



# **PREPARING FOR A FLEET AUDIT & CASE STUDY ANALYSIS**

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# THE SELF ASSESSMENT AUDIT CHECKLIST

Over two years in the making.

Developed after reviewing over 2,500 documents pertaining to:

- Internal and external fleet audits
- Outsource RPFs
- Privatization contracts
- Fleets business plans
- Fleet operating budgets
- Standard Operating Procedures (SOP)
- Emergency Operating Plans
- Fleet utilization policies
- Safety plans
- Green Fleet plans
- National, State, and Private Fleet Benchmarking Studies



# THE SELF ASSESSMENT AUDIT CHECKLIST

Major topics include:

- Business planning.
- Standard Operating Procedures (SOP)
- Fleet utilization, right typing and replacement.
- Take home vehicle policy
- Materials management
- Fueling operations
- Safety plans
- Fleet operating budgets
- Benchmarking examples
- Audit comparison precautions
- Audit questions
- Customer satisfaction surveys



# THE SELF ASSESSMENT AUDIT CHECKLIST

This checklist provides you:

- Actual audit and operational criteria
- Summary of numerical benchmarks
- The capability to properly evaluate your fleet operation against others
- The ability to think critically and beyond the numbers
- THE OPPORTUNITY TO LEARN FROM OTHER PEOPLES MISTAKES

What this checklist does not provide:

- Which criteria is required for your fleet operation
- Every possible audit criterion:
  - Though this checklist contains the vast majority of possible audit criteria, you may need to conduct your own research to fill-in any remaining questions.



# THE SELF ASSESSMENT AUDIT CHECKLIST

This is not the last edition.

Each subsequent addition will be indicated by sequential edition numbers: 1.0, 1.1, 1.2 etc.

Version 1.1 is almost complete and contains four additional pages of information.

Newer versions will also contain:

- A verbatim listing of the auditor's actual findings.
- Graphs, and other analytical / comparative data.



