

**FLEET REPAIR AND
MAINTENANCE WARRANTY
WORK**

AUDIT REPORT #0324

September 2003

Copies of this audit report #0324 (project #0306) may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index/html>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooleym@talgov.com).

Audit conducted by:

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MEMORANDUM

To: Mayor and Members of the City Commission

From: Sam M. McCall, City Auditor

Date: September 8, 2003

Subject: Audit Report on Fleet Repair and Maintenance Warranty Work (#0324)

We have completed an audit of Fleet Repair and Maintenance Warranty Work (#0324). We submit this report which contains audit objectives and the action plans provided by the employees responsible for their implementation. We will follow up on the implementation of the action plans on a periodic basis.

We thank the employees of Fleet Operations for sharing their knowledge and opinions in this cooperative effort.

Please let me know if you need further information or wish a briefing on this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sam M. McCall".

Sam M. McCall
City Auditor

SMM/mbd
attachment

cc: Members of the Audit Committee
Appointed Officials
Executive Team
Terry Lowe, Interim Fleet Superintendent
Paula G. Cook, Records Management Officer

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Fleet Repair and Maintenance Warranty Work



Sam M. McCall, CPA, CIA, CGFM
City Auditor

Report #0324

September 8, 2003

Executive Summary

This audit reviewed the City's Fleet Division (Fleet) repair and maintenance warranty work program for the period of October 1, 1999, to December 31, 2002, and selected records through May 2003. Our review addressed manufacturer warranty agreements, warranty and recall repairs by Fleet staff and local dealerships, vehicle and part warranty information contained in Fleet's automated recordkeeping system (FASTER), and compliance with the City's Fleet Management Policy #124 (the preventive maintenance program).

*Fleet has warranty
agreements with four
manufacturers*

Fleet has warranty agreements with four manufacturers: Ford, General Motors [GM], International, and E-One. These agreements allow Fleet to make the necessary warranty repairs and bill the manufacturers for the cost of parts and labor. Our audit included all 1,890 vehicles for model years 1999 – 2002. We selected 567 of these vehicles that were made by the four manufacturers the City had warranty agreements with for a closer review. The maintenance and repair costs associated with these 567 vehicles totaled \$3.3 million as recorded in Fleet records.

*FASTER records not
sufficient to identify
warranty repairs*

Based upon information obtained from manufacturers for claims submitted, Fleet complied with most of the terms and conditions of the warranty agreements. We could not determine from Fleet records (FASTER) whether Fleet took full advantage of the vehicle manufacturer warranty agreements as Fleet had not coded work orders to indicate warranty work. Individual work orders also did not provide sufficient information to identify replacement parts since generic "TC" codes (such as "TC51" for general accessories) were used for parts. (See Audit Report #0303, Fleet Parts Operations, for a review of internal controls in the Parts Section.)

Some safety recall repairs had not been completed

Fleet had not completed manufacturer’s safety recall repairs for seat belts for Ford Crown Victoria and Expedition models. Fleet also had not completed safety recall repairs for brakes for International heavy truck models.

Warranty claims not always deposited timely

We asked the four manufacturers that Fleet had warranty agreements with to identify the amount they paid the City for warranty reimbursements. The manufacturers indicated that during the three-year audit period \$9,265.37 had been paid for warranty reimbursements to Fleet. For these warranty claims we found that Fleet had filed the claims timely and billed labor costs at rates authorized by the agreements but had not maintained adequate records to support the filed claims. We also found that Fleet had not timely deposited two of these payments. Further, the labor rates authorized in the agreements were too low when compared to rates charged to City departments and rates charged by local repair shops.

Warranty claims payments deposited

We determined that payments from warranty claims were deposited properly. However, Fleet had not established a separate revenue account for warranty reimbursements or established accounts receivable for these payments.

Departments did not receive full refunds for warranty repairs as some funds went for employee bonuses

City financial records showed that Fleet billed departments for claimed warranty work but did not provide full refunds when reimbursement payments were received from manufacturers, keeping a portion of the reimbursed amount for employee bonuses. The interim Fleet Superintendent has eliminated the practice of paying employee bonuses from warranty reimbursements and has returned the entire reimbursement to the billed department.

