
SOUTH FLORIDA WATER MANAGEMENT DISTRICT



Audit of the District's Fleet Operations

Report # 04-08

Prepared by

Office of Inspector General

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

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February 18, 2005

Audit Committee Members:

Mr. Lennart Lindahl, Chairman
Mr. Kevin McCarty, Vice Chairman
Mr. Irela Bagué, Member
Mr. Michael Collins, Member

Re: Audit of the District's
Fleet Operations, Report No.
04-08

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S and is part of the approved FY 2004 Audit Plan. The overall audit objective focused on determining whether the District's fleet has been managed economically and efficiently. The report contains several recommendations for improvements and provides some alternatives for the Governing Board's consideration.

Sincerely,

John W. Williams, Esq.
Inspector General

Enclosure

c: Henry Dean
Carol Wehle

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INTRODUCTION

The Division of Fleet Administration and Business Support (Fleet), within Operations and Maintenance (O&M), is responsible for the development of technical specifications for vehicle/equipment acquisition; continuous assessment of vehicle utilization; and recommendations concerning the use, maintenance, and redeployment of fleet equipment within the District. Fleet is also responsible for the following:

- Developing an annual Vehicle/Equipment Replacement Plan
- Preparing a Vehicle/Equipment Catalog and bid packages
- Managing District fuel pumps - hardware and software
- Approving vendor payments
- Preparing Incident/Accident Reports
- Assisting General Services with the disposition of surplus vehicles/equipment

Additionally, Fleet monitors productivity at the maintenance facilities, and the commercial motor pool. Fleet also administers fuel keys and fuel credit cards. It also analyses vehicle utilization. Fleet's staff consists of four full-time employees—a director, two fleet analysts, and an associate fleet analyst.

Fleet is also responsible for operating the administrative motor pool located at the District's headquarters. The administrative motor pool vehicles are not dedicated to any specific department and are made available to any employee who needs to occasionally travel on District business.

The following table displays a classification of District vehicles in Fiscal 2003:

Vehicle Type	Number
Sedans	24
Light Trucks	516
Medium & Heavy Trucks	69
Tractors	20
Heavy Equipment	81
Boats	140
Trailers	253
Other (e.g. all terrain)	<u>32</u>
Total Vehicles	<u>1,135</u>

The following table displays the allocation of District vehicles among organizational units.

Organizational Unit	Number	Percent
Operations & Maintenance Department	712	62.7%
Water Resource Area	236	20.8%
Land Resources Department	106	9.4%
Corporate Resources Area*	81	7.1%
Total Vehicles	1,135	

*Includes Executive Office

The following table details Fleet's actual expenditures for Fiscal Year 2001 thru Fiscal Year 2003 and its budget for Fiscal Year 2004.

Expenditure	Actual Costs			Budgeted
	2001	2002	2003	2004
Personal Services	\$481,121	\$515,313	\$301,801	\$335,363
Contracts	3,599	24,941	17,711	31,076
Operating	232,575	266,202	474,092	431,308
Capital	1,521,826	2,488,036	2,037,444	1,279,850
Total	\$2,239,121	\$3,294,492	\$2,831,048	\$2,077,597

O&M's capital expenditures¹ are included in Fleet's budget. O&M's capital expenditures represent anywhere from 62 percent to 76 percent of Fleet's expenditures and are incurred primarily for vehicle/equipment purchases and lease payments. The amount budgeted for capital expenditures decreased in Fiscal Year 2004 because the District decided not to replace any sedans or light trucks due to budget constraints. Operating expenditures for Fiscal Years 2001 and 2002 were mostly for fuel costs for motor pool vehicles. Further, the operating expenditures for Fiscal Years 2003 and 2004 included the cost of the external motor pool.

Capital expenditures for all departments outside of O&M are included in the respective division/department's budget; however, Fleet is responsible for assisting the departments with the actual purchases of all vehicles/equipment. The capital expenditures for departments other than O&M for the last three fiscal years and the current year's budgeted expenditures are as follows:

¹ Capital expenditures are for fixed assets with a useful life of one year or more.

Fiscal Year	Capital Expenditures**
2001	\$ 683,000
2002	360,000
2003	560,000
2004*	30,000

*Budget amount.