# **THE SELF ASSESSMENT AUDIT CHECKLIST**

## **CASE STUDY THE CITY OF ATLANTA INTERNAL AUDIT**

**PLEASE TURN TO PAGE 47**

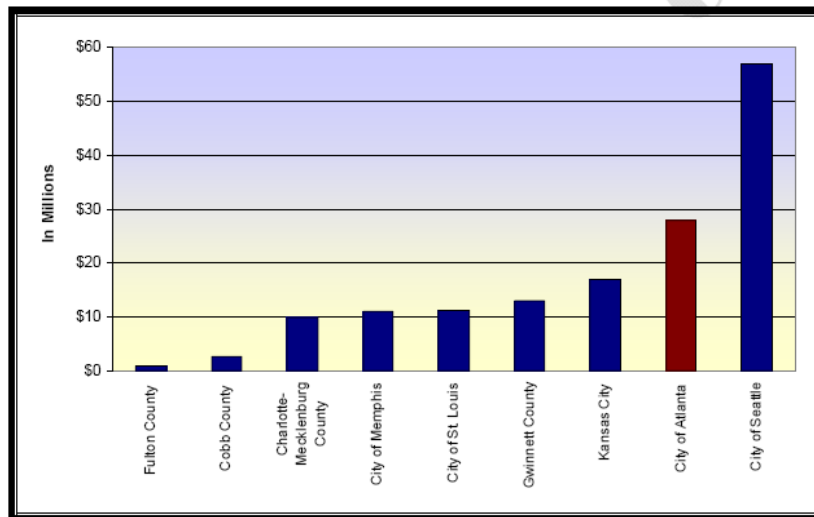


# CASE STUDY

## THE CITY OF ATLANTA AUDIT

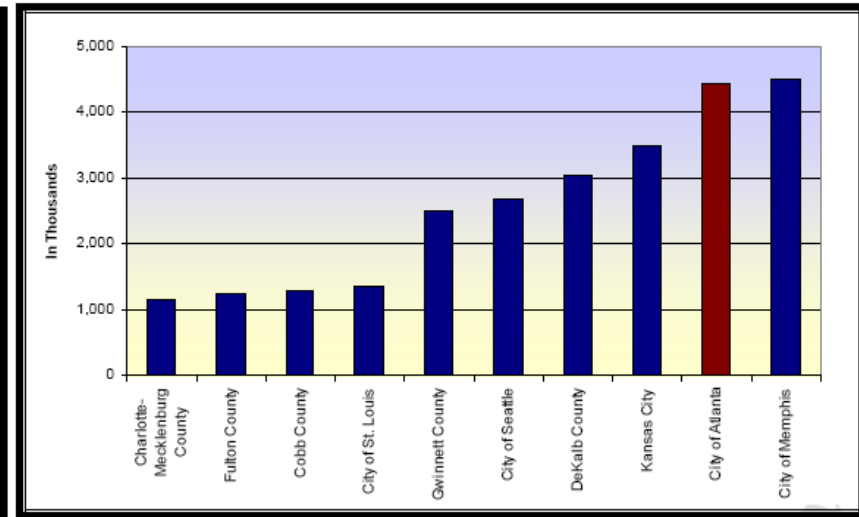
Auditors finding: Fleet services budget is high compared to other government fleets.

**Exhibit 2**  
Fleet Services Budgets



Source: City Auditor's Office

**Exhibit 3**  
Number of Vehicles in Fleet



Source: City Auditor's Office



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

Auditors finding: Fleet Services average hourly labor charge is among the highest.

Jurisdiction	Hourly Rate	Fuel	Parts
City of Charlotte	\$50.55	0%	10%
DeKalb County	\$52.50	0%	0%
City of St. Louis	\$53.00	\$0.005	30%
Fulton County	\$55.00	0.13	0%
City of Memphis	\$58.00	18%	18%
Kansas City	\$64.50	10%	25%
Cobb County	\$65.00	0%	0%
Gwinnett County	\$65.00	5%	0%
City of Atlanta	\$67.42	20%	20%
City of Seattle	\$98.00	19%	26%



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

Auditors finding: Comparison of estimated completion time in hours.

<b>2007 Crown Victoria</b>			
	<b>PM Service</b>	<b>Tire Repair/Replace</b>	<b>Battery Repair/Replace</b>
<b>Fleet Billing System</b>	<b>1.24</b>	<b>1.24</b>	<b>1.2</b>
<b>Clark Truck Repair</b>	<b>0.5</b>	<b>N/A</b>	<b>0.5</b>
<b>Industry Average</b>	<b>2.45</b>	<b>0.4</b>	<b>0.3</b>
<b>Industry Low-High</b>	<b>1.55-3.70</b>	<b>0.20-0.70</b>	<b>0.25-0.35</b>
<b>2005 Ford Ranger</b>			
	<b>PM Service</b>	<b>Tire Repair/Replace</b>	<b>Battery Repair/Replace</b>
<b>Fleet Billing System</b>	<b>1.23</b>	<b>1.08</b>	<b>1</b>
<b>Clark Truck Repair</b>	<b>0.5</b>	<b>N/A</b>	<b>0.5</b>
<b>Industry Average</b>	<b>2.45</b>	<b>0.4</b>	<b>0.2</b>
<b>Industry Low-High</b>	<b>1.55-3.70</b>	<b>0.20-0.70</b>	<b>0.10-0.50</b>



# **CASE STUDY THE CITY OF ATLANTA AUDIT**

## **AUDITOR'S SURVEY FORM**

**WHAT DO THE QUESTIONS NOT ASK?  
WHAT ARE THE VARIABLES?**



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 2.1: What is your fleet departments budget?