Fleet had not provided reports on preventive maintenance service

Fleet did not furnish a report of ‘no-shows’ for preventive maintenance services to department directors and Assistant City Managers in accordance with City Commission Policy #124CP. Fleet also did not provide department directors with notices of those vehicles that missed a third notice for preventive maintenance service as required by City Commission Policy #124CP. Neither of these reports is a standard report from the FASTER system. An

audit of selected application and general controls (including reports) of Fleet's FASTER system is the subject of audit report #0325.

*Interim Fleet
Superintendent makes
improvements*

On October 1, 2002, an interim Fleet Superintendent was appointed and began making improvements to address issues noted in Audit Report #0303, Fleet Parts Operations. The interim Superintendent:

- ◀ has eliminated the use of "TC" codes, and the new Parts Manager is using original equipment numbers for parts;
- ◀ directed the implementation of an upgrade to the FASTER recordkeeping system;
- ◀ hired a business analyst into a new position to administer the FASTER system;
- ◀ coordinated staff training on the new FASTER version;
- ◀ established work groups of Fleet staff to study the FASTER user manual, recommend modifications to local procedures to take advantage of the features within FASTER, including warranty work; and
- ◀ facilitated training on the procedures to other staff.

In addition to these improvements, we recommend that Fleet:

- ◀ request an increase to the manufacturers' approved hourly labor rates in warranty agreements used in preparation of warranty claims;
- ◀ maintain adequate records to support the warranty claims submitted to manufacturers;
- ◀ include vehicle and part warranty information in FASTER to ensure improved claim processing;
- ◀ adopt work order procedures to include a code for vendor, factory, and shop repair activities and replacement parts when establishing repair type codes for warranty and recall repairs;
- ◀ complete the brake and seat belt safety recall repairs via dealerships or in-house as soon as possible or take the vehicles out of service;
- ◀ adopt a procedure to not bill customers for warranty work and, if billed in error, issue credits to the customers' work orders in FASTER in the amount of the manufacturer's payment;

- ◀ coordinate with Accounting Services to establish a revenue account to track the receipt of warranty reimbursement payments; and
- ◀ review the reporting requirements of City Commission Policy #124CP and the preventive maintenance reports available in FASTER and determine in consultation with users what reports should be provided to department directors and assistant city managers on a monthly, quarterly, or annual basis.

We commend the interim Superintendent for his actions to date and would like to express our appreciation to Fleet staff for their assistance and cooperation in conducting this audit.

Fleet Repair and Maintenance Warranty Work



*Sam M. McCall, CPA, CIA, CGFM
City Auditor*

Report #0324

September 8, 2003

Objectives

Our primary objectives were to answer the following questions:

- Did Fleet comply with the terms and conditions of the vehicle manufacturers' warranty agreements?
- Was the FASTER system implemented properly to take full advantage of the benefits of the warranty agreements by identifying warranty repair work orders and parts covered by warranty?
- Did Fleet have records of manufacturers' recall notices?
- Were payments from warranty claims deposited timely and properly?
- Did Fleet customers (departments) receive full refunds for reimbursed warranty work?
- Did Fleet comply with City Commission Policy #124CP and furnish a report of preventive maintenance "no-shows" and third notices to City managers?

Scope

The scope of this audit included a review of the City's Fleet Division repair and maintenance warranty work for the period of October 1, 1999, through December 31, 2002, and selected records through May 31, 2003.

Methodology

To address the above objectives, we:

- interviewed staff in the Fleet Division, key customers, and vehicle manufacturer and dealership representatives;
- reviewed records and documents maintained by Fleet, records maintained in the FASTER system, and records in the City's Financial system; and

- reviewed applicable Treasurer-Clerk's documentation for deposits of warranty payments from manufacturers.

We also performed data analysis, conducted tests of controls, and performed relevant detailed tests of transactions. These audit procedures were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

Background

The Fleet Division (Fleet) of the Public Works Department currently reports directly to the Assistant City Manager, Development and Transportation Services. Prior to September 2002, Fleet reported to the Public Works Department Director. In September of 2002 the Fleet Superintendent retired; he was subsequently and retroactively fired and an interim Fleet Superintendent was appointed. The Fleet Parts Supervisor resigned on October 1, 2002; he was subsequently arrested, retroactively fired, and charged with grand theft. Two additional Fleet employees were also arrested, fired from the City, and charged with grand theft. See Audit Report #0303, for a review of the internal control weaknesses in Fleet Parts operations.

