

MANAGEMENT CONTROL REVIEW
OF THE OKALOOSA COUNTY
FLEET OPERATIONS DIVISION

CONDUCTED BY THE INSTITUTE FOR SENIOR
PROFESSIONALS (ISP)

MARCH 2017



Management Control Review of the Fleet Operations Division

Table of Contents

INTRODUCTION.....	4
EXECUTIVE SUMMARY	7
DIVISION OPERATIONS.....	9
Work Assignments, Work Management and Quality Control.....	9
Preventive Maintenance.....	10
Vehicle Acquisition and Disposal.....	11
Take Home Vehicles.....	12
Bus Maintenance.....	13
Issues.....	13
Recommendations	14
FACILITIES & SAFETY.....	16
Facilities.....	16
Safety.....	17
Issues.....	17
Recommendations.....	18
PURCHASING AND INVENTORY.....	23
Purchasing	23
Inventory.....	24
Issues.....	26
Recommendations.....	27

FINANCE.....	29
Issues.....	30
Recommendations.....	31
ORGANIZATION AND STAFFING.....	33
Issues.....	35
Recommendations.....	37
CONCLUSIONS.....	43
ATTACHMENTS.....	44

MANAGEMENT CONTROL REVIEW OF THE FLEET OPERATIONS DIVISION

INTRODUCTION

By letter dated September 1, 2016 to the Institute for Senior Professionals (ISP) Chair Michael Flynt, Okaloosa County Administrator John Hofstad asked ISP to review the Fleet Operations Division within the Public Works Department. (See Attachment A). Through discussions with County Administrator Hofstad and Deputy County Administrator Godwin, the scope of work presented in the request letter was modified and ISP was asked to conduct a management control review of Fleet Operations. In addition to the overall review, we were asked to answer five questions which are addressed in the Executive Summary.

During the study, we became aware that grants received by various Okaloosa County (County) departments should in the future be reviewed in a comprehensive county-wide manner. For this project, we limited our study to grants utilized by the Fleet Operations Division (Fleet Operations or Division).

Upon approval by the ISP Board at its meeting of September 20, 2016, a team consisting of Phil Hoge (Team Lead), Dick Schoditsch (Asst. Team Lead), Pat Hollarn, Darrell James, Dennis Mitchell, Dick Roberts, Wayne Smith, and Jim Telford was formed and began work. Over the course of the next several months, the team interviewed the following individuals associated with Okaloosa County:

John Hofstad, County Administrator

Kay Godwin, Deputy County Administrator

Frank Hart, Budget & Compliance Manager

John Vaughn, Fleet Operations Division Director

Bryon Enders, Shop Foreman, North

David Summers, Shop Foreman, South

Mark McCranie, Shop Supervisor

Brenda Kile, Program Tech II

Joe Cook, Senior Shop Foreman, North

Tony Brandin, Fleet Financial Coordinator

Bob Berkstresser, Transit

Elliot Kampert, Director Growth Management

Janet Willis, Growth Management Grants
Greg Kisela, Purchasing Director
Nathaniel Hooks, Purchasing Department Buyer
Laura Porter, County Risk Management
Eric Campbell, County Safety Coordinator
GinNeal McVay, Director Human Resources
Nick Lombardi, County Fixed Asset Coordinator
Marcella Eubanks, Clerks Staff
Ashley Endris, Clerks Staff
Stephanie Herrick, Clerks Staff
Brenda Bailey, Clerks Office
Gary Stanford, Clerk of Courts Finance Director
Sam Scallan. Clerk of Courts Inspector General

The full team met with John Vaughn, Fleet Operations Division Director, on November 3, 2016 to describe our task and receive our initial organizational briefing. We then conducted site visits to Fleet Operation facilities in Crestview and Fort Walton Beach and we held brief discussions with Fleet Operations employees. After completion of our preliminary research and visits to Fleet Operation facilities, we identified the following 15 focus areas;

- Role of the Clerk's Office
- Inventory - parts and tools
- Purchasing
- Safety
- P-Cards, Credit Cards, and Cash
- Staff and Organization
- Maintenance Scheduling
- Cost allocation
- Fuel Management
- Vehicle & Equipment life cycle, including disposal
- Facilities and Yards, physical condition and security

Transit Buses, grant accountability and maintenance

Take-Home Vehicles

Work Assignment, Work Management and Quality Control

Property accountability

The focus areas were assigned to team members who researched, interviewed staff and visited facilities when appropriate. (See Attachment B). Fact-finding data were analyzed, issues identified and recommendations developed. Results of the project were documented in a final report.

EXECUTIVE SUMMARY

Fleet Operations does a good job of delivering maintenance and repair services to its County and outside agency customers. Its work management systems are effective and there are adequate controls on inventories, P-Cards and Fuelman cards. Technicians are experienced and certified. There are few customer complaints and the Division's safety record is good. By most accounts, including the views of County employees outside of the Division, Fleet Operations is a well-run shop.

However, there are challenges:

- There is heavy reliance on experienced people and key employees are in the DROP program or are approaching it.
- Facilities, especially in Crestview, are inadequate.
- Parts purchasing is not cost-effective and can be significantly improved.
- The Division is not recapturing all its expenses, costs are not equally allocated and rates are too low.
- The Division relies on manual, paper-driven processes; streamlining is needed for efficiency.

County Administrators asked that our investigation include the answers to the following five questions:

1. Are take-home vehicles reported properly pursuant to IRS regulations?
 - a. **Yes.** The two take-home vehicles are properly accounted for.
2. Are scheduled vehicle maintenance and safety inspections being carried out and documented?
 - a. **Yes.** There is an adequate process and schedule for doing both.
3. Are fuels management processes secure and accountable and are Fuelman and other credit cards being used properly?
 - a. **Yes.** The Division's fuel processes and controls have multiple checks, including a review by the Finance Department. Additionally, Fleet Operations has been responsive to resolve issues raised by the Inspector General.
4. Are inventory control processes secure and accountable in both maintenance locations?
 - a. **Mostly Yes.** Parts rooms are locked, access is controlled and parts usage is tracked and verified.
 - b. However, there is no camera coverage in the parts rooms.
 - c. Tool inventories are not controlled. There is no evidence of leakage, but there is exposure.
5. Are service and material costs rendered intra and inter-departmentally being properly allocated?
 - a. **No.** Revenue from fuel markup does not cover fuel-related expenses; maintenance and repair customers pick up the difference.

- b. Labor rates are inadequate to cover expenses and to provide a capital reserve for needed improvements in maintenance delivery.
- c. The lack of grant-funded maintenance personnel prevents proper and timely maintenance of the transit vehicles.

Key recommendations are made to overcome the Division's major challenges:

- Modify the organization structure and add new positions.
 - Authorize available grant funding to provide Transit Shop maintenance personnel to focus on bus maintenance.
 - Establish a Parts Coordinator position to oversee the \$971,000 annual purchase of parts and add a permanent Program Specialist to relieve supervisors of burdensome clerical work.
- Develop a succession plan to ensure an orderly transition and sufficient overlap when key employees retire. There is an immediate need to identify a potential, experienced replacement for the Director who is expected to retire within the next year.
- Execute a phased build out plan to upgrade North Shop facilities, thereby increasing maintenance efficiency.
- Consolidate Division parts purchasing requirements and establish blanket contracts to lower costs.
- Rework fuel and labor rates to cover expenses and provide capital funding for needed improvements and increases in hourly wages.
 - Current rates are significantly below what commercial shops and retail fuel sellers use.
- In the longer term, evaluate the benefits of process automation to improve efficiency.

