



Performance Audit of Fleet Services

Final Report (#141501)

August 12, 2014

Office of the Performance Audit Director
County of Orange, California

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Office of the Performance Audit Director

333 W. Santa Ana Blvd., Santa Ana, CA 92701

August 12, 2014

Honorable Board of Supervisors:

Transmitted herewith is the performance audit report of Fleet Services. The main objective of this audit was to evaluate the operational performance of Fleet Services ("OC Fleet") to determine whether management and staff are effective and efficient in accomplishing their business objectives.

Christopher Denham-Martinez, the lead auditor of this project, spent several months in reviewing policies and procedures, interviewing staff, researching best practices, as well as analyzing data to identify improvement opportunities for the County.

Our overall conclusion is that OC Fleet needs to reinforce its mandate to improve service delivery and cost efficiency. The report contains twenty-nine (29) audit recommendations that will bolster OC Fleet's efforts in the areas of governance, life cycle management, fleet utilization, and data collection and analysis. Management has concurred with all the recommendations.

My office will schedule a formal follow-up audit in 2015. We would like to acknowledge and thank the management and staff for their cooperation during the audit.

Respectfully submitted,

Philip Cheng

Performance Audit Director

cc: Mike Giancola, County Executive Officer
Mark Denny, Chief Operating Officer
Shane Silsby, Director of OC Public Works
Ron Vienna, Fleet Manager

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I. Executive Summary

The Office of the Performance Audit Director has completed an audit of countywide fleet services, which was part of the Work Plan approved by the Board of Supervisors. The main objective of this audit was to evaluate the operational performance of County Fleet Services (“OC Fleet”) to determine whether management and staff are effective and efficient in accomplishing their business objectives.

The audit team conducted a comprehensive review and analysis of OC Fleet, including life cycle management (“cradle to grave”), vehicle utilization, and overall operations management. The audit team performed the following audit procedures:

- Reviewed pertinent policies and procedures and recent internal audit reports;
- Interviewed County staff involved in fleet services and other key stakeholders;
- Surveyed user agencies/departments and fleet mechanics;
- Researched fleet management best practices and benchmarking data; and
- Analyzed fleet operations data from OC Fleet’s data management system, Fleet Focus, and CAPS+.

Our overall conclusion of this audit is that OC Fleet needs to reinforce its mandate to improve service delivery to user agencies/departments and cost efficiency for the County. The report contains twenty-nine (29) audit recommendations that will bolster OC Fleet’s efforts in the areas of governance, life cycle management, fleet utilization, and data collection and analysis. These recommendations include:

- Developing and tracking of Key Performance Indicators;
- Strategic management in the areas of acquisition, commissioning, replacement, and disposal;
- Reviewing and updating the rate model in order to appropriately recover operating costs;
- Eliminating underutilized vehicles;
- Collecting, analyzing, and sharing fleet data with user agencies/departments; and
- Establishing, communicating, and implementing countywide fleet policies and procedures.

The complete list of audit recommendations, management action plans, and their target completion dates can be found on pages 31 to 36 of this report.

The audit team would like to thank the OC Fleet staff for their cooperation throughout this review process. We would also like to express our appreciation to all county agencies/departments for their valuable feedback.

II. Introduction

A. Audit Objective

The audit of fleet services was part of the Work Plan for the Office of the Performance Audit Director.

The main objective of this audit was to evaluate the operational performance of County Fleet Services (“OC Fleet”) to determine whether management and staff are effective and efficient in accomplishing their business objectives.

B. Scope of Work

The scope of this audit included the major functions of OC Fleet, which is primarily responsible for maintaining and repairing County vehicles and equipment, including acquisition, commissioning, and disposal.

Our focus was on non-specialized vehicles; specialized vehicles and equipment were excluded in some of our analysis.

C. Audit Methodology

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained in this audit provides a reasonable basis for our findings and conclusions.

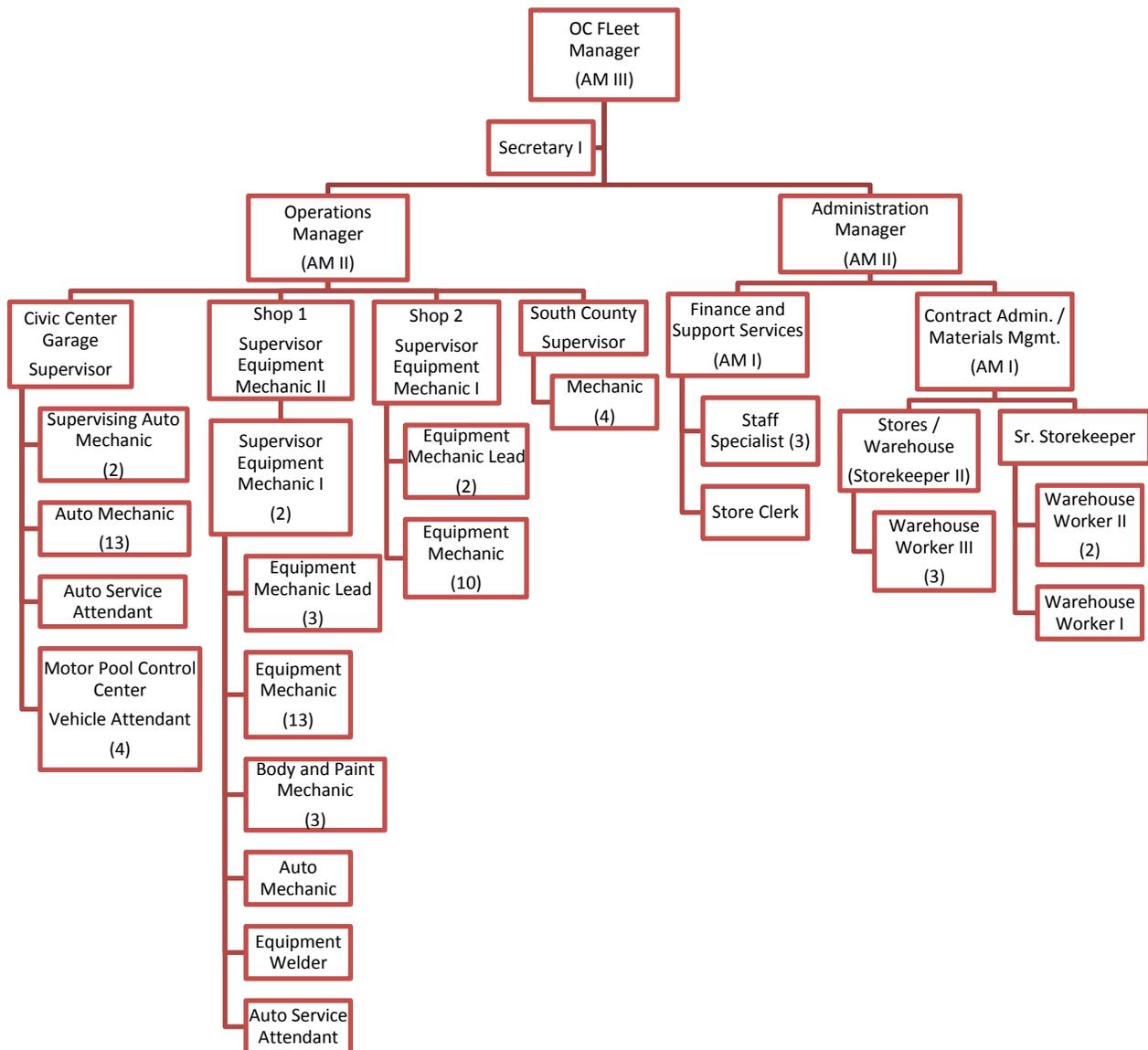
To achieve the audit objectives, we performed the following procedures:

- Reviewed pertinent policies and procedures and recent internal audit reports;
- Interviewed County staff involved in fleet services and other key stakeholders;
- Surveyed user agencies/departments and fleet mechanics;
- Researched fleet management best practices and benchmarking data; and
- Analyzed fleet operations data from OC Fleet’s data management system, Fleet Focus, and CAPS+.

III. Background

A. Overview of OC Fleet

OC Fleet is a division within the department of OC Public Works (OCPW). For FY 13-14, the division had an annual budget of \$28 million and a total of 82 positions.¹ The Fleet Manager position, which had been vacant for more than two years, was filled shortly after the audit had started. As such, this report should not be construed as a reflection of the current manager’s performance. Furthermore, as a result of OCPW’s reorganization in June 2014, the Fleet Manager position was upgraded to a Deputy Director level within the department. The following diagram depicts the current organizational structure of OC Fleet.



¹ Source: FY 2013-2014 County Budget

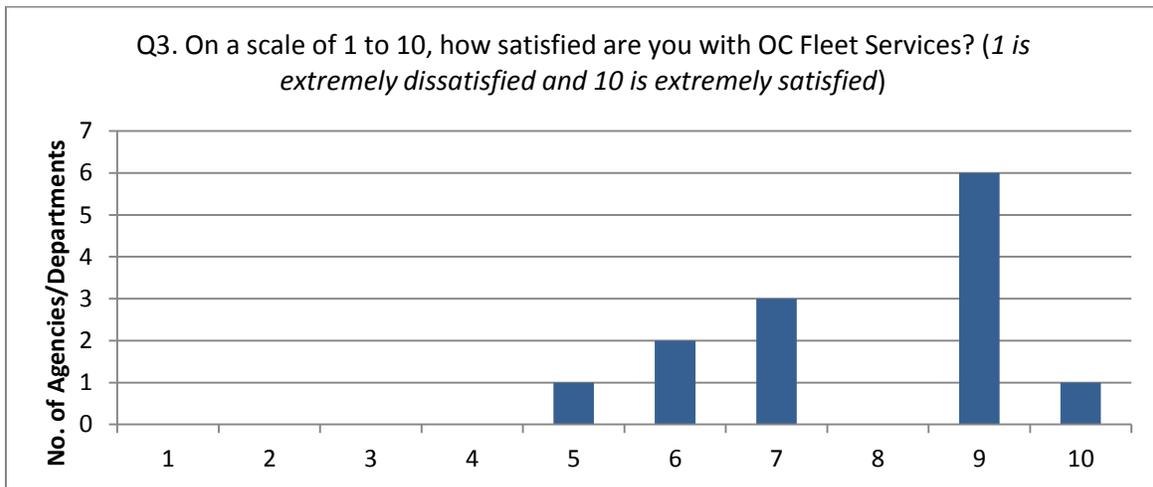
OC Fleet operates as an internal service fund (ISF) - Transportation Fund 296, which is used to finance the purchase of vehicles and equipment for, and provide fleet services to, County agencies/departments on a cost-reimbursement basis. Agencies/departments that choose to purchase vehicles through the ISF are required to pay a monthly depreciation fee to the ISF. Once ISF-purchased vehicles are fully depreciated and eligible for replacement, the user agencies/departments can apply the accumulated depreciation to purchase replacement units.

As of December 2013, the County owned a total of 2,959 vehicles and equipment, which are grouped into 24 maintenance classes as shown below. These maintenance class designations assist in tracking inventory and costs associated with the County’s diverse fleet. For this audit, the audit team focused on OC Fleet’s 1,983 non-specialized vehicles. A detailed breakdown of ISF and Non-ISF units by agency/department can be found in Appendix A on page 37.