Fleet acquires City vehicles and heavy equipment and provides routine repair and preventive maintenance services. Fleet also maintains inventories and issues parts, fuel, and oil for the City's fleet and coordinates warranty and manufacturers' recall repairs with local dealerships. Fleet has warranty agreements with four manufacturers: Ford, General Motors [GM], International, and E-One.

Fleet operations are accounted for as an Internal Service Fund. The City's annual audited financial statements as of September 30, 2002, reported operating revenues of \$17.6 million, operating expenses of \$18.4 million, and a resultant operating loss of

\$840,000. (A major portion of this loss is attributable to part of a multi-year fraud in the Parts Unit, discussed in Audit Report #0303, Fleet Parts Operations, issued in December of 2002.)

Fleet utilizes the FASTER automated recordkeeping system to manage their operations. FASTER consists of multiple modules, including Assets (vehicle information and history), Fuel (purchases, issuances and inventory), Parts (purchases, issuances and inventory), Reports (pre-designed for management's use), and Work Orders (recording repair labor and parts costs for billing). The City Auditor conducted a review of the Fleet's FASTER system application controls, Audit Report #0325, issued September 5, 2003.

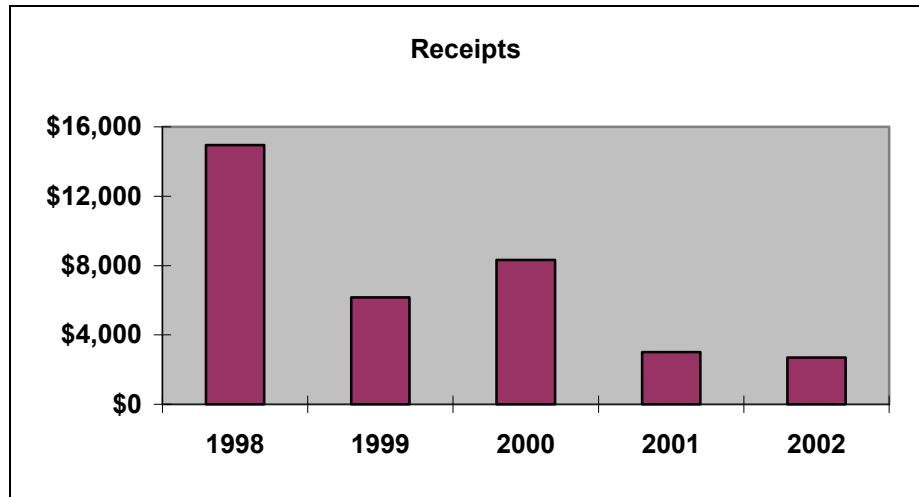
Fleet performance measures related to this audit include:

- percent of preventive maintenance completed as scheduled, and
- increase in revenue from the warranty recovery program.

According to the Public Works Fleet Management web site, the percent of preventive maintenance completed was 87% and 90% for fiscal years 2001 and 2002 respectively.

According to the City's financial records, Fleet has received \$35,130.49 in reimbursement payments from manufacturers during the five fiscal years ending in 2002. The amount of reimbursement payments has decreased steadily since 1998 from a high of \$14,947.72 to a low of \$2,692.09 in 2002.

Chart 1. Warranty Claim Reimbursements



Issues and Recommendations Regarding the Warranty Program

Records to support claims were not maintained and approved hourly labor rate too low

Manufacturers’ Records Showed that for Claims Submitted, Fleet Complied with Most of the Terms and Conditions of the Vehicle Manufacturers’ Warranty Agreements

Based on our review of warranty claims paid by manufacturers, Fleet processed claims within time deadlines contained in the manufacturers’ warranty agreements and within hourly wage rates established in the agreements. However, Fleet did not maintain records to support claims submitted as required by the agreements.