During our review of inventory procedures, we uncovered a conflict between the County's procedures for accounting for tangible personal property and the Florida State Statutes. See Attachment C for details and a potential resolution.

DIVISION OPERATIONS

The Fleet Operations Division is responsible for the maintenance and repair of vehicles and equipment, fueling, vehicle and equipment replacement analysis, new vehicle and equipment preparation, and vehicle and equipment disposal. Services are provided for most County departments and many outside agencies and entities.

The Division provides services from Crestview and Ft. Walton Beach. Fueling is available at four locations in the County. Mobile maintenance and fuel trucks bring services and fuel to remote locations.

As of January 27, 2017, the count of vehicles and equipment handled was 1,485 of which 782 are from County departments and 703 are from outside agencies. County vehicles serviced by Fleet Operations are driven approximately 4.3 million miles per year. The Fleet Operations budget for FY2016 was \$5.6 million and in calendar year 2015 Division shop personnel worked 17,206 hours (68.6% worked in Crestview).

Most maintenance and repair is performed in-house. Some services such as wheel alignment and glass repair are farmed-out to commercial shops; approximately \$200,000 is spent on commercial shop services each year. Fleet Operations has the capability to handle specialty services like welding and paint and body work in Crestview.

Work Assignment, Work Management, and Quality Control

- The Division has a well-defined process for managing the maintenance and repair of vehicles and equipment. It is used to manage as needed repairs and scheduled maintenance in the Crestview and Fort Walton Beach shops
 - Work orders are generated by the Fleet Focus software package (Fleet Focus) and a large white board is used to assign technicians, set priority, and track status.
 - Emergency vehicles are given top priority.
 - Technicians identify the repairs and parts that are needed.
 - Shop Foremen get parts out of on-site inventory, from a local retailer using a P-Card, or by initiating a purchase requisition to get a purchase order.
 - If parts are taken from inventory, they are recorded on a parts inventory sheet. The sheet is checked off when parts are deleted from inventory using Fleet Focus software.
 - See the Purchasing and Inventory section of this report for more details on parts procurement.
 - The acquired parts are delivered to the technicians, the repair is completed and the vehicle keys are given to the foremen.
 - The foremen then call their customers to tell them that the vehicle is ready for pick up.

- The foremen also check on each technician throughout the day to ensure that quality work is performed and priorities are being followed.
- The foreman mark the job finished in Fleet Focus, prepare a list of the completed work orders and turn all parts invoices over to the Shop Supervisor.
 - The foreman also edit timesheets for each technician in their shop that record time by work order.
- The Shop Supervisor enters the technician timesheet data, parts invoices, in-house inventoried parts information and any commercial repair costs (completed by outside shops) into Fleet Focus.
 - These entries compile all costs on each work order and adjust inventory levels.
- Every month, work orders are summarized for each County Department and outside entity and bills showing the work order service and cost detail are sent out.
- Fleet Focus produces the operational reports that Fleet Operations needs to manage its operations.
 - There are other modules in the Fleet Focus software package the Division is not using; they may be useful in the future.
- From all appearances, Fleet Operations is taking the right steps to control work quality.
 - The Division hires experienced technicians primarily from automotive dealerships.
 - Half of the Division's technicians are Master Equipment Technicians or Certified Equipment Technicians.
 - Technicians receive background checks and random drug tests.
 - The shop foremen check on the technicians' work performance throughout the work day.
 - The Division receives very few customer complaints.
 - More than 6,000 work orders are handled each year and, to the best of our knowledge, only a handful of verbal complaints have been received.
 - Reportedly, no written complaints have been received.

Preventive Maintenance

- Once a week, Fleet Focus is accessed to determine which vehicles and equipment require scheduled maintenance. The departments that own the vehicles and equipment are notified to bring them in for service.
 - Scheduled maintenance is based on vehicle mileage; every 5,000 miles or per manufacturers' recommendations.
 - Equipment scheduled maintenance is based on 200 hours of operation.
 - Mileage is tracked through the Fuelman refueling system that is integrated with Fleet Focus.

- A weekly report is generated that shows all the vehicles and equipment that require servicing.
 - There are approximately 1,300 preventive maintenance work orders per year.
- Each county department is required to have the operators bring their vehicles and equipment in for service.
 - Operators can wait 30 to 90 minutes for routine service or they can rent a pool car for \$30.00 per day.
 - If the vehicle or equipment is not brought in within one week, a weekly Service Warning Report is generated until the preventive maintenance is performed.
- The Division has a workable system for identifying preventive maintenance needs and seeing that the work is completed. This includes utilizing manufacturer warranties and complying with recalls.

Vehicle Acquisition and Disposal

- New vehicles and equipment are purchased by the using department and are placed in that department's inventory.
 - Fleet Operations helps write the specifications for the new purchase.
- The new vehicles and equipment are received by Fleet Operations where they are prepped and delivered to the appropriate department.
 - The Division does the necessary licensing and certifications.
 - Operator training required for specialized equipment is arranged.
 - New vehicle data are entered in Fleet Focus to be tracked for preventive maintenance and warranty work.
- The Division Director periodically reviews repair history, mileage and appearance to determine if a vehicle or piece of equipment should be disposed of or kept in service.
 - If the vehicle still has useful life, but is not capable of meeting its originally intended purpose, it could be transferred to another county department.
 - Vehicles with no useful life are used as trade-ins or earmarked for disposal.
 - The Director prepares a list of vehicles recommended for disposal.
 - The owning department is notified.
 - The County Administrator and the Board of County Commissioners (BCC) must approve the list. In most years, all requested vehicle replacements are not approved for budgetary reasons.
- Once a vehicle has been approved for disposal, it is transferred into the Division's fixed asset inventory and clearances for sale are obtained.
 - If the vehicle was purchased with grant funds, Growth Management determines that all grant obligations have been satisfied.
 - The Federal Transit Administration determines if buses have satisfied grant obligations.

- A separate determination is made if the vehicle was purchased by an enterprise fund.
- In the past, disposals have been sold at auction using a contract with a major auction house.
 - This contract expired on August 1, 2016 and has not been renewed.
 - A request for contract renewal was presented to Purchasing shortly after it expired.
 - Without the contract in force, each vehicle and equipment disposal must be presented to Purchasing for approval or the vehicles collect in the North shop yard.
- Once a vehicle is sold, the proceeds go to the appropriate department or entity.
- Once disposal is complete, the vehicle or piece of equipment, and any components, is removed from the inventory of the applicable department.
- Fleet Operations does not maintain a schedule for vehicle and equipment replacement.
 - Each department must determine their vehicle needs.
 - Budget money has not been available to adhere to an ideal replacement plan.