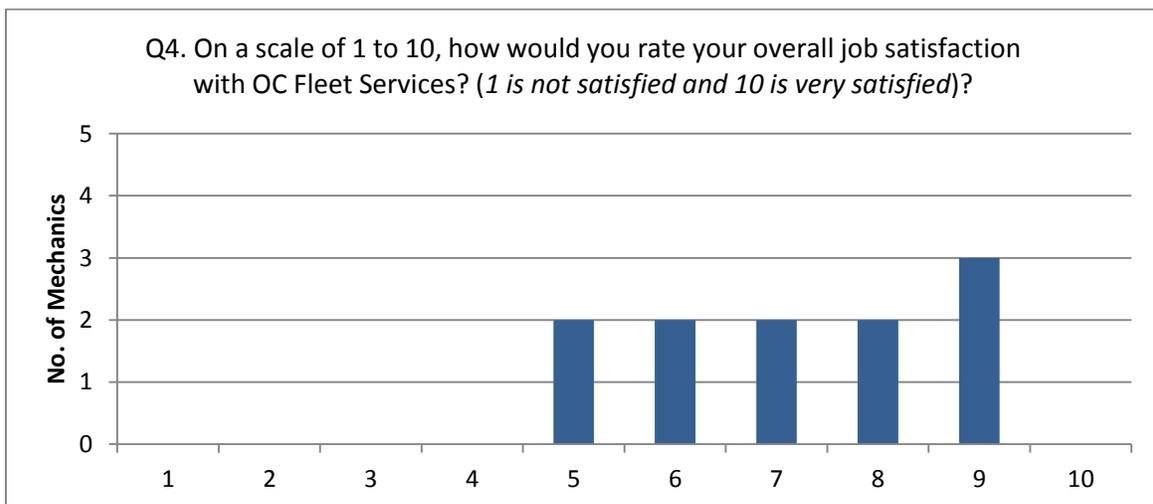
	Maintenance Class	ISF	Non-ISF	Total
Non-Specialized	<i>Black and White Patrol Vehicles</i>	233	2	235
	<i>Undercover-Emergency Vehicles</i>	219	4	223
	<i>Full Size E-Plate Vehicles</i>	171	33	204
	<i>7 to 8 Passenger Vans</i>	30	24	54
	<i>15 Passenger Vans</i>	108	22	130
	<i>Compact Sedans</i>	66	43	109
	<i>Full Size Pickup Trucks</i>	47	156	203
	<i>Service Body/Stake Bed Trucks</i>	82	81	163
	<i>Cargo Vans</i>	76	30	106
	<i>4X2 or 4X4 SUV</i>	65	251	316
	<i>4X4 Full Size Pk</i>	18	166	184
	<i>4X4 Cargo Vans</i>	1	0	1
	<i>4X4 Compact Pickup Trucks</i>	0	11	11
	<i>4X2 Compact Pickup Trucks</i>	7	12	19
	<i>Black and White Patrol SUV</i>	19	6	25
	Subtotal	1,142	841	1,983
Specialized	<i>Electric Vehicles</i>	0	38	38
	<i>2 Axle Trucks</i>	10	52	62
	<i>3 Axle Trucks</i>	0	34	34
	<i>Buses & Crew Cab Over 15 Passengers</i>	1	20	21
	<i>Trailers</i>	3	193	196
	<i>Generator Units</i>	1	111	112
	<i>Specialized Trucks</i>	3	65	68
	<i>Specialized and Road Equipment</i>	2	373	375
	<i>Heavy Equipment</i>	0	70	70
	Subtotal	20	956	976
	GRAND TOTAL	1,162	1,797	2,959

B. Survey Results

The audit team conducted two surveys to gauge the satisfaction levels of (1) user agencies/departments and (2) OC Fleet mechanics. The chart below summarizes the responses from the fleet users whose average satisfaction rating was 7.2 on a scale of 10.² County agencies/departments also provided feedback on specific areas that should be considered during the audit.



The chart below summarizes the survey responses from the fleet mechanics.³ The average score was 7.2 on a scale of 10.



² Based on a 92% response rate; results were aggregated to provide a single average departmental score for the following agencies/departments: OC Community Resources (4 responses), Health Care Agency (11 responses), County Executive Office (3 responses), OC Public Works (6 responses).

³ Based on a 22% response rate.

IV. Audit Results

A. Governance

In 1989, the Board of Supervisors adopted Resolution 89-1302 which provided guidelines for County vehicles, established centralized fleet management, and authorized the Director of the General Services Agency (GSA) to manage the “administration and enforcement of County vehicle assignment.” The GSA Director’s responsibilities as outlined in the resolution included:

- Managing all County vehicles assigned to individuals in any County Agency/Department;
- Reviewing vehicle requirements;
- Reviewing requests for additional vehicles and special equipment;
- Preparing and approving all specification for vehicles;
- Receiving, checking, numbering, and assigning vehicles and equipment; and
- Maintaining vehicles and equipment.

Since the adoption of this resolution, the County has undergone a number of reorganizations that impacted GSA: (1) parts of GSA became the Public Facilities and Resources Department (PFRD), (2) PFRD became the Resources and Development Management Department (RDMD), and (3) RDMD became OC Public Works (OCPW). Throughout these reorganizations, responsibility for managing the County’s fleet remained with the Director of each successive department. Additionally, no changes were made to Resolution 89-1302 or the duties and responsibilities that it enumerates. Currently, the Director of OCPW delegates authority for management of the County’s fleet to the Fleet Manager.

Despite being given broad authority from the Board of Supervisors, OC Fleet currently exercises only limited oversight of the County’s fleet. The current practice is that OC Fleet only takes responsibility for ISF vehicles. It does not take responsibility for Non-ISF vehicles because they are “department owned.”

Although Resolution 89-1302 makes no reference to the Internal Service Fund, the resolution specifically states that all County vehicles are under the management of the “GSA/Transportation Division” or present day Director of OC Public Works, regardless of source of funding. By centralizing fleet management, the County can manage costs more effectively by (1) taking advantage of economies of scale and (2) standardizing the County’s fleet.

Recommendation 1. In consultation with the County Executive Office and County Counsel, the Fleet Manager should prepare an updated resolution for approval by the Board of Supervisors to clarify OC Fleet's role and responsibilities in fleet management.

Recommendation 2. The Fleet Manager should engage all user agencies/departments and encourage them to embrace centralization of fleet management.

B. Key Performance Indicators (KPIs)

The stated mission of OC Fleet is to provide "safe, reliable, cost effective, timely, and environmentally sensitive vehicles, equipment, maintenance and support services to many of the departments of the County of Orange so these departments can execute their missions serving the needs of the community."

Additionally, OC Fleet outlines the following goals in its *Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006, section VI*:

- A. *To comply with Clean Air regulations;*
- B. *To comply with Renewable, Green and Alternative Fuel Programs, purchasing green whenever operationally practical;*
- C. *To minimize the procurement of vehicles/equipment through evaluation of the County's existing fleet for the purpose of reassigning vehicles rather than purchasing new ones;*
- D. *To minimize the procurement of vehicles/equipment through evaluation of other options, including the sharing, refurbishment, or leasing of vehicles, whenever practical and cost-effective;*
- E. *To standardize and consolidate the procurement of vehicles/equipment to reduce the administrative workload associated with development of specifications, issuance of bid solicitations, review of bids, contract negotiations, and award of contracts;*
- F. *To standardize the procurement of vehicles/equipment, reducing the number of different vehicle manufacturers, to minimize the purchasing of and training relative to the diagnostic equipment and parts associated with multiple makes and models of vehicles;*
- G. *To standardize the procurement of vehicles/equipment and to consolidate purchases resulting in larger bid quantities and reduced bid prices;*
- H. *To reduce the procurement of non-essential options in vehicles/equipment to minimize the cost of those options and the time and cost associated with maintaining and repairing those options; and*
- I. *To procure the most cost-effective vehicles/equipment, in terms of initial cost, fuel consumption, and the maintenance and repair of those vehicles, to meet the operational needs of the County.*

In order to evaluate OC Fleet's effectiveness in fulfilling its mission and achieving its goals, performance measures must be established and tracked. Key Performance Indicators (KPIs), a performance measurement best practice, help an organization measure progress in meeting organizational goals. In the past, OC Fleet did track a number of measures, which included Percent of Fleet Converted to Green Technology, fleet downtime, and average mileage vehicles are overdue for preventive maintenance. However, as of February 13, 2014, OC Fleet did not track any KPIs.

OC Fleet collects a variety of data in its data management system, Fleet Focus, which can be tracked and measured to evaluate its effectiveness in achieving its goals, and ultimately, its mission. Based on our review of the data, the following suggested KPIs can currently be tracked and measured:

- Preventive Maintenance Compliance Rate by User Department
- Preventive Maintenance to Repair ratio
- Average Time to Commission a Vehicle
- Billable Hours/Productivity Rate
- Work Order Turnaround Date
- Warranty Repair Percentage
- Percentage of Green Vehicles
- Fleet Pool Availability
- Vehicle Downtime
- Cost per Mile
- Average Age

Recommendation 3. The Fleet Manager should establish, track, and report Key Performance Indicators relevant to OC Fleet's mission and major goals.

C. Life Cycle Management

Life cycle management is central to effectively managing a fleet. Life cycle management involves managing all the different elements required to operate a vehicle from "cradle to grave" including acquisition and disposal, commissioning and decommissioning, and replacement.

1. Acquisition and Disposal

As a result of an internal audit in 2011, OC Fleet established a number of policies and procedures.⁴ Specifically, OC Fleet established *Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006*, which provides vehicle purchasing and replacement criteria and procedures. The policy applies to the "purchasing of all vehicles and motorized equipment, with the exception of emergency or rescue vehicles, for all County agencies/departments."⁵

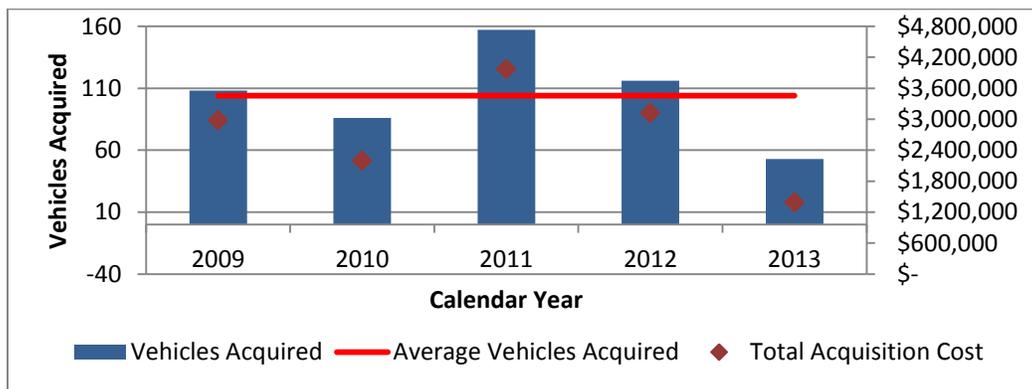
⁴ *OC Public Works – Countywide Fleet Management*. Audit no. 1028. Report date: April 12, 2011.