The Ford and GM authorized hourly labor rates were too low when compared to the amount Fleet charged customers and the amount charged by repair shops in the Tallahassee area. We found that the hourly labor rate approved by Ford in 1996 was \$40.00 and the GM rate approved in 2001 was \$42.95. The amount Fleet charges customers is \$46.00 and was established in 2001 subsequent to an analysis of Fleet costs by Accounting Services. The hourly labor rate for repair shops in the Tallahassee area is \$62.50. Fleet Management requested an increase in the Ford approved hourly labor rate to \$46.00 and received confirmation of the increase effective April 9, 2003.

Fleet did not maintain copies of work orders, invoices and other supporting documentation of claims submitted to manufacturers as required by the warranty agreements.

We recommend Fleet coordinate with Accounting Services to conduct another analysis of Fleet labor costs and determine a new hourly rate. Fleet should then request an adjusted rate from the manufacturers based on the results of the cost analysis and the rate charged by local repair shops. We also recommend that Fleet maintain adequate records (copies of work orders, invoices, etc.) to support warranty claims filed with manufacturers.

The FASTER System Was Not Implemented Properly to Take Full Advantage of the Benefits of the Warranty Agreements by Identifying Warranty Repair Work Orders and Parts Covered by Warranty

Records in FASTER were not adequate to determine if all warranty repairs were filed with manufacturers

We could not determine from Fleet records whether Fleet took full advantage of the manufacturers' warranty agreements since Fleet had not implemented the FASTER system properly. For example, Fleet did not:

- require staff to consistently classify work orders with the appropriate reason codes;
- record equipment warranty information;
- record parts warranty information; or
- implement the latest version of FASTER.

Coding on work orders did not identify warranty or recall repair work

Records in FASTER for repairs were not adequately coded to identify the repair type (warranty, preventive maintenance, general repair, etc.) or whether the part was covered by a replacement warranty. Fleet did not require staff to accurately identify warranty and recall repair work. Work orders matching GM warranty claims should have used reason code 'S' for factory warranty but were

coded with reason code ‘2’ meaning general repair. We found the same condition for recall repair work.

We reviewed a sample of work orders in the FASTER system to identify factory or recall warranty work that was not submitted to the manufacturer. We selected 12 vehicles and reviewed 186 work orders. We found two work orders out of the 186 where parts and labor were charged that appeared to be covered by warranty. We inquired of Fleet staff and they confirmed that these parts and labor should have been covered by warranty and should have been filed. However, we could not easily determine the total amount of warranty work that was not claimed from the manufacturers.

Warranty information on equipment not recorded in FASTER

During the above process, we reviewed 12 vehicle records in FASTER, and we found that Fleet had not recorded warranty coverage information for five of the vehicles in FASTER. This is an essential piece of information as the service writer, technician, and shop supervisor refer to warranty information when receiving operator complaints, performing preventive maintenance, and diagnosing repairs to determine whether the repairs are covered by the manufacturer’s warranty. Since the warranty information is often not available in FASTER, staff must rely on their judgment and recollection about the warranty coverage and the vehicle history or take the time to research the hard copy vehicle records on file. We recommend Fleet require all warranty information for equipment be included in FASTER, (bumper-to-bumper, battery, tire, transmission, etc.).

Warranty information on parts not recorded in FASTER

Warranty information for parts purchased from parts stores should also be entered in the FASTER system. Parts staff had not entered warranty information in FASTER for parts. FASTER provides a warning notice to Parts staff when they issue a replacement part

during the warranty coverage period. Fleet has recently negotiated parts supply contracts with local vendors that include warranty provisions. The vendor's warranty for a part starts from the date the part is installed in the vehicle. Parts staff are required to maintain a record of the work order that documents the issued part to the work order and installation of the part in the vehicle. This is particularly important for parts that are stocked on the shelves in the storeroom. The intent is for the warranty on the part to start on the date of the installation, not the date of receipt of the part from the vendor. Fleet issued 2,428 different parts during the audit period, and, during the month of May 2003, Parts staff added over 200 parts warranties to FASTER. We recommend Parts staff continue to add parts warranties to FASTER.