** Amounts rounded the nearest thousand.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our overall objectives focused on determining whether: the District's fleet is being managed economically and efficiently². Specific objectives were as follows:

- Determining whether the District's fleet size is adequate.
- Evaluating whether the District was using the lowest cost alternative for the administrative motor pool.
- Assessing whether Fleet reviewed the invoices for fuel purchased at commercial fueling locations.
- Determining contractor use of District furnished vehicles while performing their contractual duties.

To conduct this audit, we interviewed Fleet and other O&M staff to obtain an understanding of Fleet's operations. To achieve our objectives we also obtained and analyzed various reports prepared by Fleet. We determined whether procedures are in place to ensure that the District's fleet size is adequate. [Before our audit commenced, Fleet noted that a large number of District-owned vehicles assigned to District Headquarters were underutilized, while the number of rentals from Enterprise Leasing Company (Enterprise) kept increasing.] To determine utilization of these District-owned vehicles, which are assigned to specific District departments, Fleet observed vehicles that were parked at District Headquarters in an area commonly referred to as the "gravel pit" between 1:00pm and 1:30pm during the period October 10, 2003, to November 21, 2003. Fleet shared the results of its observations with us. To determine a more precise level of utilization, we reviewed trip logs and refueling activity on the Computerized

² This audit did not analyze heavy equipment or vehicle/equipment maintenance. Depending on the type of equipment, heavy equipment is targeted for replacement when they have been in use for 10 to 20 years. Fleet closely monitors the utilization of heavy equipment. Maintenance operations are managed by each Field Station. This area may be audited under a separate audit in the future. It should also be noted that currently General Services administers toll cards. However, this responsibility will be transferred to Fleet in Fiscal Year 2005.

Maintenance Management System (CMMS)³. During our audit, O&M's Deputy Executive Director assembled a Management Action Team to resolve the underutilization of District-owned vehicles. We shared the results of our analysis with the Management Action Team who met with division/department directors to resolve the high levels of underutilizations and decrease the number of rentals from Enterprise. (See analysis results at page 10.)

This audit was conducted in accordance with generally accepted government auditing standards and included tests of the records and other auditing procedures considered necessary.

³ CMMS (Computerized Maintenance Management System) is a software package used by the District to manage its fleet. For example, CMMS tracks maintenance schedules, repairs, and fuel usages.

AUDIT RESULTS

Executive Summary

Overall, the District's fleet of approximately 600⁴ (on-road) vehicles appears adequate; however, a few vehicles located at the District's Headquarters are under utilized. We analyzed the utilization of 70 vehicles assigned to District Headquarters and concluded that 50 of the 70 vehicles were not used for 10 or more days during a 30-day period. Further, 19 of the 70 vehicles were not used 60 percent of the time, i.e., 19 vehicles were not utilized between 18 to 30 days

Fleet prepares an annual Five Year Fleet Replacement Plan which identifies vehicles/equipment that are projected to meet mileage/hour and age replacement targets. Fleet then estimates replacements costs for vehicles/equipment for the next five years. Procedures are also in place to justify and approve the purchase of vehicle/equipment. Specifically, all vehicle/equipment purchases are approved through the District's budget process. Prior to budget approval, divisions requesting new vehicles/equipment must justify the purchases and Fleet must approve replacements.

We found that the Operations and Maintenance Department did a good job of rotating high usage and low usage vehicles and heavy equipment among field stations. However, rotation of light vehicles between high usage and low usage drivers could be improved in other departments to help balance age and mileage replacement targets.

Our audit examined a cost/benefit analysis that Fleet conducted to determine whether the District's internal administrative motor pool or a commercial motor pool would be more efficient. The cost/benefit analysis concluded that the cost was about the same for both options over a six year period; however, in Fleets judgment the following additional benefits justified out-sourcing the motor pool:

- Providing demand flexibility through unlimited vehicle availability.
- Eliminating staff time incurred to drive vehicles to and from the West Palm Beach Field Station for periodic maintenance.
- Increasing employee satisfaction.

⁴ Excludes off-road equipment such as airboats, trailers, heavy equipment, etc.

Based on the cost/benefit analysis conclusions, the District entered into a three-year contract with Enterprise Rental. We reviewed Fleet’s analysis and concluded that it contained several oversights that resulted in overstating the cost savings by \$121,695 over the six year period.

