service area had a budget of \$107,841 and a staffing compliment of 1.20 FTEs for FY 2020.

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.

The project was near design completion and construction was expected to start fall 2020 with an expected completion of fourth quarter 2021. The project will be environmentally friendly using high-performance insulated metal wall panels which will provide a high level of energy efficiency and will also help reduce the sounds inside the building. A highly efficient geothermal system is planned for the heating and cooling of the facility. The entire facility will allow for the repairs of CNG powered vehicles.



The front of the proposed repair facility.



The design and exterior layout for the repair facility.

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.



CNG fueling station at Butts Station. (Photo courtesy of Pilot online) CNG solid waste collection truck.

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. Based on approximately 1,470 fleet service vehicles, for 2014, CFM generated approximately:

- 2,046 oil filters
- 6,617 gallons of used oil
- 579 gallons of used antifreeze
- 288 gallons of used solvents
- 2 - 55 gallon drums of speedy dry
- 8 – 55 gallon drums of fuel filters
- 527 used recapped tires
- 75,760 pounds of used scrap tires
- 124,960 of scrap metal

In 2018 CFM reported recycling 113,800 pounds of paper and cardboard as well as 106,436 pounds of scrap metal.

All of this material was either safely disposed of or recycled. In order to reduce cost and benefit the environment CFM recapped heavy tires where ever possible. Since 2015 CFM had a contract with a vendor to acquire used automotive tires, for possible reuse, saving them from being sent to the landfill or recycled.

7) 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.



Mike McColgan (r), Fleet Service Coordinator for the City of Chesapeake, VA; the 2017 #1 in The 100 Best Fleets awarded at the NAFA I&E Conference on April 27, 2017 in Tampa, FL presented by Tom C. Johnson (l), Author of The 100 Best Fleets. Photo courtesy of 100 Best Fleets.

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.

Central Fleet Management was a member of the Virginia Environmental Excellence Program. The program was established by the Department of Environmental Quality to encourage superior environmental performance by encouraging facilities and organizations within the Commonwealth that have strong environmental records to go above and beyond their legal requirements. 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. The EPA reviewed City recycling data and compared it to other local government agencies, as well as considering additional attention and training Central Fleet Management placed on environmental stewardship in 2019. This included the entire repair process for vehicles with an emphasis on making a positive impact on our environment.

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 by demonstrating that the fleet is:

- Improving air quality through emission reduction
- Increasing fuel efficiency
- Reducing fuel usage

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. Since 2014 these organizations had named the 50 Leading Fleets in the U.S. and Canada. In 2018 CFM was ranked as the fourth best leading fleet. CFM had been ranked in the top 50 best leading fleets since 2016. Applications were selected based on their successful programs and initiatives. Criteria used were:

- The efficiency, effectiveness, and modernity of the fleet operation, based on 20 key criteria.
- How the operation prioritizes and exhibits leadership within its team, with customers, within its local community, and within the overall fleet community.
- How the operation ensures competitiveness and efficiency.
- The future vision of the operation and leadership steps taken to get there.
- How the operation addresses and overcomes its biggest challenges.

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.

The City Attorney's Office indicated the following related to obtaining of MOUs: "It is a long standing legal principle that all agreements between parties should be reduced to writing to capture the rights, duties, obligations, terms and intensions of the parties. Without such, there is no legal obligation nor remedy for breach of the agreement."

We found that CFM provided fuel services for the Airport Authority, Chesapeake Schools, Mosquito Control, and Cedar Manor. CFM did not have MOUs for these entities. There was an MOU for the Airport Authority, however, it was dated 2/28/2003 and it was in the process of being renegotiated by the City Attorney's Office. We also determined that the City had not created an Administrative Regulation, City Ordinance, or documented guidelines for when MOUs need to be obtained.

This situation existed because the City did not have any documented procedures that articulated when MOU's should be required.

If this situation is not corrected, there is a potential risk that the City could be subject to financial loss and/or liability as a result of not obtaining a MOU.

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.

We suggest the following:

- CFM should obtain MOUs for the Airport Authority, Chesapeake Schools, Mosquito Control, and Cedar Manor that addresses the services they provided to these entities.
- CFM should work with senior City Management, and the City Attorney's Office to create an Administrative Regulation, and/or City Ordinance that outlines the criteria for when MOUs should be obtained by departments. Additionally, the Administration Regulation and/or City Ordinance should address date parameters for when MOUs need to be renewed and who should be responsible for obtaining the renewals.

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.