Take Home Vehicles

- Fleet Operations employees use two take-home vehicles.
 - The Shop Foreman in Ft. Walton Beach uses a vehicle to take himself and some of his employees, all of whom live in Crestview, to and from work.
 - The truck used for performing repairs away from the shops is taken home by the technician who is on call for emergency repair.
- Internal Revenue Service (IRS) regulations state that, in certain instances, personal use of a county-owned vehicle is a taxable fringe benefit. This includes its value to the employee for commuting to and from work.
- The Human Resources Department maintains a spreadsheet that lists all county employees who have an assigned vehicle. This indicates if that vehicle is considered a taxable fringe benefit.
 - If a vehicle does not meet IRS criteria as a qualified non-personal use vehicle (e.g. clearly-marked police, fire and emergency vehicles), the value of using that vehicle is computed and added to the employee's wages and included on his W2 form at the end of the year.
 - To be assigned a vehicle, the employee must fill out a Commuting Fringe Benefit Acknowledgement form, with justification, acknowledging that he is not to use it for personal business and that its imputed value will be added to his gross taxable wages. This must be approved by both the employee's Director and the County Administrator.
- We determined that both of Fleet Operations' take-home vehicles follow the pertinent policies set forth in the Human Resources Manual and IRS regulations.

Bus Maintenance

- Operation of the County's transportation services for the public are provided through a contract with Maruti Fleet Management.
 - Maruti operates 55 transportation vehicles, all of which are needed to meet transportation needs.
 - There are no backup vehicles if any buses are out of service.
 - Maruti hires and manages the bus drivers.
- Funding for Maruti's contract, bus purchases, and bus maintenance is provided by a series of Federal and State of Florida grants
 - These grants also fund a bus maintenance facility and maintenance equipment in Ft. Walton Beach.
 - The maintenance facility, which has three service bays, is in excellent condition.
 - Currently, the County has grant funds authorized to purchase 11 buses.
 - The County is only planning to purchase 7 vehicles.
 - Grant funding to acquire buses has been available for some time, but the BCC did not approve these purchases during difficult budget years.
- Fleet Management repairs and maintains the buses.
 - The Division expends approximately 1,700 labor hours per year on bus maintenance.
 - The Division provides some maintenance services at the bus maintenance facility.

Issues

- Work assignment and management work well, but the process is paper-based and requires considerable data entry. The process also depends on the knowledge of the Division's experienced employees and requires supervisory personnel to do much of the data entry.
 - As we have found in other county departments, operations require supervisors to perform "hands-on" tasks which takes time away from their management duties such as planning, oversight, and training.
- The vehicle and equipment acquisition and disposal process is time consuming and involves a lot of paperwork.
 - The Division processes 375 acquisition and disposal forms per year.
 - This paperwork takes up 15% of the time of the Fleet Financial Coordinator.
 - The paperwork burden is made worse by three factors:
 - Vehicle components, such as a winch, must be individually accounted for even if they are a permanent attachment to a vehicle.
 - The disposal form does not have a transfer box to be used if the vehicle is transferred to another department.
 - The lack of an auction contract is an obstacle to accountability.

- Fleet Operations struggles to keep the County's buses up and running.
 - The bus fleet is old and not handled well. This leads to maintenance problems and vehicle down time.
 - There is high turnover among Maruti's drivers and their inexperience results in maintenance problems not being identified in a timely fashion.
 - The lack of backup buses forces those buses needing maintenance to remain in service. This leads to greater maintenance issues.
 - When buses are sent to Fleet Operations for maintenance, they do not receive any special priority.
 - Even though there is grant money to upgrade the fleet and replace 11 buses past their useful life, the BCC has not authorized the purchase of all those buses.

Recommendations

- There are two steps which can be taken to alleviate the paperwork and data entry burden on employees from the work assignment and management process:
 - In the short term, add a Program Technician to handle data entry and other clerical tasks to free up time for management employees from the Fleet Operations Director to the Senior Shop Foreman.
 - In the longer term, evaluate ways to automate the process, including increased utilization of the Fleet Focus software.
- The vehicle disposal process can be streamlined by:
 - Redesigning the vehicle disposal form by adding a transfer box for those cases where a vehicle is transferred to another department. Division management estimates this would eliminate 30% of the forms they use for disposal.
 - Speeding up the completion of a vehicle auction contract. This would reduce some of the paperwork burden, prevent vehicles from accumulating in the Fleet Operations yard and enable the County to get a good price for the disposal.
 - Modifying the fixed asset inventory form so that major components can be tracked on the same form as the vehicle or piece of equipment to which they are attached.
- The plan developed by the Fleet Operations Director to better meet the maintenance demand of transportation vehicles should be implemented.
 - A Shop Foreman and two Technicians would be devoted to bus repair and maintenance.
 - The bus maintenance work performed in Fleet Operations' two shops would be transferred to the transit facility.
 - Grant money is available to support the three transit maintenance employees' salaries and benefits, as well as maintenance supplies and tools.

- See the Organization and Staffing section of this report for an explanation of how the bus maintenance plan fits into the Division's organization plan.
- The County should use available grant money to purchase new buses.
 - Adding new buses will reduce the maintenance burden on Fleet Operations and increase the availability of operational buses, thereby improving the service to the County's citizens.

FACILITIES AND SAFETY

Facilities

- The Division's shop in Ft. Walton Beach is a single building that accommodates six bays, an office and a parts room. (See Attachment D).
 - The building appears to be in good repair and the work spaces are generally clean and organized with a minimum of clutter.
 - The office and parts room are spacious and air conditioned.
- The Ft. Walton Beach shop is adequate for meeting future demand.
 - Currently this facility handles only one third of Fleet Operations' labor hours. If maintenance of the County's buses moves to the transit facility, annual activity in this shop would drop by approximately 600 labor hours.
- The Crestview shop consists of four primary buildings. (See Attachment E).
 - The main building, which appears to be several interconnected buildings, contains the Division office, parts rooms, and 6 maintenance bays.
 - The light vehicle maintenance building has 3 lifts.
 - The welding shop is the newest of the buildings and has 3 bays.
 - The shop is used by one welder who handles welding needs throughout the County, but 70% of his workload is for Fleet Operations.
 - The fourth building is used as the paint and body shop.
- Crestview's shops are old, cluttered, crowded, and cannot accommodate all the large equipment that Fleet Operations is required to repair.
 - The light vehicle maintenance building is a tight fit with three technicians vying for space:
 - Housekeeping is poor.
 - Tools are scattered around; part of the issue is that tools are not assigned to individuals, but are shared.
 - The parts room is spread over three separate areas:
 - There is plenty of space for parts.
 - The front area, which is used to store parts that are on pallets or must be moved by fork lift, consists of two maintenance bays.
 - The bays in the main building suffer from poor housekeeping.
 - The welding shop is dirty, cluttered with old parts, and "junk".
 - The paint and body shop is cluttered and in disrepair.
 - Some pieces of large equipment must be worked on outside because they do not fit, or only partially fit, in the existing shop buildings.
 - A total of 73 pieces of equipment, requiring 508 work orders at the Crestview shop in 2016, were affected.
- It appears that the Crestview shops are not configured to adequately meet current and future demand.
 - If maintenance of the County's buses moves to the transit facility, annual activity in this facility would drop by about 1,100 labor hours.