We performed an alternative analysis using a cost per mile approach to compare three alternatives: (1) District internal motor pool, (2) commercial motor pool, and (3) employee reimbursement. Our analysis revealed that reimbursing employees for using their personal vehicles for District business would be substantially cheaper than both of the other alternatives. Based on the motor pools historical 210,000 miles annual usage level, we calculated the cost per mile of the three alternatives as follows:

Option	Cost Per Mile	Estimated Annual Cost
District Internal Motor Pool	\$0.685	\$ 144,000
Commercial Motor Pool	0.810	170,000
Employee Reimbursement	0.290	61,000

The District currently reimburses employees at the Florida statutory rate of 29 cents per mile. This is notably less than the 37.5 cents per mile the IRS allows for business travel for the year 2004. The IRS mileage rate is a commonly used standard to establish mileage reimbursement rates for business use of employee’s personal vehicles. If the District were to adopt the IRS rate the annual cost would be approximately \$79,000 instead of \$61,000. However, in addition to the motor pool usage, the District also reimburses employees for approximately 740,000 miles annually at a cost of approximately \$215,000. Adopting the IRS business mileage rate would increase this cost by approximately \$63,000.

The audit also revealed that Fleet needs to review purchases of fuel at commercial fueling sites more closely to better monitor non-fuel transactions and detect potential abuse.

Another issue addressed was contractor use of District vehicles in performing their contractual duties. Employees of the IT Help Desk contractor were incurring about \$1,800 a month in Enterprise vehicle charges, while they were contractually responsible to provide their own transportation. We estimated that the District may have provided

this contractor with as much as \$80,000 worth of transportation services over the contract term.

Other contractors may also have used the Enterprise vehicles. Fleet only analyzed the Help Desk Contractor's usage for an eight month period because of their high usage level, in order to illustrate the problem. Hence, the full extent of the problem is not yet documented. However, it should be noted that there may be some cases where the District contractually agreed to provide transportation to contractor's employees.

Improving Fleet Utilization

Audit Objective

Is the District's fleet size adequate or excessive?

Brief Results

The District's overall fleet of approximately 600⁵ (on-road) vehicles appears adequate; however, a few vehicles located at the District's Headquarters are underutilized. We found that the Operations and Maintenance Department did a good job of rotating high usage and low usage vehicles and heavy equipment among field stations. However, rotation of lights vehicles between high usage and low usage drivers could be improved in other departments to help balance age and mileage replacement targets. These two issues are addressed in the following sections.

Background and Details

Underutilized Vehicles at District Headquarters

Prior to the start of our audit, Fleet realized that approximately 93 vehicles were assigned to District Headquarters and a large number of these vehicles were consistently observed in the parking lot (the gravel pit) designated for District vehicles. As a result, Fleet conducted an observation over a 30-business-day period from October 10, 2003 to November 21, 2003 to monitor the utilization of these vehicles. Specifically, each day between 1:00pm–1:30pm a Fleet staff went to the gravel pit and recorded the vehicles parked in the gravel pit.

As part of our audit tests, we obtained Fleet's observations and conducted additional tests to determine a more accurate utilization level.⁶ Specifically, we obtained and reviewed the trip logs maintained by fleet coordinators and reviewed CMMS for re-fueling activity for the same period to determine whether the vehicles observed by Fleet were used on or before 1:00pm or after 1:30pm. In instances where Fleet observed a vehicle but, based on the trip log and re-fueling activity the vehicle was used, we

⁵ Excludes off-road equipment such as airboats, trailers, heavy equipment, etc.

⁶ We analyzed 70 of the 93 vehicles identified by Fleet. Twenty-three vehicles were excluded for several reasons, e.g., some were take-home vehicles and some were never observed at District Headquarters.

considered the vehicle utilized. Further, in instances where Fleet did not observe a vehicle, a trip was not indicated on the trip log, and the vehicle was not re-fueled, we considered the vehicle utilized.

The results of our utilization analysis of the 70 District-owned vehicles observed at District Headquarters are shown in the table below.

**Utilization of 70 Vehicles Observed at
District Headquarters
October 10, 2003 – November 21, 2003
(30 Business Days)**

Vehicle Utilization:	Based on Observation of All 70 Vehicles	%	Based on Review of 60 Vehicles with Trip Logs⁷	%
Not used for 10 or more days	50	71%	43	72%
Not used for 15 or more days	27	39%	22	37%
Not used for 20 or more days	12	17%	11	18%
Not used for 25 or more days	3	4 %	2	3%

The analysis also disclosed that 19 of the 70 vehicles were not used 60 percent of the time, i.e., 19 vehicles were not utilized anywhere from 18 to 30 days.