⁵ Section II. *Scope*. *Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006*.

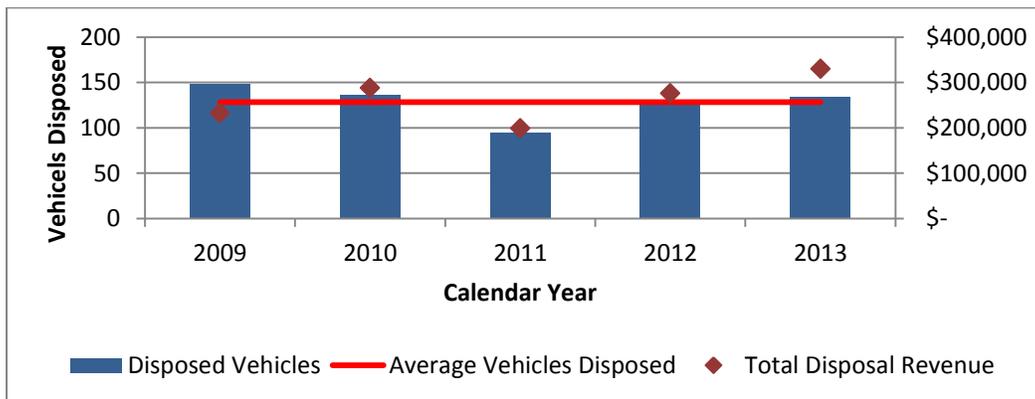
OC Fleet also established *OC Fleet Management Vehicle Disposal Policies and Procedures No. 1.1.008*, which outlines the disposal process for all County vehicles. This policy states “OC Fleet Services is the centralized disposal authority for all vehicles and related components.”⁶ Despite the broad scope of these policies, OC Fleet focuses its efforts mainly on the County’s ISF vehicles and plays a relatively passive role on the non-ISF vehicles.

Our review indicates that OC Fleet does not proactively manage the acquisition and disposal processes for the entire County fleet. The number of vehicles acquired and disposed of is determined by the users. OC Fleet does not recommend replacement or disposal of specific vehicles, but rather requests County Agencies/Departments to review their inventory and identify vehicles eligible for disposal.

The County, as a whole, purchased 520 vehicles between 2009 and 2013. The average number of vehicles purchased was 104 per year, with a high of 157 vehicles for \$4.0 million in 2011 and a low of 53 vehicles for \$1.4 million in 2013.



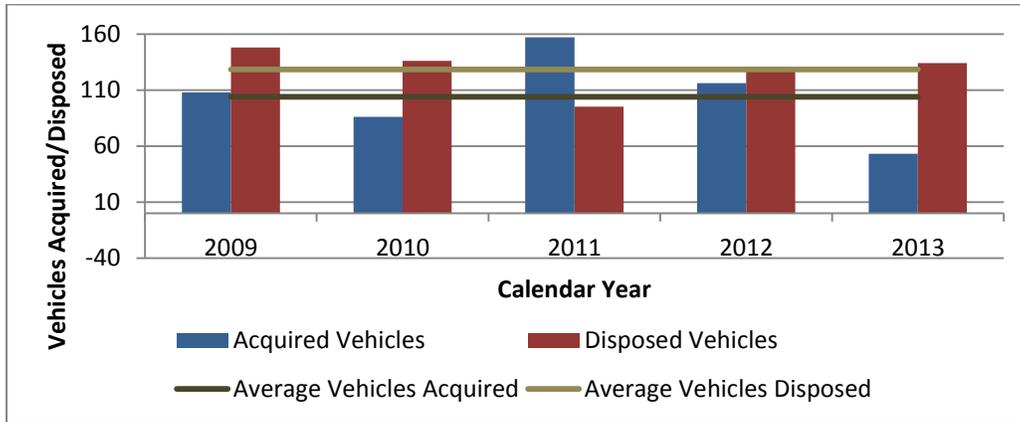
Within the same period, the County disposed of a total of 642 vehicles. The average number of disposals was 128 per year, with a high of 148 vehicles in 2009 and a low of 95 in 2011. The disposal revenue ranged from \$330,000 in 2013 to \$200,000 in 2011.



Over the past five years, the County’s fleet size reduced by a total of 122 units.

⁶ Section IV. *Policy*. OC Fleet Management Vehicle Disposal Policies and Procedures No. 1.1.008.

As shown in the following chart, the acquisition and disposal patterns fluctuated widely between 2009 and 2013. Drastic fluctuation of fleet size can pose various negative impacts on the County, including delayed commissioning of vehicles and spikes in future replacement of vehicles.

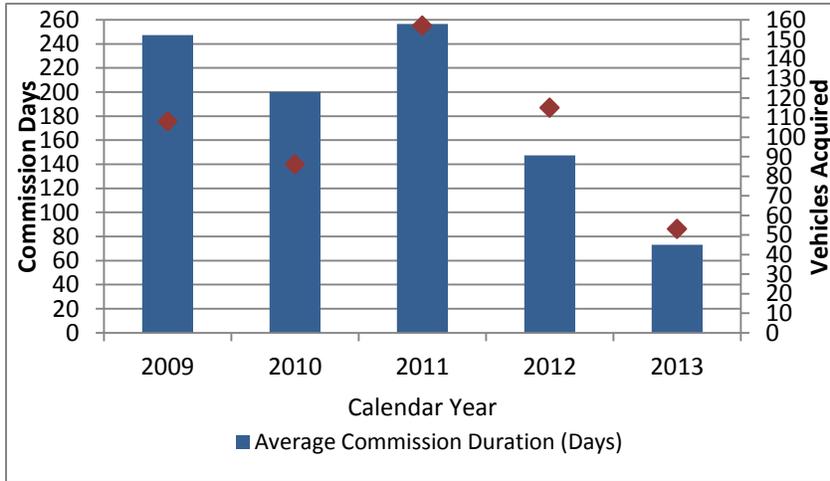


Recommendation 4. The Fleet Manager should distribute OC Fleet’s policies and procedures to all County Agencies/Departments and monitor their compliance.

Recommendation 5. The Fleet Manager should proactively manage fleet acquisition and disposal to minimize negative impact on mechanic workloads.

2. Commissioning and Decommissioning

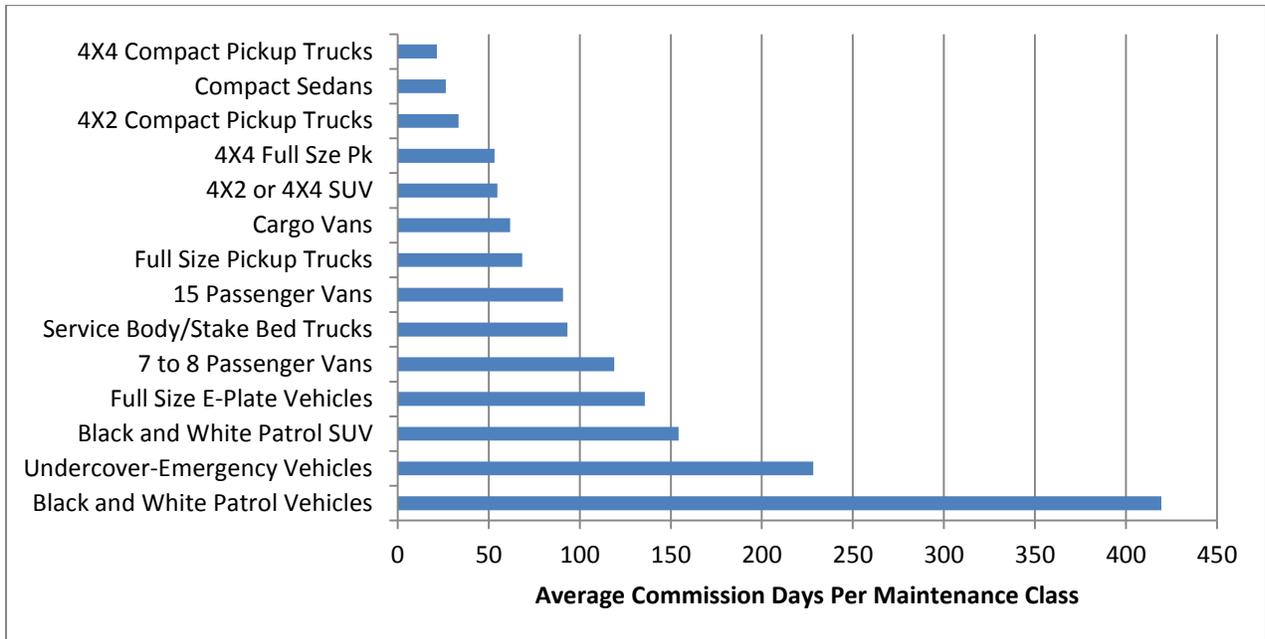
All newly acquired vehicles are reviewed and commissioned by OC Fleet. Commissioning includes reviewing invoice and vehicle specifications, vehicle numbering, and applying any necessary County decals. Any volatility in the acquisition trend can affect commissioning duration, which can place a strain on OC Fleet resources and impact OC Fleet’s ability to commission vehicles in a timely fashion. Ultimately, this can impact user agencies’/departments’ ability to achieve their operational objectives. Between 2009 and 2013, the average time to commission a vehicle (from delivery date to in-service date) was 202 days, with a high of 257 days in 2011 and a low of 73 days in 2013.



Furthermore, over the past five years, 40% of the acquired vehicles took 6 months or longer to commission, as shown below.

Commission Duration	Percentage	Vehicles
Under 1 Month	25%	130
Between 1 Month - 6 Months	35%	181
Between 6 Months - 12 Months	16%	81
Over 12 Months	24%	127
Total	100%	519

Our review of the average commission duration by maintenance class indicated that there was a wide variation, ranging from a low of 22 days (4X4 Compact Pickup Trucks) to a high of 419 days (Black and White Patrol Vehicles). We also learned that Public Safety vehicles often required multiple trips between OC Fleet garage and other locations for installing telecommunication equipment, which prolonged the commission duration.



Up-fitting contributes to some of the delays in commissioning. It is the process of modifying vehicles to install electrical wiring and circuit protection to support emergency equipment and lighting. OC Fleet has a limited number of technicians that are trained and certified in this type of work. Thus, if the volume of newly acquired vehicles requires more up-fitting than OC Fleet is capable of providing on a timely basis, it can lead to a backlog, resulting in extended delays in commissioning.

According to OC Fleet, the delay commissioning in Black and White Patrol Vehicles is due to a verbal agreement between past OC Fleet management and the Sheriff’s Department. It was agreed that OC Fleet would hold a reserve of black and white patrol vehicles. This was done so that in the case of a mass emergency, OC Fleet could apply the necessary decals on the vehicles and provide immediate additional support to the Sheriff’s fleet. This results in a delayed in-service date. OC Fleet did not offer any rationale for the prolonged commission timeframes of other maintenance classes.

Currently, OC Fleet does not have any written service level agreements with user agencies/departments that stipulate service expectations such as time frames, nor does it manage commissioning duration. This leaves room for disagreements that can affect fleet users’ ability to achieve their operational objectives. Additionally, for many units, warranty begins at the time of delivery. When vehicle in-service dates are delayed, the County loses valuable warranty coverage.⁷ In the same manner, vehicles are depreciating assets that lose value regardless of whether they are in service.