The interim Fleet Superintendent has implemented an upgrade to the FASTER system, hired a business systems analyst into a new position to administer the FASTER system, and has established work teams of Fleet staff to review the FASTER user manual and recommend changes in Fleet practices and procedures and then train other Fleet staff in the revised procedures. These actions should improve the validity and usability of data in the FASTER system to assist management in evaluating the City's fleet.

Fleet Did Not Have Complete Records of Manufacturer Recall Notices

Some safety recall notices were not complete

We found that Fleet did not have a complete record of all of the safety recall notices. We are also aware that appropriate action to inspect and repair some of the vehicles with safety recall notices was not completed for seat belts and brakes. Ford issued recall #01S21 in July 2001 for the inspection and repair of the seat belt buckle in the Ford Expedition and Crown Victoria Police

Interceptor (CVPI) models operated by the City. Fleet coordinates manufacturers' recall notices for repairs to the CVPI models with the local Ford dealership through Shop #5 staff who are located at the remote garage on Seventh Avenue at the Tallahassee Police Department (TPD) headquarters. We reviewed the recall repairs for seat belts for nine Ford CVPI models, and two vehicles (#705 and #713) had not had the necessary safety repairs. Shop 5 tracks the completion of recall repairs on an Excel spreadsheet separate from FASTER. Fleet has been planning to schedule the recall repair for these vehicles as soon as the local dealership could complete the work.

Navistar International issued two (2) recall notices for brake repairs. Fleet had not received all of the notices, and many of the recall repairs were not completed. We reviewed a sample of ten (10) International trucks where recall #00510 was issued in January 2001 for the repair of the electronic control unit (ECU) of the anti-lock braking system (ABS). Fleet had a record of receiving the recall notice for all but one of the vehicles (#4586). We found that eight (8) of the trucks were repaired in Albany, GA, and two (2) had not been repaired. Both vehicles (#4586 and #5405) are scheduled for repair when the new International dealership opens for service in Tallahassee.

Navistar International issued a second recall notice #02506 in June 2002 for the repair of a relay valve on the rear air brake. The recall #02506 applied to all ten (10) trucks in the sample. The recall had not been completed for any of the ten (10) trucks. Fleet reported that there was a period of months when no local service coverage from the manufacturer was available; the closest dealership was in Albany, GA. Since Navistar International prefers their dealerships perform recall repairs rather than the City's Fleet Division, Fleet

could not have the recall campaigns completed by a local dealership for a number of months unless they drove or towed the vehicles to Albany or the dealership in Albany sent mechanics to Tallahassee to complete the recall repairs. In the meantime, the vehicles continued in service. Table 1 shows the vehicles, the recall, the outstanding recall repairs, and the number of months since the notice of recall. The number of months since notice is based on the date of the recall notice; when the vehicle was placed into service, if later; and the end of field work (May 2003).

Table 1. Outstanding Recall Repairs on Vehicles In-Service

Equipment Number	Make & Model	Seat Belt #01S21	ABS #00510	Air Brake #02506	Months Since Notice
713	Ford CVPI	X			23
705	Ford CVPI	X			23
1413	INT. Tanker			X	12
6456	INT. 4700			X	12
8420	INT. 4700			X	12
6454	INT. 4700			X	12
3652	INT. 2674			X	12
5405	INT. 4700		X	X	29 & 12
6452	INT. 4700			X	12
4587	INT. 2674			X	12
2414	INT. 4700			X	12
4586	INT. 2674		X	X	29 & 12

We recommend that Fleet:

- develop procedures to record and track manufacturer recall notices;
- develop a list of vehicles with outstanding recall notices and review with Risk Management;

- develop and prepare reports to management on the current status of manufacturer recall notices;
- have the safety recall repairs completed by the local dealerships as soon as possible; or
- complete the repairs in-house with assistance from manufacturer representatives; or
- take the vehicles out of operation until the repairs are completed.