During our audit, the Deputy Executive Director of Operations and Maintenance assembled a Management Action Team consisting of the Director of Environmental Resource Regulation, Director of South Field Operations, Director of CERP Planning and Federal Projects, and the Director of Fleet. The team’s purpose was to develop criteria for the utilization of District-owned vehicles before commercial motor pool vehicles are used. The Deputy Executive Director of Operations and Maintenance was concerned because of the high level of under-utilization of District-owned vehicles and the rising cost of the commercial motor pool. The actual cost of the commercial motor pool is running about 55% higher than originally projected due to usage being higher than anticipated. The original Enterprise contract was for \$148,800 annually; however, the

⁷ All divisions did not maintain trip logs. This finding is discussed in a separate section of this report.

total cost from October 1, 2003 (inception) through April 30, 2004 was \$307,506 – which equates to an annualized cost of \$230,629 [(\$307,506 ÷ 17 months) x 12 months].

We requested that Fleet identify the District-owned vehicles that could be used by employees as pool vehicles—vehicles that are comparable to the vehicles provided by Enterprise. Fleet identified 20 of the 70 vehicles in our analysis. We obtained and analyzed Vehicle Use Request forms (Form 0317) for the same period as the utilization analysis to determine whether these 20 vehicles could have been used in instances where Enterprise rental vehicles were used. The Vehicle Use Request forms include the following information: authorized driver, driver’s license number, department/division, vehicle pick-up and return date and time, and the type of vehicle.

Our analysis revealed that District employees used Enterprise rentals in 253 instances during the period October 10, 2003, to November 20, 2003. More importantly, we found that these 20 District-owned vehicles were not utilized in 101 of the 253 instances where an Enterprise rental vehicle was used by District employees. In other words, these 20 District-owned vehicles could have been used in 101 of the 253 instances where Enterprise vehicles were used. This clearly indicates that the vehicles at District Headquarters could be used more efficiently. The original Enterprise contract provided for a core pool of 14 vehicles and was subsequently amended to provide 18 core vehicles. Vehicles above this usage level are provided at a cost of between \$33 and \$46 per day, depending on the vehicle type.

We shared the results of our analyses with the Management Action Team, who discussed the issue with division/department directors to determine whether certain vehicles should be salvaged or redirected to divisions with high rental activity. Given the high level of underutilization for some of the vehicles, the disposal of older vehicles with low utilization is necessary. This action would reduce maintenance costs since older vehicles are more costly to maintain.

Improve Rotation of High and Low Usage Vehicles

Light trucks are targeted for replacement when they reach 125,000 miles or eight years of service. Hence, average target mileage is 15,625 miles annually; however, Fleet considers a vehicle to be adequately utilized if mileage is at least 12,000 miles in a given

year. In some instances, we noted a wide variance in annual vehicle mileage. For example, in one instance a vehicle was driven 12,385 miles, while a comparable vehicle was driven only 4,312 miles. As a result some high-use vehicles reach replacement mileage targets before age targets are met and low-use vehicles reach the replacement age before mileage targets are met. The problem exists primarily in organizational units outside of the Operations and Maintenance Department (O&M) where Fleet Management is organizationally situated.

Managers rotate vehicles among field stations as deemed necessary. Fleet also exchanges heavy equipment with high usage for new heavy equipment between field stations. For example, heavy trucks at the Kissimmee Field Station are used more than heavy trucks at the West Palm Beach Field Station; as a result, when trucks at the West Palm Beach Field Station are replaced they are swapped with the trucks from the Kissimmee Field Station.

Light trucks⁸ represent 46 percent of the District's fleet. Fleet prepares a utilization analysis of the District's 521 light trucks; however, Fleet does not share or discuss the results of its utilization analysis with division/department directors. Furthermore, Fleet does not have the authority to recommend the rotation of vehicles outside of O&M. Action regarding underutilized vehicles, in organizational units outside of O&M, usually does not happen until these vehicles are identify for replacement.

Under the current budget process, organizational units purchase the vehicles but O&M pays for the operating costs. Hence, vehicle operating costs for those used in cost share programs (e.g. CERP and KRR⁹) do not get claimed for in-kind credit towards the District's share of program costs.