- Parts, Fuel, Labor, Overhead
- Accident Repair or Insurance Budgets
- Subrogated Claims – Are monies from 3<sup>rd</sup> party insurers re-deposited back into the fleet account?
- Fleet Replacement Fund
  - Are their replacement funding requirements balanced from year to year.
  - Are they within a replacement funding bubble?
- Facilities Maintenance and Repair.
  - Are they budgeted for their own facility maintenance.
- Capital Improvement Projects:
  - Not normally associated with the yearly funding requirements.
  - Singular funding events for specific projects (new FMIS, Facility, Fuel Site)
- In-sourcing revenue



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### **QUESTION 2.2: How many service centers do you have?**

- 1 Main facility and 4 one bay shops or 5 large facilities?
- Size – Larger facilities may dramatically increase:
  - Facilities maintenance & repair expenses
  - Utilities expenses
  - Overall parts inventory
- Condition
  - Dilapidated facilities require more maintenance funding.
- Additional Staffing:
  - Administrative
  - Supervisory
  - Staffed parts rooms



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 2.3: What is the size of your fleet?

- Fleet **Mix** (large amounts of trucks vs. sedans)
- Fleet **Age** (is the fleet replaced at normal lifecycle)
- Fleet **Condition** (is the fleet in good or poor condition)
- Did they ask for vehicles or all equipment.
- Does it include in-sourced fleet equipment.
- Geographical area served.
- Amount and type of user departments.

### QUESTION 2.4: Of those in question 2.3, how many are vehicles? (please include all vehicles).

- What do they classify as a vehicle.
- Does it include off-road vehicles/equipment or just licensed vehicles.



## **CASE STUDY**

# **THE CITY OF ATLANTA AUDIT**

### **QUESTION 2.5: What is the makeup of your fleet?**

- How many in each class?
- Equipment- what does that include?
- Just because they have it, does not mean they repair it!
  - Separate maintenance contracts to repair or service equipment owned and inventoried in the FMIS.

### **QUESTION 2.6: Is the majority of your fleet services outsourced or Performed in-house?**

- What is considered a majority – 51%?
- What if they were completely outsourced?

### **QUESTION 2.7: If you outsource for certain types of jobs, what are they?**

- What impact does it have on their budget
- What percent of the category is outsourced. They can outsource in some instances but not all.



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### **QUESTION 2.8: Is your fleet service division responsible for:**

- Do they have dedicated staff to perform a specific administrative functions (not all fleet agencies are staffed the same):
  - Human Resources
  - Accounting Staff
  - Dedicated Training Personnel (CDL, DDC, etc)
  - Safety & Accident Investigations
  - Fleet Analysis
  - Information Technology Analysis
  - User Department Coordinators
  - Fueling:
    - Dedicated Fueling Staff
    - Number of fueling stations
    - UST maintenance and remediation costs (Atlanta).
    - You may be responsible for the fuel contract but are not budgeted for it.



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### **QUESTION 2.9: Do you lease or purchase vehicles/equipment?**

- Are the lease payments part of your budget?
- Is basic PM maintenance included in the lease price?
- What percentage of the fleet is leased?
- Do you have a fully or partially funded replacement budget?
- Possible answer confusion on lease-purchase agreements

### **QUESTION 2.10: Do you perform preventative maintenance?**

- What kind of question is that!
- You may outsource some of the PM work, but not all.
- Are the PM cycles similar to yours?
- What constitutes a PM (Parts, Time, Process)



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 3.1: At what age do you like to replace vehicles?

- You may “like” to replace them at the end of lifecycle, but are not in the financial position to do so.
- Lifecycles for each class of equipment may be dramatically different:
  - Criteria used in replacement schedules will be generally tailored to the average use of the equipment (varies greatly by agency).
  - Ability of the government agency to fund a replacement budget.
- What if “age” is not the only discriminator used?
  - Point system – mileage, condition, maintenance history/costs.
- A better question to ask would be: What is the average age of each vehicle type/class.



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### **QUESTION 3.2: What is the expected turnaround time for: PM & Repairs**

- What category of equipment?
  - Heavy Trucks
  - Light Duty
  - Off Road.
- Once again, what is “expected” may not be what is reality.
- How it is measured?