Chesapeake City Ordinance 54.96 stated the following:

- a) All using agencies subject to this chapter shall submit to the procurement administrator or designee, at such time and in such form as he or she shall prescribe, reports showing stocks of all supplies and individual items which are no longer used or which have become obsolete, worn out or scrapped.
- b) The procurement administrator or designee shall have the authority to transfer excess or surplus supplies to other using agencies.
- c) The procurement administrator or designee shall have the authority to sell all supplies or individual items which have been deemed to be unsuitable for public use or to exchange the supplies or items for or trade in the supplies or items on new supplies or items.
- d) Sales under this section shall be made to the highest responsible bidder. The procurement administrator or designee may require sealed bids, in his or her discretion.
- e) Employees and officers of the city and their immediate family members will not be eligible to bid on or purchase any excess or surplus city equipment or supplies. "Immediate family" means: (i) a spouse and (ii) any other person residing in the same household as the officer or employee, who is a dependent of the officer or employee or of whom the officer or employee is a dependent.

"Dependent" means any person, whether or not related by blood or marriage, who receives from the officer or employee, or provides to the officer or employee, more than one-half of his or her financial support.

We found that CFM was not in compliance with City Ordinance Sec. 54-96 - Procedure and Purchasing Manual Section 13.0 related to the transfer and disposal of surplus property. Also, we found that the City did not have an Administration Regulation that addressed the handling of surplus property. Therefore, all three of the departments involved with the handling of surplus property had their own procedures, which were not in compliance with the City Ordinance or the Purchasing Manual.

We identified the following issues that needed to be addressed:

- The City Ordinance indicated that the Purchasing Division had responsibility for the transfer or sale of surplus property, however, the Purchasing Division was not included in the approval process for the transfer and sale of surplus property.
- CFM did not have a documented procedure for how to handle transfer and disposal of surplus property. We did find several emails dated 2005 that discussed a possible disposal process that had not been formally approved by the City Manager.
- CFM did not complete a Capital Asset Disposition Form for the transfer of surplus property and did not notify the Finance Department when property was transferred between departments. Therefore, PeopleSoft fixed asset records were not updated when transfers occurred.
- CFM did complete a Capital Asset Disposition Form, when disposed items were sold, but the Purchasing Division was not included in the approval process for the disposal and sale of surplus property.
- The Capital Asset Disposition Form was a multipurpose form and was required to be completed when surplus property was transferred or sold. It should be noted that the instructions for the use and completion of this form needed to be enhanced.
- When CFM sold vehicles at auction and received proceeds for the sale of the assets, the checks from the sale of assets were held in a safe for 30 days, and five employees had complete combinations to the safe. We were informed that checks were not endorsed when received, and sales proceeds were not deposited on the date received or by the next business day.
- CFM did not have segregation of duties in place as they ordered, received, paid invoices, sold/transferred surplus property, and received sale proceeds for vehicles/ equipment.

This situation arose because CFM was not following the procedure outlined in City Ordinance 54-96, and Purchasing Manual Section 13.0, and the City did not have an Administrative Regulation addressing the disposition of surplus property. Additionally,

- The Capital Asset Disposition Form was not being sent to purchasing for approval as required.
- Forms referenced in the City's Purchasing Manual for transfer and sale of surplus property were not the current forms being used for this purpose.

- The Purchasing Division had not developed and implemented a workflow process for the transfer and disposal of surplus property or implemented their own procedures.
- Instructions for the use of the Capital Asset Disposition Form did not address when this multipurpose form needed to be completed.
- Proceeds from the sale of auctioned equipment was not deposited on the date they were received.

If these issues are not addressed, CFM will continue to have total control over the transfer and disposition of surplus property. Asset records will not be accurate. Segregation of duties will not be effective and there is the potential risk for the misappropriation of funds.

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.

The City should consider the following recommendations for the handling of surplus property:

- CFM should develop an SOP related to the handling of the transfer and disposition of surplus property.
- CFM should complete a Capital Asset Disposition Form for all transferred surplus property and forward the form to purchasing division for approval as required.
- Capital Asset Disposition Forms for the sale of surplus property when completed should be forward to purchasing division for approval as required.
- Segregation of duties in CFM should be enhanced.
- Checks received for the sale of auctioned equipment should be endorsed and deposited on the day received.

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.

“All recordable assets, except constructed assets, should be recorded as soon as possible after title passes. Except in unusual circumstances, assets should be posted within 30 days after receipt and acceptance of the asset. Capital Asset Load Forms should be submitted, along with appropriate supporting documentation, by the department to the accountant handling fixed assets in the Finance Department for all capitalizable assets, regardless of acquisition method.”

“Once assets have been recorded in the fixed asset system and assigned an asset number, the accountant handling fixed assets in the Finance Department will send the department an asset ID tag to affix to the asset. This tag is not to be removed while the asset is owned by the City.”

“Please use the **Capital Asset** inventory list to conduct your annual physical inventory. The objectives of this inventory are to ensure the assets recorded in the PeopleSoft Asset Management Module physically exist, determine if unrecorded or improperly recorded transactions have occurred, and identify any excess, defective or obsolete assets on hand.”