Safety

- New Fleet Operations employees receive safety instruction during their orientation and all employees attend every other month safety meetings.
 - Meeting attendance is recorded and “signed-off” by employees.
- The County has a new Safety Coordinator position and a safety manual which includes a section for Fleet Operations.
 - The County Safety Coordinator works part-time.
 - The manual is being updated.
- Both Division facilities have some basic safety items including eye wash stations, fire extinguishers and warning signs.
 - The Crestview fire department has inspected the Crestview shop facilities.
 - Reportedly, the shops are not subject to OSHA review.
- Safe driving/operating is ensured.
 - Any employee handling a vehicle heavier than a sedan or SUV must have a commercial driver’s license. Heavy equipment is operated by employees from the owning department.
 - The County Risk Management office monitors driving history on all employees every other year.
- The Division has had a good safety record.
 - The rare occurrence of worker accidents is attributed to employee experience, certifications and understanding of safety precautions.
- Maintenance facility security is at minimal levels.
 - The Crestview shops are enclosed by a chain link fence which is locked at night.
 - There are no security cameras nor is there any security guard presence.
 - The Ft. Walton shops are on a large Public Works complex, which is fenced, but the gate is not locked at night.
 - There is no security guard at the gate.
 - The shop is locked at night, but there are no security cameras.
 - The transit facility is fenced and has cameras; however, the cameras are not working because of corrosion in the lines.

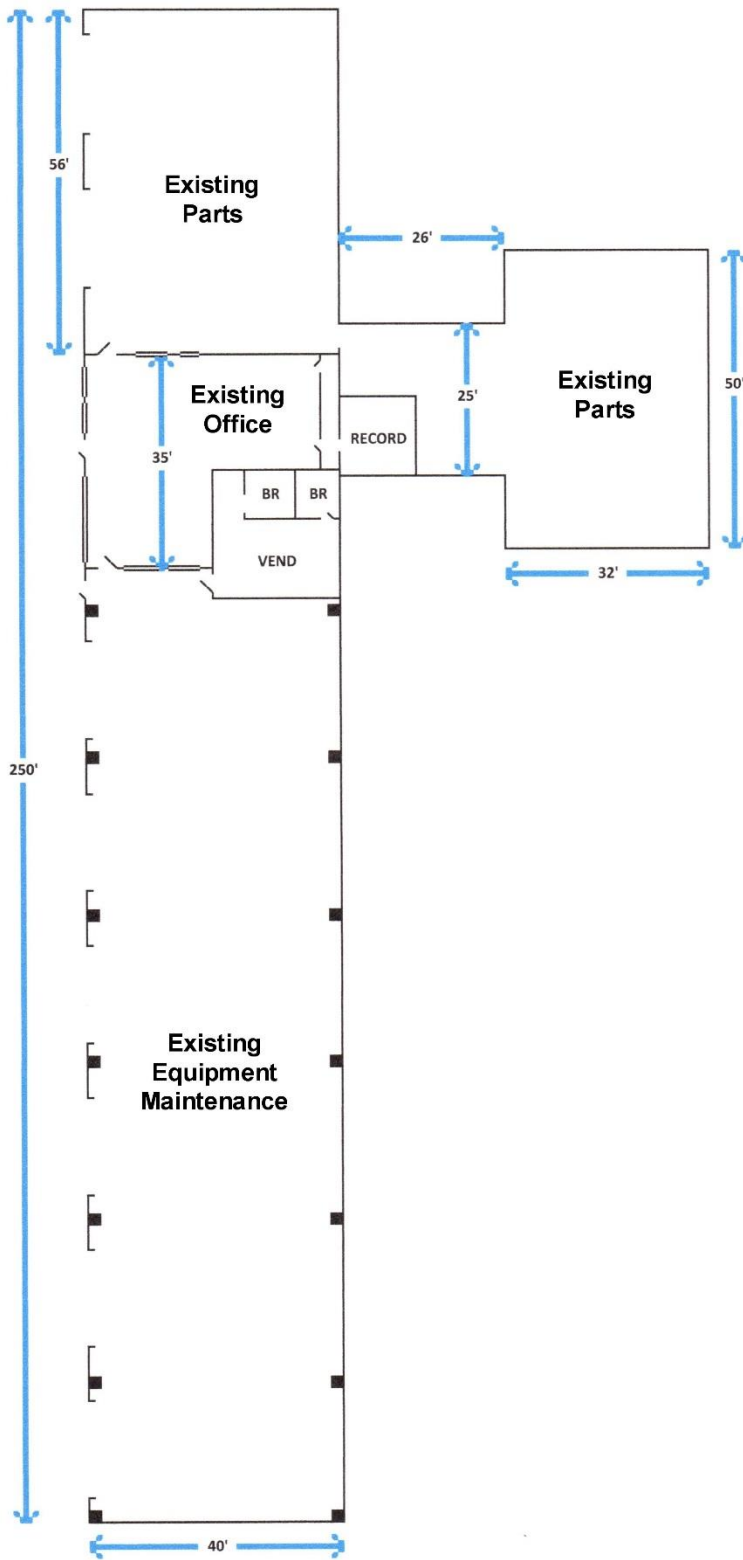
Issues

- The Crestview shops, as currently configured, are not meeting the Division’s needs and recent efforts to remedy the situation have failed.
 - Reportedly, the shops were built to handle 400 repair units per year but they are handling almost double that number,
 - Over 70 pieces of equipment that are serviced each year will not fit into the maintenance bays.
 - Maintenance areas are crowded with poor housekeeping, which hampers maintenance efficiency.

- A request for \$400,000 to upgrade the facilities was turned down in the County's budget process. This request would have provided 90' long, drive-through bays that could accommodate large pieces of equipment.
- Part of the problem is that current Crestview space is not being used effectively.
 - The parts room sprawls over a considerable number of square feet taking up space that might be used for maintenance.
 - Space in the light vehicle maintenance shop is too crowded for technicians to work efficiently.
 - Lack of tool assignment, clutter and poor housekeeping hinder work efficiency.
- Despite the low incidence of work-related accidents, there are situations that could present safety issues.
 - The rundown condition of the paint shop, ventilation adequacy, and the condition of face masks are concerns.
 - Overhead cranes lack signage of their weight limits. One of these has been corrected.
 - There are insufficient eyewash stations.
 - Fire hazards exist in the welding shop. Fuel/gas tanks and oxygen tanks are stored next to each other.
 - Poor housekeeping and clutter create multiple risks.
- The County's attention to safety is increasing, but is not sufficient to immediately affect Fleet Operations.
 - The safety manual is being updated, but is not yet available.
 - The County Safety Coordinator has lots of ground to cover and divisions like Fleet Operations have immediate needs.
 - The County Risk Management office monitors driving history, but only every other year.