Payments from Warranty Claims Were Deposited Properly

Based on a review of payments identified by manufacturers, we found that the warranty claims payments were recorded into the Fleet operating account. We requested equipment manufacturers (Ford, GM, International, and Emergency One) tell us what they paid the City for warranty claim reimbursements during the audit period. The payments amounted to \$9,265.37. Two checks totaling \$730.33 were deposited eight months after they were received by Fleet. We traced some of the payments through the Treasurer-Clerk's records (based on check dates) and determined that the deposit was made into the proper City fund. However, since Fleet had neither established a separate revenue account for warranty reimbursements nor established accounts receivable for these payments, we were not able to trace all payments through the Treasurer-Clerk's records. We traced the remaining payments through the Financial Management System and confirmed the deposit was recorded in the Fleet operating account. Since Accounting Services reconciles bank records to City financial records, we feel confident that all warranty claims payments were deposited properly.

We recommend that Fleet:

- establish procedures to help ensure that reimbursement checks from manufacturers are timely deposited;
- coordinate with Accounting Services to establish a separate revenue account for warranty reimbursement payments;
- monitor the manufacturers' claim approval process and identify amounts approved for warranty claims;
- coordinate with Accounts Receivable to arrange for the billing of warranty claims so that a receivable can be established;
- have the manufacturer's payment sent directly to the Treasurer-Clerk so it can be deposited immediately and the amount credited to the proper revenue account in a timely manner; and
- develop, prepare, and submit periodic reports to management on the status of warranty claims and the amounts received.

Customers (Departments) Did Not Receive Full Refunds for Reimbursed Warranty Work

Customers did not receive full credit for warranty claims

Previously, customers (departments) were charged the cost of warranty repairs and did not receive full refunds for reimbursed warranty work, which resulted in higher repair costs to the departments. Fleet had an established policy of charging customers initially for all warranty work (labor and parts). Warranty claims were submitted to the manufacturers, and then Fleet received reimbursement payments. When the reimbursement payments were received, Fleet would notify Accounting Services via memorandum to transfer (refund) the customer 75% of the reimbursement payment and disburse the remaining 25% to Fleet staff as a bonus. Fleet staff who processed warranty claims received a larger payment than the technicians doing the work. The technicians received the same amount as other fleet staff.

Year	1998	1999	2000
Fleet Staff	\$40.76	\$27.71	\$49.94
Claims Processor(s)	\$1,494.77	\$508.06	\$857.13
Total Distributed	\$3,736.93	\$2,540.30	\$4,285.44

The interim Fleet Superintendent stopped this practice with the December 2002 warranty payment from GM. Fleet notified Accounting Services what refund amount was due to each department based on the warranty claim paid by the manufacturer and the work orders for the repairs. Accounting Services deposited the funds to the customers' accounts directly when the check was deposited. The result of this procedure was that there was no accounting of the refund to the customer in Fleet records via the issuance of a credit to the respective work order in the FASTER system.

Alternatively, the FASTER system allows for warranty work on vehicles to be recorded on the work order as non-billable and to not bill departments for this work. Fleet could then retain the reimbursement from the manufacturer rather than issuing a credit.

We recommend that once Fleet develops coding procedures to identify warranty work then they should establish procedures to track and account for reimbursements. The procedures should include the:

- recording of the cost in FASTER, billable or non-billable;
- preparation and submission of periodic warranty claims for reimbursement, based on the schedule of each manufacturer;

- confirmation of the manufacturer's approval of the claim amount and establishment of that amount in accounts receivable; and
- process whereby the customer is billed for the work and how the refund of the warranty payment should be credited to the customer.

Fleet did not provide annual report of preventive maintenance "no shows"

Fleet Has Not Complied with the City Commission Fleet Management Policy #124CP to Furnish a Report of Preventive Maintenance "no-shows" and Third Notices to City Managers

Fleet Management did not furnish the report of preventive maintenance "no-shows" to department directors and Assistant City Managers annually as required in the City's Fleet Management Policy #124CP. Although no date is stated in the policy for distribution of the "no show" report, October of each year-end seems to be the most logical time to furnish the report based on the previous fiscal year's records. This report is not a standard report from FASTER and would have to be manually prepared. The interim Fleet Superintendent does not have confidence in the accuracy of this information to prepare this report since mileage information on vehicles is not currently accurate and time is the only criterion for scheduling PM services.