Implementing a charge-back system would solve the in-kind credit issue as well as encourage more efficient use of underutilized vehicles. An effective charge-back system should include both variable and fixed cost components that reflect the economic substance of operating a vehicle (e.g., combination of a daily rate plus mileage). Such allocation method would encourage higher vehicle utilization. Additionally, a charge-

⁸ Light trucks are vehicles less than 19,000 pounds gross weight.

⁹ CERP = Comprehensive Everglades Restoration Program; KRR = Kissimmee River Restoration

back system would provide a means to capture cost by program as well as by organizational unit.

Administering cost allocations under the current LGFS financial system entails a time consuming manual process. However, the District is currently in the process of implementing a new financial system using SAP software (i.e. the eQuest Project), which features strong cost allocation capabilities.

The vehicle utilization issue was brought before the Management Action Team (MAT) in April 2004. The MAT made several recommendations to improve District fleet utilization and reduce the number of Enterprise rentals.

Recommendation

- 1. Consider implementing a charge-back system concurrent with the eQuest Project.**

Management Response: Management concurs with the auditor's recommendation. We are currently working with the eQuest Project Team on the implementing of SAP Maintenance Management Module.

Finance: Chargeback only applies if District owned vehicles are used. If applicable, we will have to wait for SAP Implementation.

Responsible Department: Finance and Administration and Operation and Maintenance

Estimated Completion: October 1, 2006

Analyzing Administrative Motor Pool Alternatives

Audit Objective

Is the District using the lowest cost alternative for the administrative motor pool?

Brief Results

Fleet performed a cost/benefit analysis that led to the decision to outsource the District's internal motor pool. We reviewed the analysis and concluded that it contained several oversights that resulted in overstating the cost of the District's internal motor pool by \$121,695 over a six year period – an amount sufficient enough that management may have decided to keep the lower cost internal motor pool.

We performed an alternative analysis using a cost per mile approach and also included the option of reimbursing employees for mileage. Our analysis revealed that reimbursing employees for using their personal vehicles for District business would be substantially cheaper than operating either an internal or external motor pool. The District's internal motor pool was used approximately 210,000 miles annually. Based on this usage level, we calculated the cost per mile of the three alternatives as follows:

Option	Cost Per Mile	Estimated Annual Cost
District Internal Motor Pool	\$0.685	\$ 144,000
Commercial Motor Pool	0.810	170,000
Employee Reimbursement	0.290	61,000

The District currently reimburses employees at the Florida statutory rate of 29 cents per mile. This is notably less than the 37.5 cents per mile the IRS allows for business travel for the year 2004. The IRS mileage rate is a commonly used standard to establish mileage reimbursement rates for business use of employee's personal vehicles. If the District were to adopt the IRS rate, the annual cost would be approximately \$79,000 instead of \$61,000. In addition to the motor pool usage, the District also reimburses employees for approximately 740,000 miles annually at a cost of approximately \$215,000. Adopting the IRS business mileage rate would increase this cost by approximately \$63,000, for a total cost of \$278,000 annually.

Background and Details

Oversights in Cost-Benefit Analysis

In January 2003, the District replaced its internal motor pool stationed at District Headquarters with a commercial (rental car agency) motor pool and entered into a three-year contract with Enterprise for 14 vehicles at \$148,000 per year.¹⁰ The biggest factor that led to the consideration of a commercial motor pool was that District-owned vehicles were not always available when needed by employees. Before the decision was made to contract with an outside vendor, Fleet performed a cost-benefit analysis which concluded that it was more cost effective to replace the District's internal motor pool with a commercial motor pool.

A commercial motor pool also provides the following qualitative benefits:

- Facilitating demand flexible by providing unlimited vehicle availability.
- Eliminating staff time incurred to drive vehicles to and from the West Palm Beach Field Station for periodic maintenance.
- Increasing employee satisfaction. Employees are highly satisfied with the commercial motor pool program based on anecdotal feedback Fleet receives.