Recommendations

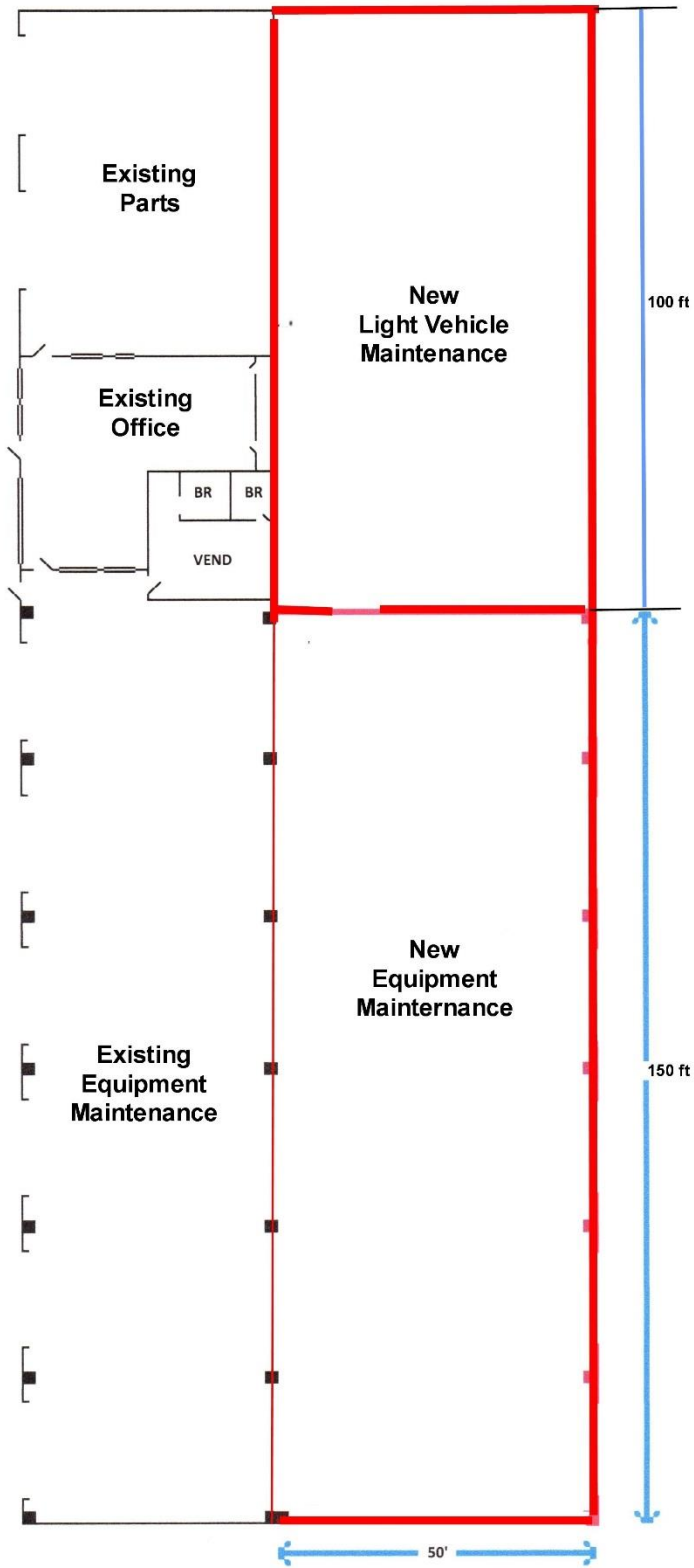
- Take steps to increase the efficiency and safety of the Crestview facilities.
 - Enlarge the main maintenance building by adding a 50-foot extension across the rear of the structure.
 - Exhibit 1 shows the current configuration of the building
 - Part storage is spread over three areas.



Current Shop Layout Crestview

Exhibit 1

- The current depth of the maintenance bays cannot accommodate large pieces of equipment.
 - Exhibit 2 shows the recommended extension and utilization of the added space.
 - Parts would be consolidated into one room that can be easily secured.
 - Light vehicle maintenance would be moved to a portion of the expanded space to alleviate the crowding of the light vehicle maintenance building and improve work safety and efficiency.
 - The expanded equipment maintenance bays would accommodate the 70 pieces of equipment that do not fit in the current bays.
 - All maintenance and repair technicians would be in one building, making the Shop Foreman's control of work flow and oversight of work quality easier.
 - Complete the recommended expansion in phases that are consistent with available funding.
 - Give priority to extension of the equipment bays to handle large vehicles.
 - Fund the expansion with revenue generated by increased fuel markup and labor rates. See the Finance section of this report for more detail.
- Clean up the Crestview facilities.
 - Dispose of unused parts or anything that has a heavy accumulation of dust.
 - Clean up work areas, degrease, apply fresh paint and improve lighting.
- Assign tools to each technician and conduct periodic reviews of tool inventories. This would improve work efficiency and reduce the potential for tool leakage.
- Conduct a thorough safety inspection of both Crestview and Ft. Walton Beach facilities.
 - The County Safety Coordinator should give priority to Fleet Operations
 - The County should consider increasing the Coordinator to a full – time position.
 - If the Coordinator cannot get to Fleet Operations within two months, consider hiring an outside contractor to conduct the inspection.
 - Adopt any resulting recommendations from these inspections.
- Expedite the approval of the safety manual.
 - Fleet Operations should adopt the guidelines put forth.



Proposed Shop Layout Crestview



New Space

Exhibit 2

- The County Risk Management office should check employee driving history annually, especially for higher risk divisions like Fleet Operations. This further ensures that Division employees are driving safely and mitigates any potential risks.

PURCHASING AND INVENTORY

Purchasing

- Fleet Operations makes a variety of purchases every year including gasoline and specialty fuels, fleet parts and materials, office and fleet supplies, tools and safety gear and motor vehicles.
 - The largest of these purchases are fuel related and parts.
 - Annual fuel purchases have averaged \$2,671,000 over the last five years.
 - Annual parts purchases have averaged \$969,000 over the last five years.
- Most Division purchases are made in one of three ways:
 - Purchasing contracts:
 - The Mansfield Oil contract is used for fuel purchases.
 - Vehicle tires are purchased by “piggybacking” on a State of Florida contract; equipment tires are purchased on the open market.
 - Purchase Cards (P–cards):
 - The County has arranged a credit card purchase program with Bank of America for the purchase of small dollar items.
 - P–cards are used throughout the County.
 - Purchase Orders:
 - Division employees send a purchase requisition to Purchasing for items that cannot be bought using P-cards.
 - Purchasing approves this and sends a purchase order to Fleet Operations.
 - The Division does not handle any cash.
- The Mansfield Oil fuel contract sets gasoline and diesel fuel prices daily using the Pensacola rack price (the seller’s wholesale price).
 - The price the Division pays for gasoline is a few cents below the rack price, while diesel is a few cents above the rack price.
 - Most of the fuel dispensed by Fleet Operations is gasoline.
 - The fuel contract is negotiated by Purchasing and administered by Fleet Operations.
 - The fuel is sold to county and outside agency customers at the rack price plus an eight cent per gallon markup.
- There are 9 P–cards in use in the Division.
 - Cards have a per transaction dollar limit and a monthly total dollar limit.
 - The highest transaction limit is \$2,500 and the highest monthly limit is \$50,000.
 - The aggregate monthly limit of all cards is \$95,000 for Crestview and \$75,000 for Ft. Walton Beach.
 - Most of the monies charged to the cards are used to purchase parts which speeds up the process of getting parts into the hands of the technicians.