In addition to the above, Fleet staff has prepared a "PM Missed" report on a monthly basis, but it has been retained on file instead of being distributed to senior management. Our review of the report indicates that it does not provide an accurate accounting of "no shows." For example, one department was shown as having missed 700% of the PMs for that month. While the "PM Missed" report included PM Types 'A' (general preventive maintenance service) and 'F' (oil filter change, lubrication, and oil change) it did not include re-scheduled PM services. Additionally, for the "no show"

report to be accurate, it should reflect the shop supervisor data that shows the PM notices sent to the vehicle operators via e-mail messages and schedules distributed through interoffice mail, but the “PM Missed” report does not consider this data.

Fleet did not provide department directors a report of third attempts to schedule preventive maintenance service

Fleet is also required by #124CP to provide department directors a copy of the third attempt to reschedule a vehicle for a PM. Fleet has not provided this report. A “no show” report or a report of third attempts to reschedule PM service would indicate the responsiveness of vehicle operators to PM notices and to communicate to top management the level of cooperation between department staff and Fleet staff in maintaining a successful preventive maintenance program.

Support of top management is needed from time to time to emphasize the importance of timely preventive maintenance service to vehicle operators as operating schedules do not always allow for convenient times to have the preventive maintenance completed as scheduled.

We recommend that Fleet review the reporting requirements of City Commission Policy #124CP and the preventive maintenance reports available from the FASTER system. Fleet should determine what reports should be prepared and furnished to department directors and assistant city managers on a monthly, quarterly, or annual basis. Fleet should also prepare revisions to the Fleet Management Policy #124CP to take into consideration those reports that will be provided to management.

Conclusion

In summary, our recommendations address the need for policies and procedures for improved recordkeeping of warranty repairs, recall repairs, and preventive maintenance service work and improved monitoring to ensure:

- compliance with the terms and conditions of the vehicle manufacturers' warranty agreements;
- the FASTER system is implemented properly to take full advantage of the benefits of the warranty agreements by identifying warranty repair work orders and parts covered by warranty;
- the City has adequate records of manufacturer recall notices;
- all payments from warranty claims are deposited timely and properly;
- customers either receive full refunds for reimbursed warranty work when billed or Fleet retain reimbursements if work is not billed to customers; and
- Fleet complies with the preventive maintenance reporting requirements of Fleet Management Policy #124CP.

Recent Actions by the Interim Superintendent

On October 1, 2002, an interim Fleet Superintendent was appointed. He immediately began making improvements to address numerous control weaknesses in Fleet Parts operations and in general fleet operations that had accumulated over several years. The interim Superintendent has established a process to prioritize issues and has, in numerous instances, contacted the Office of the City Auditor to request advice. He has also involved this Office in meetings with the vendor installing the updated FASTER version in order to timely address control issues. In addition, the interim Superintendent has, as noted earlier:

- eliminated the use of "TC" codes, and the new Parts Manager is using original equipment numbers for parts;
- hired a business analyst into a new position to administer the FASTER system;
- coordinated staff training on the new FASTER version;

- established work groups of Fleet staff to study the FASTER user manual, recommend modifications to local procedures to take advantage of the features within FASTER, including warranty work; and
- facilitated training on the procedures to other staff.

We commend the interim Superintendent for his actions to date and would like to express our appreciation to Fleet staff for their assistance and cooperation in conducting this audit.

***Response From
Appointed
Official***

Tracking and reporting activities at Fleet Management continues to be a commitment of City Administration. This audit report recognizes significant initial improvements with action plans to monitor and assure the continuation of those improvements.

Copies of this audit report #0324 (project #0306) may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index/html>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooleym@talgov.com).