We compared the fixed asset list received from Finance department to the fixed asset list received from Central Fleet Management (CFM), to determine if both fixed asset list were in agreement. We found that there were 106 fixed assets on the CFM asset list that were not on the Finance fix asset list. We also found that there were 147 fixed assets on the Finance asset list that were not on the CFM asset listing.

After further research and review of the fixed asset exceptions indicated above, we found the following issues and concerns that need to be addressed by CFM:

- Documented Standard Operating Procedures (SOP) had not been developed and implemented for important fix asset processes:
 - Process to set up assets in AssetWorks system.
 - Process to register vehicles with DMV.
 - Process to set up assets on PeopleSoft.
 - Process to handle receipt of assets.
 - Process to handle transfer of asset between departments.
 - Process for receiving and placing asset tags on fixed assets.
 - Process for performing the annual physical verification of CFM asset inventory.
- Asset Load forms for the setup of assets were not completed timely and sent to Finance department to be set up in PeopleSoft.
 - CFM placed vehicles in service on the date they were registered with DMV. To register a vehicle with DMV they required copy of the Invoice, and certificate of origin.

- Finance department required a copy of the invoice, certificate of origin, DMV registration, and a copy of the vehicle title as part of their supporting documentation before a vehicle could be set up in PeopleSoft.
- We determined that the title number was indicated on the vehicle registration evidencing title issuance by DMV.
- DMV takes a month or longer to send CFM the original title to their vehicles.
- CFM kept the original vehicle titles on file.
- CFM did not forward Capital Asset Disposition Forms for disposed fixed assets timely to Finance and Purchasing as required.
- CFM did not complete Capital Asset Disposition Forms when assets were transferred between departments. Therefore, transfer of asset information was not sent to Finance and Purchasing as required.
- CFM had not performed an annual physical verification of their fixed asset inventory since July 2017.
- CFM AssetWorks system had numerous missing asset numbers. CFM had not entered asset numbers into the AssetWorks system since January 2018.
- Asset tags had not been attached to assets since January 2018.
 - There were 247 asset tags that had not been attached to CFM assets.
 - CFM did not have a process in place for how to get asset tags placed on assets.
 - We were told by a seven year employee that they had never been responsible for placing asset tags on assets.
 - Senior management indicated he did not know how asset tags were placed on assets prior to our audit.
 - We were informed that it would take from six months to a year before the 247 asset tags could be placed on assets by CFM.

This situation existed because turnover of the Fleet Business Specialist position who received limited training on her job responsibilities. Also, document standard operating procedure for key fixed asset processes were not in place. In addition, Finance department required that they receive a copy of vehicle title before assets could be set up on the PeopleSoft system. This delayed the setup of assets for up to two months or longer. Further, the CFM accounting function was under staffed for their job responsibilities. Also, the Fleet Business Specialist had various job responsibilities outside of the accounting function that created numerous interruptions during the work day. Senior management did not provide effective monitoring of fixed asset operation.

If these situations are not corrected the operating efficiency of the accounting function will remain ineffective. Assets will not be set up timely. If staffing for the CFM accounting function is not increased operating efficiency will remain the same.

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.

The following items should be considered:

- CFM should consult with Finance to get them to discontinue requiring titles as part of their supporting documentation.
- CFM should develop a process for placing asset tags on equipment/vehicles timely.

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.

The Central Fleet Management (CFM) Customer Handbook stated that “Equipment which cannot be outfitted with a Vehicle Information Boxes (VIB) will be issued a fuel fob. Fuel fobs shall be used only for the equipment to which they are assigned to insure that fuel and mileage information is accurately allocated to the equipment for cost accounting, miles per gallon computations, and fuel transaction analysis. Departments are responsible for the security, control, and use of fuel fobs assigned to personnel under their supervision and for approving the replacement of fobs when reported as lost. Departments will insure that the fuel fobs are attached to the assigned equipment’s ignition key.”

Fob devices allowed departments the means to obtain fuel for certain vehicles/equipment that could not use VIB fuel device. We noted the following items related to fob usage:

- CFM assigned, set up and activated fobs for departments on the AssetWorks system for a specific number of gallons of fuel per use.
- Fob devices were set up for 5 to 25 or more gallons of fuel per transaction.
- Fobs were assigned to vehicles/equipment and not to individual employees.

- The AssetWorks system identified fob number, who used the fob, date of the transaction and amount of fuel pumped. The system did not have the ability to identify what vehicle/equipment was being fueled (i.e. gas can, tractor, city vehicle, non-city vehicle).
- A fob could be used up to six (6) times in a 24-hour day.

We reviewed the fob fuel process at CFM to evaluate control, security, issuance, monitoring of fob fuel usage, and if there was a periodic verification of assigned fobs. In addition, we developed and sent out a fob survey for departments to complete, which included a list of issued fobs for each department to verify. We found that CFM had issued 330 fobs to various City departments that were accessible and used daily by numerous employees and that the departments were not monitoring the Fob Fuel Usage Report to ensure proper use of fobs. The table below indicates the cost of fob fuel usage by departments for Fiscal Years 18 and 19.