- No purchase order is needed if a P–card is used.
 - Cardholders are the Senior Foreman, Shop Foremen and Senior Technicians that are responsible for obtaining the parts needed for each work order.
 - P- card controls are adequate.
 - Receipts from all card purchases are turned in to the Shop Supervisor.
 - He creates an envelope containing the credit card receipts for each cardholder for one month. Each envelope has a top sheet summarizing its contents.
 - He also codes each credit card transaction to its budget line item in the Bank of America credit card program.
 - He verifies that all receipts have been properly recorded.
 - He tracks and insists that any credits owed by vendors are collected by the Senior Shop Foreman or Shop Foremen.
 - The Division Director reviews and approves each of the credit card envelopes. He does a random check of receipts in each envelope and signs the summary sheets.
 - The Shop Supervisor and the Director do not have P-cards.
 - The credit card envelopes are sent to the Finance Department for a final check.
- For items that exceed the \$2,500 P–card limit, a purchase order must be obtained.
 - The Senior Shop Foreman or the Shop Foremen prepare a purchase requisition form which is sent to Purchasing.
 - Purchasing approves the requisition and prepares a purchase order which is used to obtain items from the vendors.
 - Controls on Purchase Orders are similar to those on P–cards.
 - The Shop Supervisor reviews and approves payment of purchase orders.
 - The Director reviews completed purchase orders and forwards them to Finance for a final check.

Inventory

- Fleet Operations maintains two main inventories:
 - Fuel
 - Parts
- Fuel service is provided to county departments and outside agencies through fuel islands located around the county and by a mobile truck that brings fueling service to remote locations.
 - Gasoline and diesel fuel are stored in tanks at both shop locations.
 - Approximately 1.1 million gallons of fuel are sold in a year.

- The Fuelman system is used to control the dispensing and inventory management of fuel.
 - Approved users obtain their fuel in two ways:
 - Approved vehicles have a Fuelman card which can be used at county fuel islands or approved retail gas stations.
 - Approved users have WEX cards which are used for fuel purchases outside the county.
 - Emergency vehicle operators use WEX cards.
 - The amount of fuel dispensed and the time of service is recorded in the Fuelman system. The system assigns the fuel dispensed to the appropriate department or agency and calculates the cost to be charged using the daily rack rate plus the markup.
 - The system electronically monitors the fuel dispensed from each fuel tank and provides usage reports.
 - Daily usage reports and weekly exception reports are provided.
 - Exception reports show any user usage that is out of normal usage ranges.
 - Fleet Operations personnel also match daily fuel readings to reorder quantities to identify any shortage issues.
 - Tank inventory is checked by taking weekly “stick” measurements of fuel levels and comparing them to the perpetual levels recorded by the Fuelman system. Gauges are calibrated once a year.
 - The Division also operates a fuel truck to bring fuel to user work sites.
 - The truck is filled and fuel levels measured before heading into the field.
 - Each day, all fuel dispersed is recorded by user and usage is totaled and reconciled with the amount of fuel remaining in the truck.
 - The daily activity data is entered in the Fuelman system.
- The Division maintains an inventory of parts in both shops.
 - The parts inventory has a value of approximately \$145,000, with \$100,000 in Crestview and \$45,000 in Ft. Walton Beach.
 - The Foremen in each location manage their own inventories.
 - Frequently used parts, such as oil filters, are inventoried.
 - Parts are stocked as inventory items if they are used two or three times.
 - As described earlier in this report, an effective system is used to control adding parts to inventory, retrieving them for use and reconciling inventory levels.

- A work order must be generated before a part can be removed from inventory.
 - Fleet Focus is updated, in each shop, with inventory control data.
- The parts rooms are secured and reasonably well organized.
 - In Crestview, the three people that have keys to the parts room are the only employees who can stock parts and retrieve them.
 - In Ft. Walton, two employees have the same responsibilities.
 - Parts, except for bulk items like tires, are stocked on shelves and are labeled with parts numbers.
 - The Division does not use barcodes.
 - There are no surveillance cameras in either location.
 - There is no evidence of inventory leakage.
 - Recent inventory audits conducted by the County Inspector General have been satisfactory. Any comments have been quickly addressed.
 - However, no annual, physical inventory is conducted by the Division.

Issues

- The system and controls used to store and disperse fuel are working well. However, the calibration of storage tank fuel gauges is only done once per year.
- The parts purchasing process is time consuming and is, likely, not cost effective.
 - While frequently used parts are inventoried in-house, delivery of parts that must be purchased from outside vendors, for an individual work order, can take up to 7 days.
 - Reportedly, Purchasing averages 4 days to process a purchase requisition and send the Division a purchase order. A rush request can be processed in 1 or 2 days.
 - Outside suppliers take 1 to 3 days to deliver the parts.
 - The Division's parts needs have never been consolidated and put out to bid for best pricing.
 - In 2016, Fleet Operations spent over \$971,000 on parts and materials. Spending with several vendors is over \$40,000 a year.
 - The foremen do call local vendors to get pricing on frequently used parts to determine which vendor they will use for the year.
 - However, these negotiations are at the retail level with local vendors in Crestview and Ft. Walton Beach.
 - The Division's total parts needs have never been consolidated and put out to bid.
 - The Division spends approximately \$200,000 per year purchasing services from commercial repair shops.

- Reportedly, separate commercial shops are used in Crestview and Ft. Walton Beach for glass work, transmission repair, alignments, towing, and other specialized services the Division does not do in house.
 - These outside services have never been put out for a formal bid.
- No one person has responsibility for overseeing the purchase and inventory of the Division's parts. The Foremen in Crestview and Fort Walton Beach separately purchase parts for their shops.

Recommendations

- Consider having tank gauge calibration done twice a year.
- Consolidate the Division's parts needs and put out an RFP for blanket contracts that have approved annual spending limits.
 - Once the annual limit is approved, parts would be requisitioned against blanket contracts without the need for individual Purchasing approval.
 - Appropriate controls need to be established to ensure that the limit is not being abused.
 - It is recognized that, currently, Purchasing does not use blanket contracts.
 - The use of blanket contracts would have benefits to Fleet Operations and Purchasing:
 - Since Shop Foremen can order directly from the vendor without involving Purchasing, parts can be in the technicians' hands as fast as the use of P-cards and much faster than using a purchase requisition/purchase order.
 - Bidding and striking blanket contracts for a large portion of purchased parts should produce significant savings over paying local retailers with P-cards. Lower parts costs would benefit all of Fleet Operations' customers.
 - Ordering against a blanket contract with quick turnaround would likely reduce the number of items that need to be kept in inventory.
 - Ordering more parts without using purchase requisitions and purchase orders will reduce the workload for both Fleet Operations and Purchasing. Blanket purchase contracts could be done for two years with options for extension.
 - Fleet Operations and Purchasing should put commercial shop services out to bid as well.
 - There would be cost savings and, possibly, service improvements.
 - Fleet Operations' customers would be billed less for these services.
- Create a position to be responsible for parts procurement and inventory control. This person would:
 - Coordinate the bidding for blanket parts contracts.