With regard to decommissioning, it is unknown how long vehicles are kept before they are actually disposed of since OC Fleet does not track decommissioning timeframes.

⁷All but one make (Ford) do not offer delayed warranty coverage

Recommendation 6. The Fleet Manager should (1) establish annual service level agreements with user agencies/departments on service expectations and commissioning timeframes and (2) track commissioning and decommissioning times to ensure compliance with service level agreements.

Recommendation 7. The Fleet Manager should annually (1) calculate OC Fleet's up-fitting capability in comparison with the anticipated acquisition volume and (2) consider contracting with a vendor to complement OC Fleet's efforts in achieving agreed service levels.

3. Replacement Guidelines

The optimal replacement timeframe for vehicles can vary by maintenance class and by agency/department. When determining replacement timeframes, OC Fleet uses two guidelines: (1) OC Fleet policy and (2) Auditor-Controller's Useful Life Schedule.

- *OC Fleet Management Vehicle Disposal Policies and Procedures No. 1.1.008* states that "vehicles are eligible for disposal after they have been fully depreciated or they have exceeded 80,000 miles."⁸ Additional factors such as cumulative maintenance costs and functionality are considered.
- The Auditor-Controller's Useful Life Schedule prescribes a number of years in service to specific maintenance classes based on historical trends. Once a vehicle reaches its useful life, it is deemed fully depreciated.

Using a general mileage guideline, such as 80,000 miles, on a diverse fleet is ineffective since mileage will differ among maintenance classes and agencies/departments. For example, a Black and White Patrol Vehicle will reach 80,000 miles at a quicker rate than a Sport Utility Vehicle (SUV) that is off-roading in a landfill.

Based on the Auditor-Controller's guideline, 891 county vehicles have exceeded their useful life. The average in-service age of these vehicles was 142 months, or 11.8 years. Their average mileage was approximately 71,000, ranging from a high of 92,000 (4X4 Cargo Vans) to a low of 41,000 (4X4 Compact Pickup Trucks), as shown in the following table.

⁸ Section V. *Procedure, A, 1.* OC Fleet Management Vehicle Disposal Policies and Procedures No. 1.1.008.

Maintenance Class	Vehicles Exceeding Useful Life	Useful Life (Months)	Average In Service Age (Months)	Average Mileage
<i>4X4 Cargo Vans</i>	1	120	241	92,427
<i>Full Size Pickup Trucks</i>	116	120	164	80,948
<i>Cargo Vans</i>	57	120	163	54,923
<i>Service Body/Stake Bed Trucks</i>	80	120	163	81,843
<i>4X2 or 4X4 SUV</i>	122	120	163	71,230
<i>7 to 8 Passenger Vans</i>	27	120	163	63,291
<i>4X2 Compact Pickup Trucks</i>	12	96	162	48,597
<i>15 Passenger Vans</i>	62	120	158	67,513
<i>4X4 Full Size Pk</i>	50	120	157	78,764
<i>Black & White Patrol SUV</i>	12	48	149	65,731
<i>4X4 Compact Pickup Trucks</i>	3	96	143	41,060
<i>Compact Sedans</i>	66	96	139	55,816
<i>Full Size E-Plate Vehicles</i>	95	84	132	70,118
<i>Undercover Emergency Vehicles</i>	105	84	113	75,770
<i>Black & White Patrol Vehicles</i>	83	36	68	66,890
Total/Average	891	101	142	70,742

Establishing replacement criteria specific to each maintenance class and department is a more effective practice. This can be done by analyzing agency/department fleets' age and utilization by maintenance class, as well as the age and mileage of recently disposed of vehicles.

As previously noted, OC Fleet does not recommend replacement or disposal of specific vehicles, but rather requests agencies/departments to review their inventory and identify vehicles eligible for disposal. This practice can lead to user agencies/departments retaining aged and potentially costly vehicles.

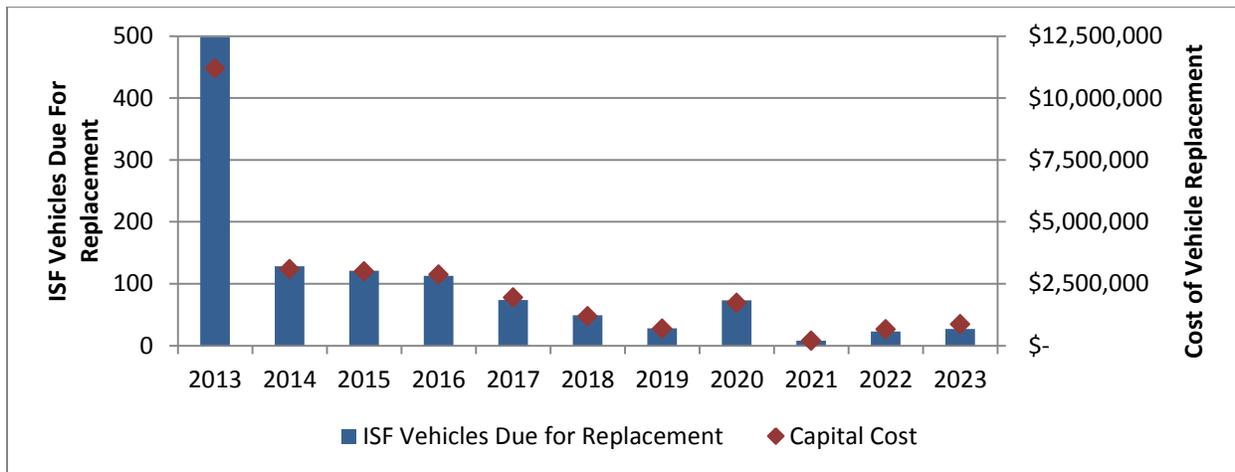
Recommendation 8. The Fleet Manager should update replacement guidelines that take into consideration user agencies'/departments' historical utilization.

Recommendation 9. The Fleet Manager should annually replace and dispose of county vehicles in accordance with the established replacement guidelines.

4. Vehicle Replacement Fund

According to OC Public Works, the County established a vehicle replacement reserve fund in 2005 and began collecting depreciation charges from ISF vehicle users since then. Our review indicated that the County has an aged fleet, many units of which are due for replacement.

As of March 2014, the vehicle replacement reserve contained approximately \$3.8 million. Applying the useful life schedule, the audit team determined that of the 1,142 ISF vehicles that are currently in service, 498 vehicles (44%) valued at \$11 million were due for replacement in 2013, followed by 128 vehicles (11%) valued at \$3 million due in 2014, as shown in the following chart.



It should be noted that although the 626 vehicles are currently past due or due for replacement, it would not be prudent to replace them all at once. Both the immediate and long-term goal should be to “smooth” the replacement schedule to avoid future spikes in replacement costs. This can be achieved by (1) downsizing the fleet by eliminating underutilized vehicles and (2) extending the useful life of vehicles that are in good condition.

Recommendation 10. The Fleet Manager should devise a plan to establish and maintain a well-funded reserve for fleet replacement.

D. Standardization

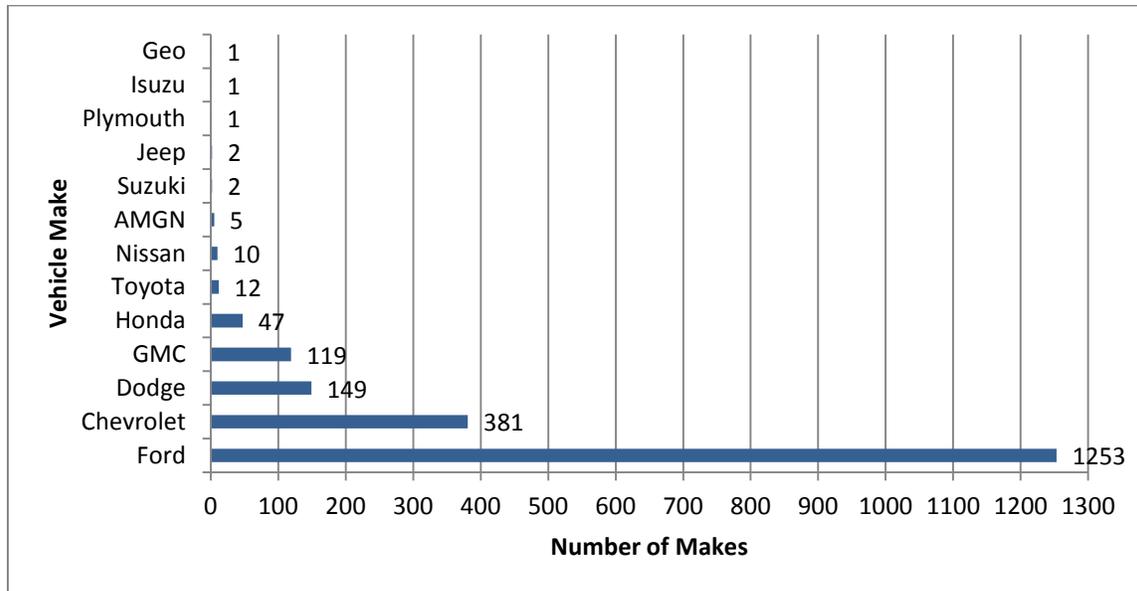
As a whole, the County’s fleet serves a wide spectrum of needs and therefore requires different types and classes of vehicles to meet those needs. The challenge is to contain the degree of vehicle diversity to an acceptable level that does not (1) impede user agencies/departments from effectively and efficiently fulfilling their missions, and (2) unjustifiably burden fleet mechanics with the need for specialized training, equipment, and parts inventory.

Vehicles have become increasingly complex with electronic sensors and controls, new emissions technology, and safety devices. The diversity of a fleet can exponentially burden fleet staff and resources. Each additional make requires additional training for technicians, additional tools and diagnostic software, and additional parts inventory. Standardizing a fleet can greatly reduce the degree of fleet diversity and many of the problems associated with it.