Table 1 - Fob Fuel Used by Departments

Fiscal Year	Total # of Gallons	Total Cost
FY 17/18	76,515	\$145,811
FY 18/19	69,292	\$145,883
FY 19/20	82,541	\$157,443

We also identified the following issues and concerns related to the control, security, issuance, monitoring of fob fuel usage, and the periodic verification of assigned fobs:

- CFM did not have a documented standard operating procedure (SOP) that addressed the proper use and handling of fobs.
- Controls for unissued fobs needed to be improved:
 - Five employees had access to the unissued supply of fobs. In addition, these individuals had the ability to set up and activate fobs on the AssetWorks system. Therefore, segregation of duties was not in place.
 - Documented inventory records were not maintained for unissued fobs.
 - Documented approval process for the issuance of fobs had not been established. CFM manager provided verbal approval to issue fobs and the employee receiving the fob was not required to sign for the fob.
 - Audit of unissued fobs was not required.
 - Fob Fuel Usage Report was not being consistently reviewed by CFM supervisors to ensure proper use of fob fuel usage.
- Verification of issued fobs was not performed on an ongoing basis.
- The Fob Usage Report was not being consistently reviewed by supervisor(s) to ensure proper fob fuel usage.
- Verification of issued fobs was not performed on a periodic basis. In addition, departments that have been issued fobs were not reviewing Fob Fuel Usage

Report and had never inventoried the fobs they had on hand. Training for departments needs to be improved.

The results of our department survey related to fobs revealed the following:

- Does anyone in your department have access to the CFM AssetWorks system? If no why not?

Response: Majority of the departments (89%) had access to the AssetWorks system.

- Does anyone in your department periodically review FOB Fuel Usage Report to determine if fobs' are being properly used? If yes who performs that review and how often are reports reviewed? If no why not?

Response: Majority of the departments (89%) were not aware the Fob Fuel Usage Report existed.

- Has anyone in your department been trained on how to use and access information on the AssetWorks system? If no why not?

Response: Majority of the departments received minimum training on the AssetWorks system. However, several departments indicated if they had any issues, they contacted CFM to assist in resolving their issues.

- Fob Fuel Usage Report was set up in AssetWorks so that departments could have the ability to review fob fuel usage?

Response: Majority of the departments (89%) had never verified their fob inventory.

In addition the fob verification performed by the departments as part of our survey revealed that, of thee 330 fobs held by the departments, 72 (22%) of those fobs could not be located and needed to be deactivated. The detailed results of the verification of fobs held by the department are indicated below:

Table 2 - Fob Inventory Results by Departments

Department	# of Fobs	# of Missing Fobs	% of missing Fobs
Fire	30	3	10%
Garage	15	5	33%
Parks & Recs	90	13	14%
Public Utilities	65	25	38%
Police	23	4	17%
Sheriff	31	9	29%
Public Works	69	13	19%

Economic Development	4	0	0%
CIBH	3	0	0%
TOTAL	330	72	22%

This situation existed because there were no documented procedures that described how to control, secure, monitor, and periodically verify assigned fobs and their usage. In addition, there was minimal training provided to the department's on the AssetWorks system related to their responsibility for fob usage. Further, our survey revealed that departments thought CFM reviewed fob fuel usage even though CFM's Handbook indicated that it was the department's responsibility to review fob usage; therefore, no one was reviewing fob fuel usage for possible misuse.

If these situations are not addressed, the lack of proper controls over fobs may lead to risk of loss, and/or misuse of 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.

The following items should be considered:

- CFM should establish how often the Fob Fuel Usage Report and verification of fobs should be completed. Once the frequency has been determined, it should be communicated to the departments. Consider reviewing the Fob Fuel Usage Report monthly and that the verification of fobs be completed semiannually.
- CFM should ensure that departments are aware that they are responsible for security, control, and usage of fobs and they should create SOP's for their department.
- CFM should provide additional training for departments on AssetWorks, system access, and reports related to monitoring fob fuel usage.
- Consider creating new crystal report(s) to assist departments with the ability to identify possible misuse of fobs.
- Issuance of fobs should be limited to the extent practical. Inventory records should be maintained for unissued fobs. Suggest creating a log with the following information: fob#, date issued, issued by, received by and list all unissued fob on the log. Complete log as fobs are issued.
- Approval for the issuance of fobs should be documented. CFM manager provides verbal approval for the issuance of fobs and the employee receiving the fob was not required to sign for the fob.
- Verification of unissued fobs should be completed on a periodic basis.
- Fob Fuel Usage Report should be reviewed on a monthly basis by CFM supervisors.
- Verification of issued fobs should be performed on periodic basis.

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.

Billings should be performed in a consistent manner and on a consistent schedule to ensure that all items to be billed are included and that the recipient had the funds available when the billing arrived.