Fleet estimated that over a six year period an internal motor pool would cost the District \$1,583,589 and an external motor pool would cost \$1,582,927, for a net savings of \$663. Hence, the decision focused heavily on the qualitative monetary benefits. However, our recalculation of the internal motor pool costs (using Fleet's numbers and an improved methodology) determined that an internal motor pool would cost \$1,461,232 over the same six year period. This indicates savings of \$121,695 using a District motor pool. Oversights identified are as follows:

- Salary and benefits of \$37,040 for a District employee to administer the motor pool was included as a savings twice in Fleet's analysis.

¹⁰ Enterprise also agreed to provide the District with additional vehicles as needed.

- Cash outlay totaling \$82,500 for five new vehicles that the District would have to purchase for the internal motor pool was also included twice in Fleet's analysis.
- The estimated savings also assumed that employee mileage reimbursement costs would be reduced by \$165,039 over a six year period. Since employees are reimbursed \$0.29 per mile for the use of their personal vehicles, this amount represents reimbursement for 569,099 miles, or 94,850 miles annually (569,099 miles ÷ 6 years). Since the annual mileage of the internal motor pool's 18 vehicles was about 210,000 miles, we believe it is unlikely that the District will avoid reimbursing employees for 94,850 miles annually for use of their personal vehicles. Considering the average mileage for the internal motor pool was 11,665 miles annually, approximately 8 additional vehicles would be needed to provide this level of service. However, the analysis only included 3.4 additional vehicles to offset employee reimbursements.

Actual usage under the Enterprise contract is exceeding the projections used in the analysis. The original Enterprise contract provided \$148,000 per year based on an estimated average daily usage of 14 vehicles. However, the actual usage for the first 16 months was \$307,506, or an average of \$19,219 per month. Hence, the annualized cost is approximately \$231,000, an increase of \$83,000 over the original estimate.

We performed an alternative analysis using a cost per mile approach to compare three alternatives: (1) District internal motor pool, (2) commercial motor pool, and (3) employee reimbursement. The District currently uses the mileage rate in accordance with Florida Statute 112.061(7)(d). Also shown is the amount that employee reimbursements would cost using the IRS business mileage rate since the District is currently contemplating modifying the statutory rates, as permitted by recent legislation¹¹. The results are shown in the table on the following page:

¹¹ Florida Statute 112.061(14).

Option	Cost Per Mile	Estimated Annual Cost¹²
Enterprise Contract	\$ 0.810	\$ 170,000
District Internal Motor Pool	0.685	144,000
Employee Reimbursement – F.S ¹³	0.290	61,000
Employee Reimbursement - IRS	0.375	79,000

Additional details and assumptions are shown in the Appendix.

In addition to the motor pool usage, the District also reimburses employees for approximately 740,000 miles annually at a cost of approximately \$215,000. Adopting the IRS business mileage rate would increase this cost by approximately \$63,000, for a total cost of \$278,000 annually.

A review of vehicle travel logs revealed that the administrative motor pool vehicles were used primarily for on-road travel to meeting, training, conferences, etc. In some cases, employees used the pool’s vehicles for off-road travel such as site inspections. Hence, there may still be limited instances where some employees need to travel to off-road locations but do not own a vehicle designed for off-road travel. A rental car company could be used to service such needs, but from their off-site locations.

Recommendations

- 2. Consider reimbursing employees for use of their own vehicles rather than maintaining an internal or commercial administrative motor pool and using a rental car company as a last resort backup.**

Management Response: Management concurs in concept with the auditor’s recommendation to consider reimbursing employees for using their personal vehicles. However, there are numerous issues to consider prior to implementation:

1. The reimbursement rate per mile needs to be increased to the current IRS rate.

¹² Estimated annual cost is based on projected usage of 210,000 miles annually.

¹³ Per Florida Statute 112.061

2. How to address a single vehicle family when the employee does not keep their personal vehicle at work.
3. Off road use in a personal vehicle
4. Redirection to another location of an employee away from the office
5. Emergency response in a personal vehicle.
6. Public Image
7. Physical condition of personal vehicle being utilized for District business.
8. Are employees subsidizing the District with this practice?
9. How will this affect recruitment for vacant positions?
10. Higher mileage on personal vehicles resulting in early expiration of warranties and early replacement of vehicles.
11. Liability of all of the above.

Finance: Florida Statutes and District procedures allow this, if approved by the supervisor. The District needs to develop criteria for determining when personal or rental car options are appropriate.