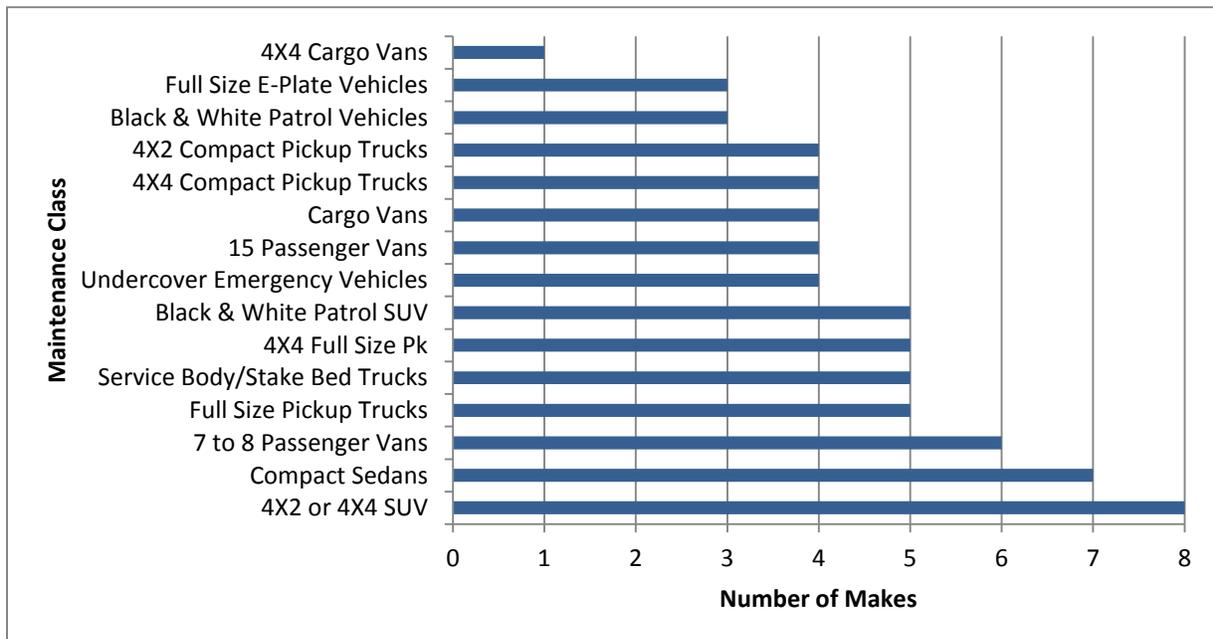
OC Fleet’s *Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006* includes standardization in three of its major goals. It notes that purchases of County vehicles will be standardized with an approved vehicle selection list.⁹ However, the list was not posted on OC Fleet’s website as of May 2014.

⁹ Section V. *Policies*, C and E. *Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006*.

By the end of 2013, the County’s non-specialized fleet of 1,983 vehicles was made up of 13 different makes. Ford and Chevrolet accounted for 63% and 19% of the fleet, respectively. The remaining 11 vehicle makes accounted for 18% of the fleet.



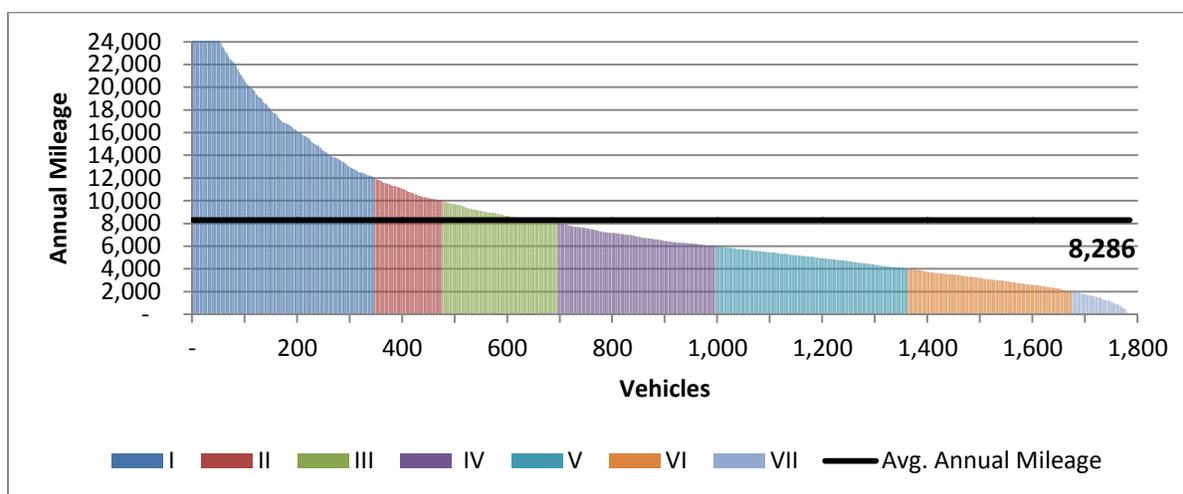
The 1,983 vehicles are categorized into 15 different maintenance classes. Within these classes, there is significant variety of vehicle make. As shown below, the average number per class was 4.5 makes, and the high was 8 makes (4X2 or 4X4 SUV). A detailed breakdown of vehicle makes by maintenance class can be found in Appendix B on page 38.



Recommendation 11. The Fleet Manager should develop a standardized vehicle selection list that incorporates input from user agencies/departments and post it on OC Fleet’s website.

E. Fleet Utilization

Fleet-related costs are largely determined by fleet size and utilization. To ensure a cost-effective fleet is to promote a well-utilized fleet. In order to appropriately analyze utilization, the audit team excluded (1) the rental pool¹⁰, which is addressed separately in this report, (2) vehicles less than one year of age, and (3) specialized vehicles as described in the *Background* section of this report, resulting in 1,786 vehicles. The average annual mileage of these vehicles is 8,286. The audit team divided the fleet into seven categories based on annual mileage:



The following table aggregates costs for each category, which includes capital and repair and maintenance costs. As shown below, the less a vehicle is utilized, the costlier the vehicle becomes.

Category	Annual Mileage	%	Vehicles	Capital Costs	Annual R & M Cost/Unit ¹¹	Annual Mileage/Unit	Cost Per Mile ¹²
I	12,000 +	19%	347	\$8,672,249	\$3,580	18,511	\$0.41
II	10,000 - 12,000	7%	130	\$3,320,188	\$2,295	10,871	\$0.50
III	8,000 - 10,000	12%	219	\$5,348,054	\$2,290	8,880	\$0.58
IV	6,000 - 8,000	17%	301	\$7,294,944	\$2,219	6,900	\$0.72
V	4,000 - 6,000	20%	365	\$8,805,361	\$1,459	5,035	\$0.82
VI	2,000 - 4,000	18%	313	\$7,517,420	\$1,176	3,068	\$1.22
VII	Under 2,000	6%	111	\$2,429,963	\$766	1,290	\$2.40
Total/Avg		100%	1,786	\$43,388,179	\$2,069	8,286	\$0.60

¹⁰ The rental pool consists of 43 vehicles

¹¹ Based on average repair and maintenance costs between 1/1/2013 and 12/31/2013

¹² Average annual capital cost (based on useful life schedule) plus the average repair and maintenance costs divided by the average annual mileage

The County can achieve significant cost savings by disposing of, and not replacing, underutilized vehicles. In the best case scenario, by disposing of the 424 category VI and VII vehicles, the County could (1) generate over \$1 million in revenue from auctioning the vehicles, (2) avoid approximately \$9.9 million in one-time capital replacement costs, and 3) eliminate approximately \$2.2 million in repair and maintenance costs over five years (see chart below). This amounts to a total net savings of \$13.3 million. Conservatively, assuming that 50% (212) of these vehicles are not mission critical and therefore can be eliminated, the County could still save approximately \$6.65 million as a result of fleet optimization.

Category	Annual Mileage	Vehicles	Estimated Revenue from Disposal	One-Time Replacement Costs	Estimated Repair & Maintenance Costs (5-year)	Estimated Net Savings
VI	2,000 - 4,000	313	\$826,916	\$7,517,420	\$1,840,821	\$10,185,157
VII	Under 2,000	111	\$267,296	\$2,429,963	\$425,231	\$3,122,490
TOTAL		424	\$1,094,212	\$9,947,383	\$2,266,052	\$13,307,648

Establishing annual minimum utilization guidelines is essential to manage a cost-effective, well-utilized fleet. The challenge is prescribing utilization guidelines that take into account unique utilization patterns among maintenance classes and departments. Exceptions to utilization guidelines may be necessary for mission-critical vehicles that cannot achieve the standard.

Once annual minimum utilization guidelines are established, OC Fleet can play a vital role in informing user departments of their annual utilization in comparison to the guidelines to identify any underutilized vehicles. In cases where departments fail to implement and achieve a corrective action plan on its underutilized vehicles, OC Fleet can take actions that include: (1) providing executive management with a “non-compliance” or underutilization report, (2) reassigning the vehicle to another department to fulfill a vehicle request, (3) utilizing the vehicle as part of the rental pool, or (4) disposing of surplus units.

Recommendation 12. The Fleet Manager should take immediate actions to optimize the County’s fleet size, including disposing underutilized vehicles for cost savings.

Recommendation 13. The Fleet Manager should establish utilization guidelines that take into consideration input from user agencies/departments regarding their needs and vehicle usage.

Recommendation 14. The Fleet Manager should annually track and report utilization to user agencies/departments, and request justification for underutilized vehicles.

F. Rental Pool

There are 43 vehicles in four pool classes available for rent to County employees for business purposes. The rental pool vehicles are provided by OC Fleet to assist user agencies/departments that do not have a regular need for a vehicle.

As shown in the following table, the rental pool is underutilized and does not recover its full costs. During FY 12-13, pool vehicles were rented, on average, 42% of the time they were available, ranging from a high of 65% to a low of 21%. The 43-vehicle pool costs the County approximately \$430,000, averaging \$113 per rental day. Given that OC Fleet charges between \$53 and \$60 per day, on average, only 50% of costs are recovered.¹³

Pool Class	Vehicles	Total Days Rented	Utilization (%)	Total FY 12-13 Cost	Cost/Day Rented	FY 12-13 Rate	Cost Recovery Rate
1 (Cargo Van, Pick-ups, Vans)	16	1,189	32%	\$157,065	\$132	\$58	44%
2 (Full Size Sedan)	9	407	21%	\$103,695	\$255	\$60	24%
3 (Compact Sedan)	17	2,150	65%	\$167,340	\$78	\$53	68%
4 (Stakebed Truck)	1	76	32%	\$2,767 ¹⁴	\$36	\$54	148%
Total/Average	43	3,822	42%	\$430,867	\$113	\$56	50%

Our review indicated that many of the rental pool units purchased were brand new vehicles. To reduce rental costs, OC Fleet could instead assign fully depreciated vehicles from user agencies/departments to the rental pool.

Recommendation 15. The Fleet Manager should (1) downsize the rental pool and (2) consider contracting with a vendor to complement OC Fleet's rental pool during periods of high demand.

Recommendation 16. The Fleet Manager should calculate daily rates for pool vehicles to recover their full costs.

Recommendation 17. The Fleet Manager should assign fully depreciated vehicles in good condition to the rental pool.

G. Rate Model

As previously mentioned, OC Fleet is funded through Transportation Internal Service Fund 296, which requires its annual expenditures be fully covered by its revenues. Revenues to Fund 296 include vehicle repair and maintenance services, vehicle rentals, fuel, and a fleet management fee. OC Fleet utilizes a rate model developed in 2003 to set the following annual rates, surcharges, and fees:

- Mechanic hourly rates – rates include both regular and overtime for automotive, equipment, and body and paint mechanics;
- Rental pool daily rates – rates for four different pool classes available for rent;
- Surcharges – rates for parts, vendor contracts, and fuel; and
- Asset management fee – monthly fee per managed unit.

¹³ Due to inaccuracies in the rate model, the costs are an estimate.

¹⁴ Pool class 4 was not assigned overhead costs in the rate model

Mechanic Hourly Rates

Government fleet hourly rates are often compared to those of private automotive repair shops. OC Fleet conducted its latest labor rate benchmark study in June 2013.¹⁵

For FY 14-15, OC Fleet proposed hourly rates for mechanics ranging from regular rates of \$79 to \$85 and overtime rates of \$94 to \$102. Certain rate categories declined approximately 1% when compared to the rates from FY 13-14, as shown in the following table.