- Oversee the design of the processes used to control the requisitioning of parts against the contract and monitoring the accuracy of the price charged for parts.
- Oversee the design of processes used within the Division to determine what is inventoried on-site and how part needs are fulfilled.
- Oversee the design and layout of the parts rooms and the control of parts that are inventoried.
- The Organization and Staffing section of this report contains more details on how this position fits into the Division's organization.
- Conduct an annual physical count of parts and materials kept in inventory.

FINANCE

- Fleet Operations is a self-funded division that relies on revenue generated by its maintenance and repair rates and the price set for fuel sales to offset its expenses. Revenue is also generated by other sources such as pool car rentals and the sale of unusable vehicles, but these sources represent less than 6% of total revenues.
- Rates have been developed for the services and fuel used by county departments and outside entities:
 - County Departments:
 - Fuel – cost/gallon used.
 - Vehicle maintenance and repair – cost/mile driven.
 - Equipment maintenance and repair – cost/piece of equipment per month.
 - Outside Entities:
 - Fuel - cost/gallon used.
 - Vehicle and equipment maintenance and repair – cost/labor hour used plus actual cost of materials and any repairs performed by outside shops (commercial).
- The methodology used to develop the rates is an acceptable mechanism for determining what to charge its customers.
 - Gasoline and diesel fuel are bought through a contract that is based on the daily rack price
 - The price to Fleet Operations is set as the rack price plus or minus a few cents as negotiated in the contract.
 - Fleet Operations adds an 8 cent/gallon markup to the negotiated price, of which 2 cents/gallon is paid to Mansfield Oil, the fuel supplier
 - The 6 cent/gallon markup is used to cover the Division's cost of storing and dispensing fuel as well as the operation of the truck that brings fuel to remote locations.
 - The Division's hourly labor rate is developed using budgeted expenses, expected revenues and historical maintenance and repair hours worked.
 - Revenues from fuel, pool car rental, unusable car sales, and accident recovery are subtracted from Total Division Budgeted Expenses to get Total Maintenance Costs.
 - Revenues are subtracted from expenses so that the application of the calculated labor rate will result in a breakeven bottom line.
 - Parts costs and the cost of service from outside shops are subtracted from Total Maintenance Costs to get Total Labor Costs.
 - Total Labor Costs are divided by total maintenance and repair labor hours to get a labor rate of \$/hour.

- The mileage rates used to bill county departments for vehicle maintenance are developed using historical miles driven and historical maintenance costs for 22 classes of vehicles.
 - The maintenance costs include labor, parts and the use of commercial shops.
 - Maintenance costs are divided by the miles driven to develop a cost/mile rate for each vehicle class.
 - The Director then reviews historical rates and costs and makes any adjustments to the rates that will be used for the new budget year.
- The monthly rates used for county equipment maintenance are developed using historical maintenance costs and the number of pieces of equipment for 43 classes of equipment.
 - The maintenance costs include labor, parts, and the use of commercial shops.
 - Monthly rates are developed for the upcoming budget year by dividing historical annual total maintenance cost for each class by the number of pieces of equipment in each class to get the annual cost by piece of equipment. This cost is then divided by 12 to get the cost per vehicle per month.
 - The upcoming budget year monthly rate is averaged with the monthly rates from the previous two budget years to get the monthly rate per piece of equipment that will be used for the upcoming budget year.
 - As with the vehicle rates for billing county departments, the Director reviews historical experience and makes any adjustments to the final rates.

Issues

- The rates the Division uses to bill its customers are built on historical data. The rates will recoup Fleet Operations’ costs if the actual cost experience and the actual labor hours worked, in the current budget year, are reflective of the historical data. The best test for rate adequacy is to compare the total revenue generated using the rates to the Division’s total expenses.
- Comparing revenue to expense for the most recently completed fiscal years shows that Fleet Operations was not covering its expenses in four of the last five years.
 - The cumulative shortfall over the five-year period was \$539,151.

Fleet Operations Division Revenue and Expense

	FY 2016	FY2015	FY2014	FY2013	FY2012
Revenue	\$4,665,029	\$4,783,169	\$5,770,813	\$5,734,172	\$5,260,924
Expense	4,581,948	4,886,651	5,848,476	5,984,986	5,451,197
Net	83,081	(103,482)	(77,663)	(250,814)	(190,273)

- The fuel markup rate is a significant contributor to the Division's financial shortfalls.
 - A comparison of revenue from the Division's portion of the fuel markup to fuel-related operating expenses for Calendar Year 2015, which were provided separately from the figures above, shows a shortfall of \$50,180 (\$61,123 revenue - \$111,303 expense).
 - Reportedly, comparisons of markup revenue and fuel-related expense in other years, show similar results.
 - The 6 cent/gallon markup has not been changed in many years while expenses have increased.
- With fuel markup not covering fuel-related expenses, maintenance and repair customers are picking up more than their share of expenses.
 - Labor rates are calculated to pick up remaining expenses after fuel revenues are deleted.
- With the rate setting methodology designed to break even on operating expenses, there is no mechanism to acquire funds needed for capital improvements other than through the annual budget request. Large capital needs are unlikely to get approved in one budget cycle.

Recommendations

- Increase the rates used to bill the Division's services.
 - While Fleet Operations wants to remain an economical alternative to outside repair shops, the Division needs to recover its expenses and have funds to make capital improvements.
 - Fuel markup needs to recover more fuel-related expenses.
 - Labor rates need to produce enough revenue to cover maintenance and repair costs and provide some funds for capital improvements.
 - Rates need to reflect expected costs as well as historical costs.
 - The rate setting process should consider planned activity for the Division's county customers and determine the impact on Fleet Operations expenses.
 - Parts and commercial shop costs and estimate expected increases in the coming year should be monitored as parts and outside commercial shop services are built into the rate setting process.
 - A Fleet Operations five-year capital improvement plan should be developed and budget the upcoming year's spending need into the rates.
 - The \$0.06/gallon fuel markup could be doubled and still be less than half of the markup that local gas stations apply (\$0.27 to \$0.30 per gallon).
 - A 6 cent/gallon increase would be needed to fully cover fuel-related expenses