Responsible Department: Fleet Management and Finance and Administration

Estimated Completion: October 1, 2005

- 3. Consider developing a travel reimbursement “short form” just for mileage reimbursement in order to minimize administrative time.**

Management Response: Management concurs.

Finance: This form is currently in place. It can be found under District Forms. Form #1040 – Mileage Reimbursement Voucher (see attached).

Responsible Department: Finance and Administration and Operation and Maintenance

Estimated Completion: Complete

- 4. Consider charging all mileage reimbursement and rental car cost to individual organizational units.**

Management Response: Management concurs with this recommendation.

Finance: OMD and FA will develop a process for charging Enterprise rental costs to organization units once budgets are provided in the 2006 budget development. Personal mileage and non-Enterprise rental costs are currently charged to the organizational units.

Responsible Department: Finance and Administration

Estimated Completion: October 1, 2005

Monitoring Fuel Cards

Audit Objective

Is Fleet reviewing invoices for fuel purchases at commercial fuel locations?

Brief Results

Overall, refueling activity appeared reasonable; however, we questioned a few transactions which Fleet could not readily answer and concurred that the transactions warranted explanations.

Background and Details

Fleet is responsible for analyzing and monitoring fueling activities. Vehicles used by District employees can be fueled at the District's ten fueling sites located at District field stations using a fuel key or at commercial fueling sites using a Voyager Credit Card (Voyager card). Each vehicle is assigned a key and/or a Voyager card and fueling activity is tracked on the Computerized Maintenance Management System (CMMS) whenever the fuel key or Voyager card is used. Voyager cards have a credit limit of \$300 and can also be used to purchase miscellaneous items. The Voyager card tracks usage and flags unusual activity such as product variance, mpg variances, and excess vehicle fuel capacity. Further, a valid employee number is required to use the Voyager card. As a result of these controls, unusual card activity can easily be detected.

According to Fleet's staff, monthly Voyager invoices are reviewed before being forwarded to Accounting for payment. We reviewed the October 2003 Voyager invoice to determine whether refueling activity appeared reasonable. We concluded that, generally, the refueling activity appeared reasonable. However, we questioned a few transactions which Fleet could not readily answer and they concurred that the transactions warranted explanations.

Recommendation

- 5. Review Voyager invoices more closely to detect unusual activity. In instances where unusual activity is detected, obtain and document explanations.**

Management Response: Management concurs, but with explanation, all Voyager invoices are currently being closely scrutinized and analyzed to detect any improprieties. All findings are documented and pursued. Standard Operating Procedures are also being developed.

Responsible Department: Operation & Maintenance

Estimated Completion: June 30, 2005

Contractor Use of District Vehicles

Audit Objective

Are contractors using District vehicles in performing their contractual responsibilities?

Brief Background

District contractors have been using District vehicles when performing work covered by their contract. The IT Equipment Maintenance & Help Desk contractor (the “Help Desk Contractor”) is the largest user of District furnished vehicles. Fleet performed an analysis for the period from October 2003 through May 2004, which showed the Help Desk Contractor’s employees incurred \$14,675 of Enterprise rental car charges during this eight month period – an average of \$1,834 a month. They also used the District’s internal motor pool vehicles prior to outsourcing this function to Enterprise.

The Help Desk contract amount is a per-equipment-item price structure that included parts, labor, and travel. Hence the District paid for travel cost twice – once in the contract price and again when the contractor’s employees used District and Enterprise vehicles. We estimated that the District may have provided as much as \$80,000 worth of transportation services to the Help Desk Contractor over a 45 month period.

Fleet indicated that other contractors may also have used Enterprise vehicles; however, a comprehensive analysis has not been prepared to analyze the extent of usage by other contractors. Hence, the full extent of the problem has not been quantified.

Background and Details

The Help Desk contract commenced October 1, 2000 and the help desk services portion of the contract was terminated in late June 2004. The Commercial Motor Pool contract commenced on October 1, 2002 and is still active. Hence, the overlapping period of these two contracts was from October 1, 2002 through June 30, 2004; however, rentals under the contract did not commence until January 1, 2003. This represents a period of 18 months that the Help Desk contractor used Enterprise vehicles. Extrapolating the average \$1,834.32 usage to this 18 month period equates to total estimated Help Desk Contractor rental charges of approximately \$33,000.