Audit reviewed the fuel and repair billings that Central Fleet Management prepared for the Chesapeake Public Schools, Mosquito Control, Chesapeake Airport Authority, and Cedar Manor and found that the billings were not consistently being prepared monthly in accordance with Central Fleet Management goals.

During calendar year 2019 billings for the Public Schools, Airport Authority, and Cedar Manor were found to be billed late five out of the twelve months, or 41.7% of the time (5/12 months.) Months were billed as many as three months late.

Mosquito Control fuel costs were billed anywhere from one month late to as many as seven months late. One invoice reviewed billed five months while another invoice billed eight months.

The Central Fleet Management had a goal of monthly billings but did not have a written policy in place to mandate monthly billings. Also, the Central Fleet Management administrative personnel, especially the Fleet Business Specialist, had other job duties

that at times necessitated the agency billings to be relegated to a “when we can get to them” status.

If these conditions continued, billings would continue to be late and reimbursements to the City would continue to be late. Each month a billing is late increased the chance that an item would be omitted from the invoice. Inconsistent billing periods can have a negative impact on the recipient’s funds flow and budget. Also, trying to maintain a monthly billing cycle increased the workload required of the Fleet Business Specialist and other Central Fleet Management Administrative staff.

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

- Consideration should be given to changing the billing frequency from a monthly billing cycle to a quarterly billing cycle.

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.

Central Fleet Management’s *Customer Handbook* dated September 2018 included the following:

“1.2 Vision: To implement best practices in fleet management that deliver world-class automotive service and support through well trained, empowered, and caring employees.

1.3 Mission Statement: Central Fleet Management’s mission is to provide efficient and cost effective fleet management services for a safe, economical, and environmentally sound fleet that meets the needs of our customers and which protects the investment of our citizens.

1.4 Services: Central Fleet Management owns and maintains the City’s fleet of automotive, off road and turf equipment, manages seven automotive refueling facilities, provides vehicles and construction equipment to departments through a lease program, maintains a pool of vehicles available to the departments for local travel and work, and manages the contract for rental vehicles for out-of-town travel.”

We identified several areas where Central Fleet Management related operating practices could be enhanced, including the following:

- Central Fleet Management's Standard Operating Procedures (SOPs) were not consistently and timely reviewed, leaving some no longer applicable. For example, Vehicle Disposal Process. Operations – 3 (April 2006), was not in compliance City of Chesapeake Purchasing Policies and Procedure Manual (April 2019).
- Central Fleet Management through Information Technology had cameras installed at each fuel site. Central Fleet Management typically assigned a person to review the recordings of the fuel sites daily. However, there were no cameras to monitor the Garage grounds, and there was no log to document that the fuel sites' cameras were being checked daily.
- There was no signage visible to the public or employees at the different fuel sites notifying them that a video surveillance system was in use.
- Each motor pool car contained a folder with an excerpt of the Fleet User Manual, an accident protocol, and a City Travel Log. There was no information contained in the vehicle such as an owner's manual to describe the basic items of starting a vehicle (some require the key in the vehicle, some require the key inserted in a slot beside the steering wheel); how to turn on lights, or use windshield wipers.
- Access to AssetWorks allowed supervisors and department heads information for managing fuel usage, mileage, and other costs. However, AssetWorks did not have complete information for all departments.
- Signage at fuel sites was not prominent and instructive to direct drivers through their expected actions if there was a fuel spill, perform emergency shutoff, or how to report an emergency.
- OSHA (1910.211(d) (63)) required a listing of authorized users of industrial equipment such as cutters, lathes, or brakes used for fabrication of parts. Central Fleet Management considered all mechanics as authorized persons and did not post a listing of authorized users.
- Maintenance of fuel sites was not consistently adequately documented; instead Central Fleet Management relied on the memory of the Fleet Safety Specialist who coordinated most of the required repairs and maintenance. On various inspection reports, there were numerous asterisks that were circled and some not circled. There were no written resolution or status explanations for the notations.
- Periodic preventative maintenance of equipment fuel sites did not consistently include all of the same type of equipment during maintenance.
- Each fuel site had an emergency diesel generator to power the fuel sites during an emergency loss of electrical power. Facilities Maintenance contracted for the service and testing of the diesels generators. However, Central Fleet Management did not have records of the periodic testing. Additionally, Central Fleet Management did not test whether the fuel system would be operational on the emergency diesels.
- Each fuel site had an emergency shutoff switch. Those switches were not tested.
- State inspection stickers were kept in the Garage's safe without adequate safeguards on access to them.

These conditions existed for a variety of reasons ranging from timeliness of SOP updates to facility testing practices.

However, if these conditions are not addressed Central Fleet Management's operations may not be as optimal as they clearly intend them to be.