### **QUESTION 3.3: What are your goals for rework on vehicles?**

- As little as possible!
- Their “goal” may be dramatically different than their reality.
- Rework is measured differently by many organizations:
  - 30 days
  - 6 months
  - 3,000 miles
  - Rework designation is at the discretion of the evaluator.
    - Was it related to the original complaint?



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 4.1: How do you charge labor on repairs?

- Who does it include (mechanics, supervisors, service writers, etc)
- How many hours (per technician) do they calculate into the labor formula: (the greater number of hours, the lower the labor rate)
- Do they create work orders (and bill time) for work normally associated with overhead:
  - Vehicle acquisition
  - Accident investigation & claims subrogation
  - Outsource administration

### QUESTION 4.2: Do you have a standard labor rate?

- What might be “*standard*” to them may not be to you
- Event though they may quote a labor rate, does not indicate that they operate a charge-back system



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 4.3: What is your markup percentage on: Fuel, Labor

- Fuel:
  - Number of sites
  - Dedicated fuel staffing
  - Some have different markups depending on the type of fuel
  - Do they centrally fuel or use fuel cards
  - Do they have a separate markup for fuel dispensed to other government agencies
- Labor:
  - Why would you have a markup on labor if it is fully burdened?
    - If they are marking-up their labor charge; their rate has not been accurately calculated (not fully burdened).



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 4.3: What is your markup percentage on: Parts

- Parts:
  - How many (staffed) parts locations?
  - What does the markup include:
    - Facility, Utility, and Equipment expenses
  - If no markup...why
    - In-house NAPA store (markup is already included in the sale price)
  - Is there a single markup percentage or:
    - Varies on parts cost (fixed cost above a certain price).
    - Varies on in-stock or special order parts
  - Did they increase the dollar value of their inventory?



## **CASE STUDY**

# **THE CITY OF ATLANTA AUDIT**

### **QUESTION 4.4: Are costs fully recovered by charges to other departments?**

- How are they recovered?
- How are the charges assessed?
- Are they a regular general fund department?
- Are certain costs automatically paid for by the user department?
  - Accident repairs
- What happens if they don't recover their entire budget through their standardized and predetermined rates?
- Is their labor rate artificially reduced due by any of the following:
  - Monthly administrative fee – \$5.00 to \$55.00
  - Yearly administrative fee - \$650.00
  - Other administrative charges:
    - Unfitting fee
    - Acquisition fee - \$550.00
    - Outsourcing fee



# CASE STUDY

## THE CITY OF ATLANTA AUDIT

### QUESTION 4.5: What is your cost recovery method?

- Fixed rate – is this a fixed rate which includes all expenses? Does it include fuel, maintenance, depreciation, and overhead?
- Direct Billing – there are several forms:
  - Direct billing based on a FBLR
  - Direct bill administrative charges/fees
  - Direct bill labor hours normally associated overhead
- Mileage or usage – What is the rate per mile/usage. If the user department does not meet utilization requirements, are they charged an additional fee to recover the difference?
- No direct charges – if you don't charge, you are not recovering anything! If they are a regular general fund department most of the audit questions become meaningless. Remember, some departments gave a labor rate knowing that they don't charge-back.



# **CASE STUDY**

## **THE CITY OF ATLANTA AUDIT**

### **OTHER IMPORTANT QUESTIONS NOT ADDRESSED**

- Staffing levels
  - Direct to Indirect Ratio
  - Equipment to technician ratio
  - VEU calculations
- Direct Labor Hours
- Distribution of indirect/overhead costs



# **CASE STUDY**

## **THE CITY OF ATLANTA AUDIT**

### **WHY WAS THE DATA SO INACCURATE**

- Some of the Department Directors or Fleet Managers were not even aware that the survey existed or that their agency provided the data.
- Survey was passed down to lower level employees to complete.
- The questions were vague and left room for a lot of personal interpretation.



# **THE SELF ASSESSMENT AUDIT CHECKLIST**

**THANK YOU FOR YOUR PARTICIPATION**

**QUESTIONS?**