		FY 13-14	FY 14-15	Difference
Automotive Mechanics	Regular Hours	\$ 80.00	\$ 79.00	-1.25%
	Overtime Hours	\$ 95.00	\$ 94.00	-1.05%
Equipment Mechanics	Regular Hours	\$ 85.00	\$ 85.00	0.00%
	Overtime Hours	\$ 102.00	\$ 102.00	0.00%
Body and Paint Mechanics	Regular Hours	\$ 85.00	\$ 84.00	-1.18%
	Overtime Hours	\$ 101.00	\$ 101.00	0.00%

Based on our review of the rate methodology, the audit team determined that the rate model is flawed, and thus rates may be too low. Currently, rates are based on (1) 60 mechanics and (2) a productivity rate of 80%, or 1,664 productive hours per mechanic.

The rate methodology should be based on the true number of filled mechanic positions, which the rate model notes as 54. The productivity rate should be based on historical performance (productive rate for FY 13-14 was between 70% and 71%).

In addition, the Memorandum of Understanding between the County of Orange and the Alliance of Orange County Workers, which governs the Operations and Service Maintenance Unit, states employees who work overtime “shall be compensated at one and one-half (1-1/2) times the regular [pay] rate.”¹⁶ However, OC Fleet only increases its overtime rates to customers by 20%, which does not fully recover the costs associated with mechanics working overtime.

Rental Pool Daily Rates

For FY 14-15, OC Fleet proposed daily rates for four separate pool classes ranging from \$53 for a compact sedan to \$60 for a full size sedan. There were no proposed changes to the rates from FY 13-14.

Pool Class	FY 14-15
Pool - 1 (Cargo Van, Pick-ups, Vans)	\$ 58.00
Pool - 2 (Full Size Sedan)	\$ 60.00
Pool - 3 (Compact Sedan)	\$ 53.00
Pool - 4 (Stakebed Truck)	\$ 54.00

¹⁵ See labor rates in Appendix C on page 39.

¹⁶ Article 1, Section 2, C.1. Memorandum of Understanding 2013-2015. County of Orange and Alliance of Orange County Workers (AOCW) for the Operations and Service Maintenance Unit.

As previously noted in the *Rental Pool* section, the rental pool rates do not recover the County's full costs. In FY 13-14, the 43-vehicle pool cost the County approximately \$430,000, averaging \$113 per rental day. OC Fleet's rates averaged \$56 per day and recovered, on average, 50% of the costs.

Pool Class	Vehicles	Total FY 13-14 Cost	Cost/Day Rented	FY 13-14 Rate	Cost Recovery Rate
1	16	\$157,065	\$132	\$58	44%
2	9	\$103,695	\$255	\$60	24%
3	17	\$167,340	\$78	\$53	68%
4	1	\$2,767 ¹⁷	\$36	\$54	148%
Total/Average	43	\$430,867	\$113	\$56	50%

A closer review of OC Fleet's rate model identified three additional concerns:

1. The rate accounts for 41 vehicles, when in fact there are 43 vehicles.
2. Rates are calculated based on FY 13-14 rental usage plus an arbitrary inflation factor that artificially increases utilization.
3. More than 25% of OC Fleet's fixed cost associated with building square footage is allocated to pool vehicles, placing a disproportionate amount of overhead to the rates.¹⁸

Surcharges and Asset Management Fee

For FY 14-15, OC Fleet proposed the following surcharges and asset management fee. There were no proposed changes to the rates from FY 13-14 except for parts, which was decreased by 2%.

Surcharges	FY 13-14	FY 14-15	Difference
Parts	36%	34%	-2%
Vendor Contracts	21%	21%	0%
Bulk Fuel, per gallon	\$0.17	\$0.17	0%
Credit Card Fuel, per gallon	5%	5%	0%
Asset Management Fee			
per month, per fleet unit	\$15	\$15	0%

Additionally, the current rate model does not factor in indirect costs associated with OC Public Works overhead and County-Wide Cost Allocation Plan (CWCAP). These are billed separately on an annual prorated basis to user agencies/departments.

Recommendation 18. The Fleet Manager should periodically review and update the rate model to ensure the established rates are correctly calculated.

H. Billing

OC Fleet performs repair and maintenance work on a "fee-for-service" basis and bills user agencies/departments on a monthly basis. Billing details regarding labor hours are available through a

¹⁷ Pool class 4 was not assigned overhead costs in the rate model

¹⁸ 61,499 square feet are assigned to 41 vehicles

user agency's/department's Virtual Timesheet Interface (VTI); details regarding parts are available in the County's Electronic Report Management and Imaging (ERMI) database. Details regarding pool rental fees, as well as both asset depreciation charges and asset management fees, are also available on ERMI.

Based on the audit team's countywide survey of user agencies/departments, there are concerns regarding access to detailed repair and maintenance billing and historical costs associated with particular vehicles. The survey also revealed that a scope of work and cost estimate is not consistently provided to the user agencies/departments prior to OC Fleet mechanics performing work.

An alternative billing method used by other government fleet operations such as the City of Santa Ana is to charge a monthly flat maintenance rate that includes costs associated with labor and preventive maintenance.

Recommendation 19. The Fleet Manager should consider (1) implementing a monthly flat maintenance rate or (2) establishing a policy concerning the provision of scope of work and cost estimates to user agencies/departments prior to work being initiated.

Recommendation 20. The Fleet Manager should post a link on the OC Fleet Services website that directs user agencies/departments to the detailed billing reports.

Recommendation 21. The Fleet Manager should develop a more user-friendly platform for user agencies/departments to access and download fleet data.

I. Mechanic Staffing

A fleet operation's staff level is determined by the size of its fleet. Determining the appropriate level of staff is a complex task that must consider various factors, including:

- Labor demand (average number of labor hours it takes to maintain each type of asset);
- Labor supply (average number of direct labor hours each technician can produce); and
- Additional details concerning the fleet and maintenance practices (e.g., fleet age, size and diversity, policies and procedures).

Labor demand can be calculated by reviewing historical maintenance records. If the data is sound, the Fleet Manager can identify the average number of labor hours it takes to maintain each vehicle within a class. The average number of labor hours can then be multiplied by the number of assets within each class to forecast labor demand. This data can also be a useful tool to help manage workloads, as it can be compared to industry labor guides or internally-established benchmarks to determine whether the

estimates are reasonable.¹⁹ OC Fleet does not track the number of units serviced within each maintenance class, and therefore cannot forecast labor demand.

Labor supply involves calculating the number of “wrench-turning” or direct labor hours available to mechanics for the year. For example, OC Fleet mechanics are paid 2,080 hours annually, excluding overtime. After deducting holiday hours and indirect labor hours such as meetings, training, and annual leave, the remaining balance is the direct labor hours. The industry standard for direct labor hours is around 1,456 hours per year, or 70%.²⁰

Based on FY 13-14 work orders, the audit team identified 49 mechanics, including lead mechanics and mechanic supervisors. They averaged between 70% and 71% productivity, which is in line with the industry standard.

Other Factors That Require Consideration

Details concerning the fleet and maintenance practices must also be considered. The fleet size, age, and diversity play a role in the level of labor needed as larger, older and more diverse fleets require additional labor. Outsourcing can be strategically utilized to fill labor demand gaps. Other factors that influence the labor demand include utilization rate, operating environment, and fleet assignment practices such as shared use or take-home vehicles. Factors that affect labor supply include mechanic training and skill levels, field maintenance and repair work, fleet parts practices, and shop conditions (e.g., size, layout, equipment, and tooling).

Recommendation 22. The Fleet Manager should track total annual labor hours and total number of units serviced within each maintenance class to forecast labor demand.

J. Preventive Maintenance

A preventive maintenance (PM) program is a vital component of an effective fleet operation. PM programs generally consist of scheduled servicing, inspections, and minor vehicle repairs due to wear and tear. A robust program will:

- Maximize the availability and overall life of a vehicle;
- Prevent expensive and lengthy repairs; and
- Safeguard users from unsafe mechanical conditions and prevent litigation from negligence.

OC Fleet’s PM program consists of scheduled servicing at every 5,000, 30,000, and 60,000 miles. The following table summarizes the tasks performed during each of these services.

¹⁹ Two widely used auto repair labor guides are ALLDATA or Mitchell On-Demand

²⁰ “Indirect vs. Direct Labor: How to Hit the Magic 70%.” Government Fleet. March 2014.

Maintenance Tasks		5,000 miles (PM-A)	30,000 miles (PM-B)	60,000 miles (PM-C)
1	Change Engine Oil And Filter	X	X	X
2	Air filter: cleaned/ replaced Cabin filter: cleaned/replaced	X	X	X
3	Check All Fluid Levels: eng. coolant, trans., diff., brake, p.s., washer, battery (and clean), etc.	X	X	X
4	Check belts, hoses, wiper blades, windshield - windows and mirrors for cracks	X	X	X
5	Check All lights - interior and exterior, back up alarm (If applicable), horn, hazard lights, code 3	X	X	X
6	Check Safety Items: seat belts, fire extinguisher, first aid kit	X	X	X
7	Check Heater, Air Conditioning, Defroster, Fan, Vents	X	X	X
8	Brake Inspection: lining, hydraulics (check for leaks), adjustment, parking brake	X	X	X
9	Check tires, rotate, tread dept., air pressure, torque lug nuts	X	X	X
10	Check undercarriage: shocks, suspension, steering, exhaust, check for leaks	X	X	X
11	Grease Zerk Fittings	X	X	X
12	Replace Fuel Filter at every 15,000 mile service	X	X	X
13	Service Transmission: filter and/or flush		X	X
14	Service Cooling System: flush system		X	X
15	Change Oil In Differential(s)			X
16	Service Manual Transmission: change oil			X

Between 2011 and 2013, there were 6,413 work orders for preventive maintenance services (PM-A, PM-B, and PM-C) for 1,983 non-specialized vehicles, as referenced in the table below. The cost for these 6,413 services was \$4.9 million over this period. Of these 6,413 work orders, 30% were for preventive maintenance coded as “late.”

Preventive Maintenance	Cost	Work Orders	Late for PM	% Late for PM
5,000 mile service (PM-A)	\$4,021,783	5,511	1,593	28.9%
30,000 mile service (PM-B)	\$527,882	558	195	34.9%
60,000 mile service (PM-C)	\$390,177	344	135	39.2%
Total	\$4,939,842	6,413	1,923	30.0%

Of the 1,983 non-specialized vehicles, 415 (21%) were commissioned between 2011 and 2013. Of these vehicles, 334 (81%) received at least one PM services. Assuming they are to receive preventive maintenance every 5,000 miles, these 334 vehicles should have received an estimated 1,603 services (PM-A, PM-B, or PM-C); however, they only received a total of 1,361 PM services. The audit team estimates that 242 services (15%) for this subset of the County fleet were missed.