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

The review process should include:

- Reviewing Central Fleet Management's Standard Operating Procedures;
- Consider adding surveillance cameras to cover the Garage grounds.
 - Implementing a log to document that all cameras are being checked daily to ensure that they are operating properly.
 - Posting signage visible to the public and employees at all main entrances points to the fuel sites, and garage grounds, providing notice that a video surveillance system was in use.
- Ensuring that information is maintained in vehicles such as owner's manual to describe starting the vehicle; turning on lights, and other items.
- Ensuring AssetWorks database includes all employees (except those not authorized to operate City vehicles); equipment; and vehicle information; and is available for management review.
- Design and install signage at fuel sites that is prominent and instructive to direct drivers through their expected actions in the event of a fuel spill,
- Establishing a listing of authorized users of industrial equipment such as cutters, lathes, or brakes used for fabrication of parts.
- Documenting maintenance of fuel sites with clear terminology and supervisory review. Also, coordinating periodic testing and status of each fuel site emergency diesel generator with Facilities Maintenance, including load testing of capacity.
- Developing a process for periodic testing of emergency shutoff switches.
- Develop safeguards for State Inspection stickers

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.

According to Section 12.3 *Documentation and Planning* of the City’s Purchasing Policies and Procedures Manual;

“The more complex the project, the more planning is required to administer the contract. The using department should utilize an implementation plan or contract list for each contract that requires multiple or scheduled actions by the contractor during the contract period. The plan should be based on the contract, and list the specific contract requirements. The implementation plan will help to ensure the contractor fulfills the obligations of the contract.”

Central Fleet Management was responsible for planning and managing vehicle and equipment procurement and repairs based upon requests from the departments and the City’s overall needs. We identified a number of issues related to the planning and administration process:

- Central Fleet Management’s contract workflow relied on paper approvals, and that process created delays, sometimes months long. Central Fleet Management had discussed developing an electronic workflow process with Information Technology, but that project became delayed indefinitely due to the implementation of Office 365.
- Some vehicle and equipment repairs exceeded Central Fleet Management’s capabilities or their workload levels required outside vendors to be used. Scopes of work for outside vendor contracts did not always specify expected requirements such as vendors having trained and certified technicians.
- Central Fleet Management expended countless hours soliciting three written competitive pricing quotes for projects between \$1,000 and \$4,999.99, and one quote for projects less than \$1,000. This time expended could be significantly reduced by having multiple contracts with vendors for non-warranty repair work.
- Central Fleet Management requested a contract for fuel site equipment maintenance. After initial submission to Purchasing, Central Fleet Management requested revisions to add critical repairs. The revisions created additional rework for Purchasing.

These conditions appeared to be related to contract planning challenges as well as communication issues between Central Fleet Management and Purchasing on contract requirements.

If these conditions continue, delays in both contract processing and service delivery may result.

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

We suggest Central Fleet Management consider the following:

- Continue working with Information Technology to develop an electronic approval process for departments' requests for vehicles and other such equipment.
- With Purchasing, establish contracts with several surrounding garages to perform routine repairs as needed for items under \$5,000 and implement a set of standard template contracts that clearly define expectations within the scope of work for larger projects. The scope of work should include any expected requirements such as training and certifications for the contracted vendor's garage's technicians or potential additional repair requirements where applicable.

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.

Administration Regulation 1.06 – City Safety Equipment Policy: “The City of Chesapeake provides employees with safety equipment where the nature of an employee’s duties may expose them to possible hazards. The following regulation is established to provide each department, where equipment is utilized, with a guide as to the conditions under which such equipment shall be supplied.”

We identified a number of safety issues at the fuel sites and other Central Fleet Management related physical locations. These were as follows;

- Not all City staff fueling their vehicles knew the location of the fuel sites' emergency shutoff switches when asked at fuel sites. Also, signage showing the location of emergency shutoff switches was not always clear. As shown below, the signage was sometimes a considerable distance from the actual pumps.



- There was no alarm system to notify Emergency Dispatch of a fire or other emergency. Several of the fuel sites were in isolated areas.
- Each City fuel site had at least one fire extinguisher in place, enclosed in a locked box. Some of the locked boxes had chains attached for a hammer to break the glass in case of an emergency, but some of the chains did not have hammers attached to the chains.
- There were no supplies located at each fuel site to clean up spills for when and if they occurred; however there were no instructions at each fuel site for how to handle emergency fuel spills.
- Emergency shutoff switches were not being periodically tested by CFM.



- The underground tank vents had no reflective or visual warning paint to alert drivers of location. The concrete slab over the underground tanks had recent tire tracks towards the vent piping at Fuel Site 7 (Hickory area). Also, the vent piping at Bowers Hill Fuel Site was not protected by bollards or other barriers.