Audit conducted by:
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Sam M. McCall, CPA, CIA, CGFM, City Auditor

<i>Appendix A – Action Plan</i>		
Action Steps	Responsible Employee	Target Date
<i>Fleet Management Division</i>		
A. Objective: To Comply with Terms and Conditions of the Vehicle Manufacturers’ Warranty Agreements.		
1. Coordinate with Accounting Services to conduct an annual analysis of Fleet costs and determine a new revised hourly labor rate.	Terry Lowe	10/1/04
2. Request an adjusted hourly labor rate from the manufacturers based on the results of the cost analysis and the rate charged by local repair shops.	Terry Lowe	5/31/04
3. Establish procedures to maintain adequate records of warranty reimbursement claims filed with manufacturers.	Terry Lowe	5/31/04
4. Develop spreadsheet to monitor warranty reimbursement claims filed with manufacturers.	Terry Lowe	10/15/03
B. Objective: To Implement FASTER to take Advantage of Manufacturers’ Warranty Agreements by Identifying Warranty Repair Work Orders and Parts Covered by Warranty.		
1. Complete the entry of vehicle warranty information in FASTER.	Terry Lowe	5/31/04
2. Establish procedures for recording warranty work orders in FASTER.	Terry Lowe	5/31/04
3. Complete the entry of part warranty information in FASTER.	Terry Lowe	5/31/04
C. Objective: To Record and Track Manufacturer Recall Notices.		
1. Develop procedures to track recall notices from manufacturers.	Terry Lowe	5/31/04
2. Develop spreadsheet to track recall notices from manufacturers.	Terry Lowe	10/15/03
3. Develop listing of all outstanding recall notices and review with Risk Management.	Terry Lowe	5/31/04

Action Steps	Responsible Employee	Target Date
4. Develop spreadsheet of all outstanding recall notices to track recall repairs and share with Risk Management.	Terry Lowe	10/15/03
5. Complete safety recall repairs as soon as possible by the local dealerships, or complete the repairs in-house with assistance from manufacturer representatives, or take the vehicles out of operation until the repairs are completed.	Terry Lowe	10/15/04
6. Complete safety recall repairs of all notices as of the date of this report.	Terry Lowe	10/15/03
7. Develop and prepare periodic reports on the status of recall notices and submit the reports to management for review.	Terry Lowe	5/31/04
D. Objective: To Properly and Timely Deposit Payments from Manufacturers for Warranty Claim Reimbursements.		
1. Develop procedures to help ensure that warranty reimbursement payments received from manufacturers are deposited in a timely manner.	Terry Lowe	10/15/03
2. Coordinate with Accounting Services to establish a separate revenue account for warranty reimbursement payments.	Terry Lowe	10/15/04
3. Monitor the manufacturers' claim approval process and identify amounts approved for warranty claims.	Terry Lowe	5/31/04
4. Coordinate with Accounts Receivable in Accounting Services to arrange for the billing of manufacturers so that a receivable can be established.	Terry Lowe	5/31/04
5. Instruct manufacturers to submit payment sent directly to the Treasurer-Clerk so it can be deposited immediately and credited to the proper revenue account in a timely manner.	Terry Lowe	10/15/03
6. Develop and prepare periodic reports on the status of warranty claims and the amounts of warranty claims received.	Terry Lowe	5/31/04
7. Submit periodic reports on the status of warranty claims to management for review.	Terry Lowe	5/31/04

Action Steps	Responsible Employee	Target Date
E. Objective: To Provide Full Refunds to Customers for Reimbursed Warranty Work.		
1. Develop procedures to identify warranty work in FASTER as either billable or non-billable work.	Terry Lowe	5/31/04
2. Prepare and submit warranty claims for reimbursement within manufacturers' time constraints.	Terry Lowe	10/15/03
3. Confirm the manufacturers' approval of the claim and amount.	Terry Lowe	10/15/03
4. Establish the approved amount in the account receivable billing.	Terry Lowe	10/15/03
5. Provide a full refund to the user department (customer) of the amount reimbursed if the customer was originally billed for the warranty work.	Terry Lowe	5/31/04
F. Objective: To Implement Procedures to Submit Reports Required by the Fleet Management Policy #124CP.		
1. Review the reporting requirements of City Commission Policy #124CP.	Terry Lowe	10/15/03
2. Determine what reports on preventive maintenance should be prepared and furnished to department directors and assistant city managers on a monthly, quarterly, or annual basis.	Terry Lowe	5/31/04
3. Submit preventive maintenance to department directors and assistant city managers.	Terry Lowe	10/1/04
4. Prepare revision to Fleet Management Policy #124CP to incorporate reporting of preventive maintenance service work.	Terry Lowe	10/1/04