OC Fleet does not report PM compliance for the entire fleet. OC Fleet calculates PM compliance on the vehicles that were brought in and does not account for those that were not brought into the shop. A good practice measures PM compliance for the entire fleet on an annual basis. Implementation of the fuel data ring, which OC Fleet has used on a trial basis, would greatly benefit fleet operations in capturing the necessary data for more effective enforcement.

Recommendation 23. The Fleet Manager should (1) consider using technology, such as the fuel ring, for better data capturing, and (2) track preventive maintenance for the entire fleet and annually report compliance data to user agencies/departments.

K. Vehicle Availability

Vehicle availability, or conversely referred to as vehicle downtime, is an important aspect of fleet management that is commonly tracked as a key performance indicator. Industry best practice measures either the total “up-time” a vehicle is available for use or the total “downtime” a vehicle is unavailable for use due to it being in the shop. High vehicle downtime associated with repair and maintenance work can alert fleet management to a problematic vehicle that may warrant review for potential disposal.

Currently, OC Fleet does not track vehicle availability. OC Fleet did not purchase the necessary module for its data management system, Fleet Focus, which would allow them to accurately track this information. In the past, OC Fleet has estimated vehicle downtime by calculating the time lapse between the opening and closing of work orders.

The survey of user agencies/departments revealed concerns regarding prolonged vehicle repairs and a lack of communication on estimated repair time. It is vital for OC Fleet to track vehicle downtime in order to effectively address these concerns.

Recommendation 24. The Fleet Manager should (1) consider purchasing the Fleet Focus module that will allow OC Fleet to track vehicle downtime/availability and (2) develop procedures to more accurately track downtime.

Recommendation 25. The Fleet Manager should establish a policy that requires OC Fleet to provide user agencies/departments with estimated repair time.

L. Auto Parts Inventory

The fleet parts room plays a critical role in supporting the maintenance and repair of vehicles by readily providing cost-effective parts. The effectiveness and efficiency of the parts room impacts the operation’s costs, productivity, and vehicle downtime.

OC Fleet has a parts room located at each of its four shops, which were staffed by five dedicated parts employees. In June 2013, OC Fleet reported parts inventory totaling approximately \$494,000 across all four parts rooms, as shown in the following table.

	Civic Center Garage	Shop 1 (Fruit St.)	Shop 2 (Collins Ave.)	South County	TOTAL
Dedicated Personnel	Warehouse Worker III (1)	Warehouse Worker III (2)	Sr. Store Keeper (1) Warehouse Worker I (1)	0 ²¹	5
Inventory Value	\$129,614	\$222,057	\$94,200	\$48,274	\$494,145

Fleet’s data management system records all parts inventory. Several years ago, OC Fleet eliminated the bar code system, an industry best practice that helps optimize operational performance. Currently, parts staff manually input both parts received and parts assigned into the system.

OC Fleet does not have any parts room policies and procedures, performance objectives, or basic internal controls. Parts room employees do not conduct periodic inventory counts but rather “spot checks” during daily routines. On April 23, 2014, the audit team conducted an inventory count of eight different items and found a variance across all but one item, ranging from a low of three units to a high of 80 units, as shown in the table below.

Part #	Part Description	Manual Inventory Count on 4/23/14	Variance
C-22-PB	ANCO CONTOUR 22-INCH WIPER BLADE	8	-80
10121	LUCAS SYNTHETIC GEAR OIL 75/140 QUART	19	-17
SP-479	SPARK PLUG MOTORCRAFT SP479 AGSF22WMF4	1	-9
TECHRON20	INJECTOR CLEANER	4	9
10001	HEAVY DUTY OIL STABILIZER LUCAS #10001	5	5
46418	FILTER AIR WIX 46418 FRAM CA8039	9	4
680110	BRAKE ROTOR FRONT F/2003 AND UP CROWN VICTORIA	16	3
49136	AIR FILTER	2	0

Outsourcing the parts room function could provide advantages such as eliminating labor hours, maximizing resources, increasing efficiency and productivity, and potentially lowering operational costs. For example, the City of Santa Ana had a parts inventory valued at \$270,000 prior to outsourcing. In addition to annual savings between \$50,000 and \$60,000 from outsourcing, the Santa Ana Fleet Manager states there are more “soft” savings that are difficult to quantify, such as the ease of managing one parts vendor instead of multiple parts vendors.

However, making the decision to outsource or retain parts operations in-house requires a comprehensive review. OC Fleet can take the following steps in the near term:

1. Define parts management issues (e.g., review of high volume of parts invoices, parts room monitoring, and high valued inventory).

²¹ Managed by south county’s fleet maintenance supervisor

2. Establish parts management objectives (e.g., eliminate obsolete parts, increase mechanic productivity, reduce parts-related downtime, and reduce administrative functions related to parts room operations).
3. Conduct an inventory count and identify (1) percentage of obsolete inventory and (2) fast moving parts to isolate “core parts”.

Recommendation 26. The Fleet Manager should establish parts room policies and procedures and basic internal controls for parts room operations.

Recommendation 27. The Fleet Manager should identify ways to streamline parts inventory management, including implementation of a bar code system.

Recommendation 28. The Fleet Manager should conduct a cost-benefit analysis of outsourcing versus in-house parts operations.

M. Leasing versus Purchasing

The decision to purchase rather than lease vehicles is largely based on a belief that government vehicles have a long lifecycle, and therefore purchasing vehicles is the most cost-effective approach. However, leasing can offer cost-saving benefits for select vehicles in the form of:

- Alleviating the need for large amounts of capital;
- Freeing up capital to address other organizational needs; and
- Timely replacement of vehicles which can lower repair and maintenance costs.

One of OC Fleet’s major goals in its *Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006* is to “minimize the procurement of vehicles/equipment through evaluation of other options, including” the leasing of vehicles. The policy requires that leasing be considered to determine its cost-effectiveness.²²

According to our countywide survey of fleet user agencies/departments, at least one agency/department stated interest in leasing rather than purchasing its vehicles in the future. Additionally, the Sheriff’s Department currently leases undercover vehicles.

In 2013, OC Fleet conducted a cost-benefit analysis on whether to purchase or lease CNG powered 2012 Honda Civics. It concluded purchasing vehicles was the more cost-effective approach. However, our review of their recommendation determined that the analysis was inconclusive.

OC Fleet’s analysis was based upon the Orange County Transportation Authority’s (OCTA) 2012 analysis regarding CNG powered 2012 Honda Civics. Similarly noted in fleet management’s analysis, the audit team could not receive clarification from OCTA on calculations that formed the basis for their analysis. For example, OCTA’s analysis assumed a 33% resale value at the end of the vehicles’ life of 5 years with

²² Section VI. *Major Goals*, D. Vehicle & Motorized Equipment Purchasing Policy No. 1.1.006

approximately 18,000 miles per year. In our review of OC Fleet's disposal data, the audit team identified 62 vehicles that were disposed of after 5 years in service, for which the County received only an average of 10% of the purchase value.

Recommendation 29. The Fleet Manager should conduct appropriate cost-benefit analyses on purchasing versus leasing County vehicles.

V. Conclusion

OC Fleet is the County's fleet specialist and has been entrusted to support user agencies/departments in executing their missions by providing safe and reliable vehicles. With its leadership, OC Fleet can champion effective stewardship over the County's fleet by engaging all County agencies/departments. OC Fleet needs to reinforce its mandate to improve service delivery and cost efficiency by ensuring that:

- Strategic management efforts are implemented in the areas of acquisition, commissioning, replacement, and disposal;
- Rates are appropriately calculated to recover full costs;
- Underutilized vehicles are eliminated or reassigned to increase utilization;
- Fleet data are collected, analyzed, and shared with user agencies/departments; and
- Fleet policies and procedures are established, communicated, and implemented on a countywide basis.

VI. Recommendations & Management Response

Recommendation	Mgmt. Response (Concur/ Partially Concur/ Do Not Concur)	Management Action Plan	Target Completion Date
Recommendation 1. In consultation with the County Executive Office and County Counsel, the Fleet Manager should prepare an updated resolution for approval by the Board of Supervisors to clarify OC Fleet's role and responsibilities in fleet management.	Concur	<i>Fleet Services Manager will work with OCPW Director, CEO and County Counsel to update Board Resolution No. 89-1302.</i>	Third Quarter 2014
Recommendation 2. The Fleet Manager should engage all user agencies/departments and encourage them to embrace centralization of fleet management.	Concur	<i>Fleet Management will work with departments to ensure stakeholder engagement and feedback in the implementation of fleet centralization.</i>	Fourth Quarter 2014
Recommendation 3. The Fleet Manager should establish, track, and report Key Performance Indicators relevant to OC Fleet's mission and major goals.	Concur	<i>Fleet Services will identify, track and report on key performance indicators relevant to OC Fleet's mission.</i>	Fourth Quarter 2014
Recommendation 4. The Fleet Manager should distribute OC Fleet's policies and procedures to all County Agencies/Departments and monitor their compliance.	Concur	<i>Vehicle Policies & Procedures are currently posted on the OC Fleet Services Intranet Website. A review and update of these policies and procedures will occur to ensure that they reflect the updated Board Resolution. Fleet Services will develop a County procedure for monitoring and handling non-compliance issues.</i>	First Quarter 2015
Recommendation 5. The Fleet Manager should proactively manage fleet acquisition and disposal to minimize negative impact on mechanic workloads.	Concur	<i>Fleet Services will work with departments to develop vehicle replacement and disposal schedules that coincide with vehicle classification and business need.</i>	First Quarter 2015

Recommendation	Mgmt. Response (Concur/ Partially Concur/ Do Not Concur)	Management Action Plan	Target Completion Date
<p>Recommendation 6. The Fleet Manager should (1) establish annual service level agreements with user agencies/departments on service expectations and commissioning timeframes and (2) track commissioning and decommissioning times to ensure compliance with service level agreements.</p>	<p>Concur</p>	<p><i>Fleet Services will work with departments to establish Service Level Agreements (SLA) that take into consideration departmental mission and available fleet labor hours.</i></p> <p><i>Commissioning/decommissioning times will be standardized by vehicle types and be included as a key performance measure for Fleet Services.</i></p>	<p><i>First Quarter 2015</i></p>
<p>Recommendation 7. The Fleet Manager should annually (1) calculate OC Fleet’s up-fitting capability in comparison with the anticipated acquisition volume and (2) consider contracting with a vendor to complement OC Fleet’s efforts in achieving agreed service levels.</p>	<p>Concur</p>	<p><i>Recent spikes in the purchase of Class A (Black & White) patrol vehicles significantly impacted up-fitting workload. Fleet Services will work closely with OCSD to standardize replacement schedules and forecast vehicle purchases and compare this data to available labor hours.</i></p> <p><i>Contracting with a qualified outside vendor to assist during peak workload times will be assessed and implemented on an as needed basis.</i></p>	<p><i>First Quarter 2015</i></p>
<p>Recommendation 8. The Fleet Manager should update replacement guidelines that take into consideration agencies’/departments’ historical utilization.</p>	<p>Concur</p>	<p><i>In concert with recommendation 5, Fleet Manager will work with departments to update vehicle replacement standards. Standards will take into consideration multiple factors to determine the best replacement schedule that both meets Fleet standards and the department’s mission and business objectives.</i></p>	<p><i>First Quarter 2015</i></p>
<p>Recommendation 9. The Fleet Manager should annually replace and dispose of county vehicles in accordance with the established replacement guidelines.</p>	<p>Concur</p>	<p><i>Fleet Manager will replace/dispose of vehicles in accordance with the established replacement guidelines.</i></p>	<p><i>Second Quarter 2015</i></p>