- The Garage did not consistently connect exhaust hoses to vehicles while vehicles were in the Garage during inspections, as required by state code.
- The Occupational, Safety, and Health Administration (OSHA) required “suitable facilities for quick drenching or flushing of the eyes and body shall be provided within the work area for immediate emergency use.” The Garage had two plumbed eyewash stations and one portable eyewash station. There were insufficient number of and locations of eyewash stations for quick drenching or flushing of eyes. We observed one plumbed eyewash station that was blocked. Garage staff immediately corrected this when informed of it.



- Bollards were frequently damaged from impacts of vehicles. Bollards were clearly marked, but engineering controls such as painting lanes had not been incorporated to reduce the frequent bollard damage.



- Additionally, several fuel sites had canopy leaks, and one site had floodlights on during the day;

These conditions generally resulted from lack of oversight. Additionally, Central Fleet Management assumed that drivers would be able to access fire extinguishers or emergency shutoff switches, and bollard damage was inevitable.

If these conditions continue, there is continued risk that fires or other emergencies at fuel sites cause increased damage due to delays in notification. An insufficient number of eye wash stations creates risk of injury, and bollard and equipment repair may occur more frequently than necessary,

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

Central Fleet Management should consider:

- Installing an alarm switch connected to Emergency Dispatch;
- Developing a training program, where practical, for all City vehicle drivers on fire extinguisher operation and emergency response actions.
- Reviewing signage for emergency shutoff switches, spill response, and fire equipment.
- Developing controls that mitigate bollard, underground tank vent piping, and other equipment damage.
- Testing emergency shutoff switches on a periodic basis.
- Placing supplies to clean up fuel spills at each fuel site.
- Placing instructions on how handle an emergency fuel spill at each station.

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.

CENTRAL FLEET MANAGEMENT (CFM) CUSTOMER'S HANDBOOK September 2018
"1.3 Mission Statement: Central Fleet Management's mission is to provide efficient and cost effective fleet management services for a safe, economical, and environmentally sound fleet that meets the needs of our customers and which protects the investment of our citizens."

Audit reviewed the fuel replenishment process and made site visits to each city fuel site and found the following:

- There were seven city owned fuel sites located throughout the City.
- Fuel sites were unattended.
- Each morning CFM staff checked each tank, via the AssetWorks system, and determined if a fuel delivery was needed or if fuel levels, in each tank, were at acceptable levels.
- Each morning CFM staff observed each site, by use of cameras, to determine if each site was ready for operations.
- The CFM safety officer visited and inspected each fuel site once a week.
- CFM staff ordered fuel, as needed, with orders being delivered when required.
- Invoices, and bills of lading, were emailed to CFM staff by the vendor after each delivery.
- CFM staff verified invoice amounts to bills of lading and recalculated invoice cost.

- AssetWorks recalculated the billable fuel cost each time a fuel tank was replenished.
- There was no process in place to periodically recalculate system calculations of billable fuel costs to ensure that the system was working as designed.
- There was no security alarm on fuel tank access caps. Anyone was able to remove an access cover and fill pipe cap. Additionally, a cap not properly secured may allow rainwater to enter the underground tank.



Typical underground tank fill cap inside overflow cup

- Fuel pump meters were calibrated every five years. Recent calibration testing of fuel pumps indicated that nine (9) of the forty five (45) fuel pumps tested needed to be recalibrated. It should be pointed out that the reason these pumps needed to be recalibrated was because of leaky seals within each pump. Additionally, the cost to calibrate and replace the leaky seals was relatively inexpensive.
- Central Fleet Management did not have a documented Standard Operation Procedure (SOP) for how to handle the fuel replenishment process.

These conditions occurred because there was a reliance on the computer system AssetWorks to automatically, and correctly, calculate the billable price per gallon based on data entered by Central Fleet Management and volume data from remote tank sensors. The need for sensors and remote alarms on underground tank fill caps were not included during contract negotiations for underground tank sensors and monitoring system. Private fuel pumps were not required to undergo calibrations the way that public, commercial pumps were. This lack of requirement led Central Fleet Management to underappreciate the need for accurate pumping data. The lack of a documented Standard Operation Procedure was the result of the Central Fleet Management not having taken the time to document policy and procedures. Central Fleet Management relied on employees verbally training each other.

If these conditions continue, Central Fleet Management will not have assurance that the billable fuel cost is accurate or that the amount of fuel pumped is correct. The daily checking and rechecking of invoices and tank levels is time consuming and redundant.

The lack of physical security on the fuel caps, and tanks, could lead to those tanks being compromised with contaminants, or inventory loss, either by accident or design. Written and documented Standard Operation Procedures are necessary to ensure that processes are carried out in a thorough and consistent manner.

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

- Consideration should be given to changing the frequency for calibrating fuel pumps from five years to three years and have all seals on each fuel pump changed at the time of calibration.
- Installing an alarm on each fuel tank fill cap so that CFM is notified when fuel tank caps are accessed.
- Developing and documenting an SOP that outlines the fuel replenishment process from beginning to end.
- Developing and documenting an SOP that outlines the fuel pump calibration process.