The Help Desk Contractor also used District administrative motor pool vehicles prior to establishment of the Enterprise contract; hence, the District paid their travel costs for a 45 month period from October 1, 2000 (inception) through June 30, 2004. Assuming a similar cost for operating the District's in-house motor pool and similar usage over the 45 month period means that the District may have provided the Help Desk Contractor with over \$80,000 of transportation costs.

The next step in analyzing this issue was determining what the District and Help Desk Contractor contractually agreed to. Contract C-11937, Exhibit C, Section One, Subsection 3.0, "Maintenance at Remote Locations", (Page 3 of 26) states:

"The primary location for on-site repair is at the DISTRICT Headquarters Complex, 3301 Gun Club Road, West Palm Beach, Florida 33406. In addition, DISTRICT field offices located throughout south Florida will require maintenance support. The Contractor will provide service at all of the locations listed in "Attachment 1".

The contract also contains "Attachment 1 – Remote Site Locations" (Page 10 of 26), -which displays the addresses of all District Service Centers and Field Stations.

Additionally, Contract Exhibit C, Section One, Subsection 1.0 (Page 2 of 26) states:

"The Contractor will provide comprehensive maintenance support on DISTRICT computer equipment and peripherals. Service includes the repair and maintenance of all computer equipment listed in 'Exhibit L' (this list will be updated during the life of the contract). Immediately after contract Award the Contractor with the assistance of the DISTRICT, will conduct a detailed inventory of the equipment covered under this contract. The equipment is broken down into three groups: (1) Standard PC Equipment, (2) Standard UNIX Equipment, and (3) Critical Equipment. **All parts, labor and travel time are included in the monthly maintenance fee** [emphasis added]. The Contractor will perform engineering changes, lubrication, adjustments and

preventative maintenance, as necessary, such that all equipment operates in accordance with manufacturer's specifications.”

The contract amount is based on a set dollar amount for each type of equipment multiplied by the quantity owned of such equipment, and then summed to arrive at the total contract price. Interviews with the two District employees that negotiated the contract revealed it was clearly understood that the unit prices were inclusive of all costs – including travel expenses. Both employees also concurred that the Help Desk Contractor should not have been allowed to use District motor pool or Enterprise vehicles. Essentially, the District paid for travel costs twice – once in the contract price and again when Help Desk Contractor's employees used District and Enterprise vehicles.

The District may have a potential claim against the Help Desk Contractor for as much as \$80,000. District staff will need to perform further analysis to establish an actual claim amount.

Other contractors also use the Enterprise vehicles. Fleet only analyzed the Help Desk Contractor's usage for an eight month period because of their high usage level, in order to illustrate the problem. Hence, the full extent of the problem is not yet documented. However, it should be noted that there may be some cases where it is appropriate for the District to provide transportation to contractor's employees if such arrangement was agreed to during negotiations and specified in the contract.

Recommendations

- 6. Controls should be established to restrict contractors from using Enterprise vehicles except for those situations where the District contractually agreed to such arrangement.**

Management Response: Management concurs, but with this explanation, contractors driving Enterprise cars are prohibited unless they are fully authorized by the District. It is difficult for the rental clerk to track District

contractors that are authorized, and those that are not, especially if they present signed paper work authorizing travel.

The controls would be more effective if done at the department or division level. Each department should send Enterprise a list of contractors that is authorized to drive.

Management will modify Form 0317 - "District vehicle use Request", to include check boxes indicating contractor or employee, a section for Employee ID, and Contract Number.

Responsible Department: All Departments and Fleet Management

Estimated Completion: June 30, 2005

- 7. Fleet should perform a complete analysis of all contractor usage of District furnished vehicles for active contracts.**

Management Response: Management concurs, but with this explanation, analysis of the request for Motor Pool vehicles by contractors was conducted for January 2003 to August 2004. We found that Akibia contractors frequently used District vehicles in the performance of their business. However, it should also be noted that those contractors had sign paper work authorizing them to drive. Further analysis is under way to find out if any other contractors were involved.

Responsible Department: Fleet Management

Estimated Completion: October 31, 2005

8. **Determine whether the District has a legal basis for a claim against the Help Desk contractor and, if so, the corresponding dollar amount of such claim.**

Management Response: Management concurs, but with this explanation, once all the analysis is complete and the dollar amount is available, the information will be submitted to the Inspector General and to Legal.

Responsible Department: Fleet Management and Legal

Estimated Completion: December 30, 2005