Recommendation	Mgmt. Response (Concur/ Partially Concur/ Do Not Concur)	Management Action Plan	Target Completion Date
Recommendation 10. The Fleet Manager should devise a plan to establish and maintain a well-funded reserve for fleet replacement.	Concur	<i>OC Public Works is currently working with the CEO and Auditor Controller to develop a plan to ensure that an appropriate equipment reserve is established within the ISF.</i>	Fourth Quarter 2014
Recommendation 11. The Fleet Manager should develop a standardized vehicle selection list that incorporates input from user agencies/departments and post it on OC Fleet's website.	Concur	<i>Fleet Manager will work with departments to establish standard selection lists by vehicle classification. Vehicle standards will be available on the Fleet Services website portal when it becomes fully functional.</i>	First Quarter 2015
Recommendation 12. The Fleet Manager should take immediate actions to optimize the County's fleet size, including disposing underutilized vehicles for cost savings.	Concur	<i>Fleet Manager will work with departments to identify under-utilized vehicles that may be repurposed elsewhere as an alternative to purchasing new, or sent to auction to reduce the overall size of the fleet.</i>	Fourth Quarter 2014
Recommendation 13. The Fleet Manager should establish utilization guidelines that take into consideration input from user agencies/departments regarding their needs and vehicle usage.	Concur	<i>Fleet Manager will work with departments to establish utilization guidelines by vehicle classification and business need.</i>	First Quarter 2015
Recommendation 14. The Fleet Manager should annually track and report utilization to user agencies/departments, and request justification for underutilized vehicles.	Concur	<i>Fleet Manager will track and report on fleet utilization by department & vehicle classification and develop a process for documenting and justifying underutilized vehicles.</i>	Second Quarter 2015
Recommendation 15. The Fleet Manager should (1) downsize the rental pool and (2) consider contracting with a vendor to complement OC Fleet's rental pool during periods of high demand.	Concur	<i>Fleet Services will conduct analysis to determine the appropriate number of pool vehicles necessary and conduct market analysis to determine if contracting with a vendor to compliment the rental pool is cost effective.</i>	Second Quarter 2015
Recommendation 16. The Fleet Manager should calculate daily rates for pool vehicles to recover their full costs.	Concur	<i>Vehicle pool rates will be analyzed and calculated to recover the full costs.</i>	Second Quarter 2015

Recommendation	Mgmt. Response (Concur/ Partially Concur/ Do Not Concur)	Management Action Plan	Target Completion Date
<p>Recommendation 17. The Fleet Manager should assign fully depreciated vehicles in good condition to the rental pool.</p>	<p>Concur</p>	<p><i>Fleet Services currently utilizes this practice and will take a more aggressive approach to managing the size of the pool by reassigning existing fully depreciated vehicles in good condition to the pool as an alternative to purchasing new.</i></p>	<p>Third Quarter 2014</p>
<p>Recommendation 18. The Fleet Manager should periodically review and update the rate model to ensure the established rates are correctly calculated.</p>	<p>Concur</p>	<p><i>Fleet Services currently reviews labor rates on an annual basis in accordance with general accounting rules. Labor rates will be reviewed and calculated in accordance with State Controller Accounting Guidelines for ISF's.</i></p>	<p>Annually First Quarter 2015</p>
<p>Recommendation 19. The Fleet Manager should consider (1) implementing a monthly flat maintenance rate or (2) establishing a policy concerning the provision of scope of work and cost estimates to user agencies/departments prior to work being initiated.</p>	<p>Concur</p>	<p><i>1) Fleet Services is currently assessing the option of utilizing a flat monthly preventative maintenance rate to determine if there would be of benefit to the County.</i></p> <p><i>2) Fleet Services is currently working with IT to re-engineer the Fleet Services website into a customer service based portal that will facilitate communication with the customer and include cost estimate/scope of work information.</i></p>	<p>Fourth Quarter 2014</p> <p>Fourth Quarter 2015</p>
<p>Recommendation 20. The Fleet Manager should post a link on the OC Fleet Services website that directs user agencies/departments to the detailed billing reports.</p>	<p>Concur</p>	<p><i>Fleet Manager will work with IT to post a link to existing cost data reports on the Fleet Services website.</i></p>	<p>Fourth Quarter 2014</p>
<p>Recommendation 21. The Fleet Manager should develop a more user-friendly platform for user agencies/departments to access and download fleet data.</p>	<p>Concur</p>	<p><i>Fleet Services is currently working with IT to re-engineer the Fleet Services website into a customer service based portal that will facilitate communication with the customer and include cost estimate/scope of work information.</i></p>	<p>Fourth Quarter 2015</p>

Recommendation	Mgmt. Response (Concur/ Partially Concur/ Do Not Concur)	Management Action Plan	Target Completion Date
Recommendation 22. The Fleet Manager should track total annual labor hours and total number of units serviced within each maintenance class to forecast labor demand.	Concur	<i>Fleet Services will track appropriate data to forecast labor demand.</i>	Immediate
Recommendation 23. The Fleet Manager should (1) consider using technology, such as the fuel ring, for better data capturing, and (2) track preventive maintenance for the entire fleet and annually report compliance data to user agencies/departments.	Concur	<i>Fleet Services is currently reviewing new technologies that can capture useful data to better track fleet efficiency and compliance.</i>	Third Quarter 2014
Recommendation 24. The Fleet Manager should (1) consider purchasing the Fleet Focus module that will allow OC Fleet to track vehicle downtime/availability and (2) develop procedures to more accurately track downtime.	Concur	<i>Fleet Services will assess the Fleet Focus upgrade and plan for potential purchase through the next budget cycle.</i>	Third Quarter 2015
Recommendation 25. The Fleet Manager should establish a policy that requires OC Fleet to provide user agencies/departments with estimated repair time.	Concur	<i>Fleet Services currently utilizes a coding system within Fleet Focus that has standard completion times for preventative maintenance work. Information is shared with customers verbally. The new Fleet Services website will provide estimated repair times once it is complete.</i>	Immediate
Recommendation 26. The Fleet Manager should establish parts room policies and procedures and basic internal controls for the parts room operations.	Concur	<i>Fleet Services will establish parts room policies and procedures and develop basic internal controls that will be implemented at all shop locations.</i>	First Quarter 2015
Recommendation 27. The Fleet Manager should identify ways to streamline parts inventory management, including implementation of a bar code system.	Concur	<i>Fleet Services will conduct analysis to determine the appropriate parts inventory management process for implementation.</i>	Second Quarter 2015
Recommendation 28. The Fleet Manager should conduct a cost-benefit analysis of outsourcing versus in-house parts operations.	Concur	<i>Fleet Services will conduct a cost benefit analysis concerning in-house vs outsourced parts operation.</i>	Second Quarter 2015

Recommendation	Mgmt. Response (Concur/ Partially Concur/ Do Not Concur)	Management Action Plan	Target Completion Date
<p>Recommendation 29. The Fleet Manager should conduct appropriate cost-benefit analyses on purchasing versus leasing County vehicles.</p>	<p>Concur</p>	<p><i>Fleet Manager will conduct a cost-benefit analysis on purchasing versus leasing county vehicles and report findings to the CEO for further action. Additionally, a cost-benefit analysis on lease/purchase will be conducted for specialized/limited term use vehicles outside of the ISF that do not require replacement after they exceed their useful life.</i></p>	<p><i>Fourth Quarter 2015</i></p>

VII. Appendices

A. ISF and Non-ISF Units by Agency/Department

Agency/Department	ISF	Non-ISF	Total
Board of Supervisors	1	1	2
Child Support Services	2	0	2
County Executive Office	5	2	7
District Attorney	12	8	20
Health Care Agency	11	48	59
John Wayne Airport	2	145	147
OC Community Resources	16	434	450
OC Dana Point Harbor	0	8	8
OC Public Works	145	666	811
OC Waste and Recycling	0	101	101
Probation	155	13	168
Public Administrator/Gaurdian	8	2	10
Registrar of Voters	8	5	13
Sheriff-Coroner	773	342	1115
Social Services Agency	24	15	39
Superior Court	0	7	7
Total	1,162	1,797	2,959

Source: OC Fleet

B. Vehicle Makes by Maintenance Class

Maintenance Class	No. of Makes	Ford	Chevrolet	Dodge	GMC	Honda	Toyota	Nissan	AMGN	Suzuki	Jeep	Plymouth	Isuzu	Geo	Grand Total
4X2 or 4X4 SUV	8	150	116	11	25		4	4	4		2				316
Compact Sedans	7	34	14	5		45	7	3				1			109
7 to 8 Passenger Vans	6	19	22	5	6	1	1								54
Full Size Pickup Trucks	5	96	32	54	20			1							203
Service Body/Stake Bed Trucks	5	102	29	11	20								1		163
4X4 Full Size Pk	5	106	38	21	18			1							184
Black & White Patrol SUV	5	4	17						1	2				1	25
Undercover Emergency Vehicles	4	200	12	10		1									223
15 Passenger Vans	4	82	30	1	17										130
Cargo Vans	4	36	46	12	12										106
4X4 Compact Pickup Trucks	4	3	2	5				1							11
4X2 Compact Pickup Trucks	4	9	4	5	1										19
Black & White Patrol Vehicles	3	223	4	8											235
Full Size E-Plate Vehicles	3	188	15	1											204
4X4 Cargo Vans	1	1													1
Total	13	1,253	381	149	119	47	12	10	5	2	2	1	1	1	1,983

Source: OC Fleet

C. Labor Rate Benchmark Study

Labor Rate comparison as of 6/18/2013 for Equipment and Automotive mechanic labor rates			
Mechanic Type	Service Provider	Region	Hourly Labor Rate
Equipment	Volvo	Santa Ana	145
Equipment	Tom's Truck	Santa Ana	130
Equipment	Freight Liner	Whittier	129
Equipment	Peterbilt	Pico Rivera	129
Equipment	Mack	La Mirada	127
Equipment	Cummins Pacific	Irvine	125
Equipment	Kenworth	Montebello	125
Equipment	Westrux International	Orange	121
Equipment	Autocar	Whittier	120
Equipment	Quinn Power Systems	City of Industry	120
Equipment	Valley Power Systems	Long Beach	110
Equipment	Terex	Fontana	108
Equipment	Komatsu	Long Beach	103
Equipment	Coastline Equipment	Santa Ana	98
Equipment	Quinn Caterpillar	City of Industry	98
Equipment	Eberhardt	Fullerton	95
Equipment	Kubota	Santa Ana	90
Equipment	OC Fleet	Orange County	85
		Average Rate	116
Automotive	Ford	Tustin	128
Automotive	Chevy	Santa Ana	118
Automotive	GMC	Tustin	115
Automotive	Nissan	Tustin	115
Automotive	Ford	Orange	114
Automotive	Honda	Santa Ana	110
Automotive	OC Fleet	Orange County	80
		Average Rate	117

Source: OC Fleet