Response - Fuel tank access caps are inspected weekly and documented on our weekly inspection report. We'll look at 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.

As a local government entity, the City was subject to Office of Management and Budget Circular A-133 (Circular), which required it to maintain effective control over financial reporting. According to the Circular "Internal Control means a process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) Effectiveness and efficiency of operations; (2) Reliability of financial reporting; and (3) Compliance with applicable laws and regulations.

Our review of the records of the Administrative function job responsibilities, we found the following issues:

The Fleet Business Specialist's job responsibilities included:

- Administration of the Fleet Maintenance Management System including system maintenance, upgrades, user training, workflow processes, and database administration. This will include administering the system for Schools as well when they switch to AssetWorks.
- Develop, design and prepare standard and nonstandard reports using Crystal Reports for various internal and external customers.
- Assist in long term planning to include budget preparation and submission. Including all budget adjustments required throughout the year for city council.
- Compile data for budget. Forecast future expenditures and evaluate trends and plans that may affect Fleet's operations, and provide explanations for changes.
- Administer the flow of money. Approve invoices which included verifying correct expense allocations, charge allocations, and charges are entered into AssetWorks as required.
- Enter purchase orders and verify required information is received for assets with appropriate funding. Maintain documentation for all steps in procuring assets.
- Prepare and maintain various financial reports.
- Accounting activities by either handling or directing staff on accounts payable, receivable, payroll, month end, and year end. Budget entries, documents and verifying accruals.
- Prepare and maintain various financial reports including year-end reports.
- Basic assistance for technology issues within the department on computers including basic training on computers and basic troubleshooting of printers within the department.
- Updating Fleet SharePoint Site with information for departments.
- Issuance of computers to new employees. Maintain basic IT hardware for department.
- Answering phone calls for department.
- Assisting customers when they arrive.

AssetWorks:

- There were seven employees that had system administrator access to the AssetWorks system.
- AssetWorks system updates were not implemented but every 2 years. Fleet is in the process of updating to version 19.
- It was noted that there was insufficient time being allocated to system testing when the AssetWorks system was updated.

This came about due to budget restrictions, over the last several years, that have not allowed CFM to add a new administrative staff person.

Having a large quantity of diverse job duties, assigned to one person, created numerous interruptions during the work day. This in turn caused multiple job responsibilities, such as billing and setting up assets, to not be completed timely. There was, also, no time to train staff, create needed system reports, correct system data, and improve system efficiency. The Central Fleet Management administrative staff did not have time to

adequately monitor areas such as setting up assets or develop adequately trained backups and associated policy and procedures.

Also, having duties that would normally be segregated, such as IT administrative control and financial controls, in the hands of a single position created segregation of duty issues.

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

The number of staff that have administrative rights to the AssetWorks system should be reviewed and kept to a necessary minimum.

Administrative changes to the AssetWorks system should be reviewed regularly.

Have a backup for the Fleet Business Specialist (FBS) position, in case the FBS is absent for an extended period of time and/or resigns. This can be accomplished by cross training qualified staff or having a backup person fully trained on the FBS's job responsibilities. This was a critical position for CFM operations

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.

APPENDIX A

RESPONSE FROM CENTRAL FLEET MANAGEMENT OFFICIALS

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Chesapeake

VIRGINIA

City of Chesapeake



2005-Present



2009-Present



2009, 2010, 2016 #22,
2017 #1, 2018 #45,
2020 #34



2014-Present



2012-Present



2015-Present

Central Fleet Management
956 Greenbrier Parkway
Chesapeake, Virginia 23320
(757) 382-3375
Fax (757) 382-3391



2016-Present

Memorandum

TO: Jay Poole, City Auditor

FROM: George Hrichak, Fleet Manager

DATE: September 16, 2020

SUBJECT: Internal Audit Report – Central Fleet Management

Central Fleet Management has reviewed the findings of the internal audit conducted by you and your staff. We have provided responses to the recommendations contained within the audit.

As indicated in our responses, Central Fleet Management generally agrees with the conclusions. We have already begun efforts to implement some of the recommendations and are pursuing an action plan for others. We consider this outside input as an opportunity to improve service as well as increase efficiency. A number of the recommendations require resources beyond Central Fleet's control, however we will be making additional requests in an effort to implement them.

Central Fleet Management sincerely appreciates the Audit Department's approach to performing this audit. Your staff took care in both interviewing key employees, analyzing processes, and making recommendations. During this whole process, staff felt their input was carefully considered. This type of customer service by an internal Department has facilitated open communication, and will result in a more enthusiastic implementation of changes.

If you have any questions, please call me at 382-3379.

Central Fleet ~ Excellence in Fleet Services

*"The City of Chesapeake adheres to the principles of equal employment opportunity.
This policy extends to all programs and services supported by the City."*

C. Operational 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 intentions 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.

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

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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.

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

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