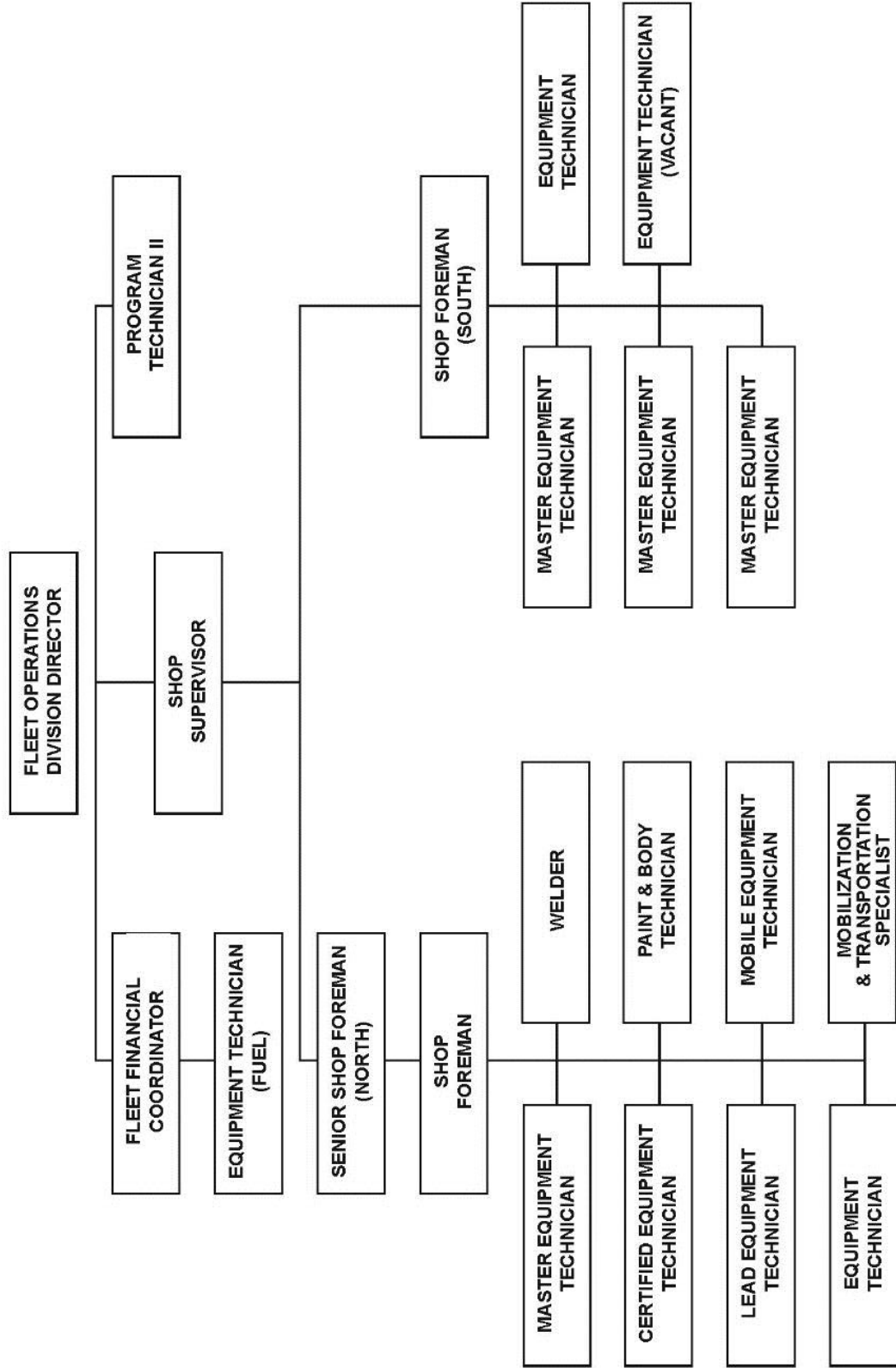
- Even with a 20% increase to about \$90/hour, the Division's hourly labor rate would still be at least \$10/hour lower than rates charged by commercial shops.
 - Local commercial shop labor rates are \$100/hour or more, while the Division's current labor rate is \$76/hour.
 - A 20% increase in rate would generate over \$250,000 in additional revenue.
 - Capital needs are yet to be calculated, but with another \$60,000 from the fuel markup increase, a 20% increase in labor rates should more than cover the Division's needs.
 - The combined fuel markup and labor rate increase would be 5 to 6% of the Division budget.
 - Since almost 50% of the vehicles and equipment maintained by Fleet Operations are from outside entities, it is important to have the labor rate set appropriately.
- Reduce the cost paid for parts and commercial shop services.
 - Reducing parts and commercial costs would soften the impact of increasing labor rates.
 - Using blanket contracts for the Division's parts needs and negotiating prices for outsourced services should reduce costs as well as improve part delivery time.

ORGANIZATION AND STAFFING

- Currently, Fleet Operations is organized into an administrative area and two operations units. (See Exhibit 3).
 - The Director, Fleet Financial Coordinator and the Program Technician II make up administration.
 - The two operational units are overseen by a Shop Supervisor:
 - The North (Crestview) operational unit is headed by a Senior Shop Foreman.
 - The South (Ft. Walton Beach) operational unit is headed by a Shop Foreman.
- The Director provides overall direction to the Division, performs quality control of work order charges, purchases, and fuel transactions and represents the Division in contacts with county departments. In addition, he is responsible for the following key tasks:
 - Division budget preparation.
 - Customer billing.
 - Billing rate development.
 - Vehicle replacement planning and negotiating.
- The Fleet Financial Coordinator assists the Director in financial matters and represents the Division in the Director's absence. In addition, he is responsible for:
 - Overseeing fuel distribution for approximately \$1.7 million in fuel purchases:
 - Managing the fuel contract.
 - Controlling fuel inventory.
 - Overseeing fuel dispensing including the use of Fuelman cards and customer pin numbers.
 - Managing the Equipment Technician that operates the mobile fuel truck.
 - Managing the preventative maintenance program.
 - Overseeing new vehicle preparation.
- The Program Technician II provides administrative support to the Division including the fuel data system, billing and budgeting, and division office support. Recently, a temporary employee has been added to take some of the administrative load off the Division's senior managers.
- The Shop Supervisor oversees all maintenance operations in the North and South shops, which includes the following key tasks:
 - Balances daily operations between the North and South shops.

CURRENT ORGANIZATION

TOTAL POSITIONS
 21



- Provides financial control of work order charges including the data entry of parts and commercial shop invoices.
 - Assists with fuel distribution control including some data entry tasks.
 - Provides the Director with monthly operational analysis and reporting.
- The North shop is managed by the Senior Shop Foreman and the Shop Foreman.
 - Given the volume of activity in the shop of over 3,500 annual work orders, both foreman share responsibility for customer service, ordering parts, and the management of shop workflow.
 - The Senior Shop Supervisor has the lead responsibility for organization of the parts room and inventory control.
 - The Shop Foreman has responsibility for supervising technicians, quality control, and buildings and grounds.
 - In addition to vehicle maintenance and repair, the North shop has specialty services such as welding, paint and body repair, and a mobile repair truck.
- The South shop is managed by a Shop Foreman who has the same responsibilities as the Shop Foreman in the North. In addition, he manages the parts room and inventory in his shop.
- There are 21 approved positions in the Division of which 20 are currently filled.
 - 15 are in Crestview and 6 are in Ft. Walton Beach.
- Fleet Operations is staffed with many seasoned employees who understand the Division's processes.
- New employees have been successfully recruited from local automotive dealerships, but recently the Division has had difficulty filling a vacant Technician position.
 - Division wages are \$3 or more an hour less than the dealerships, but Fleet Operations provides better benefits and a steady 40-hour work week.
 - Over the last five years, turnover has been low; only eight employees needed to be replaced.
 - However, the Division has been slowly slipping behind local shops in offering competitive wages.

Issues

- The Division is understaffed. This over-taxes supervisory personnel and leaves the parts management key function under-managed.
 - As we have found in other county divisions, people in supervisory positions must perform routine clerical and technical work because of the lack of manpower. This leaves insufficient time for planning, employee development, quality assurance and cost management.

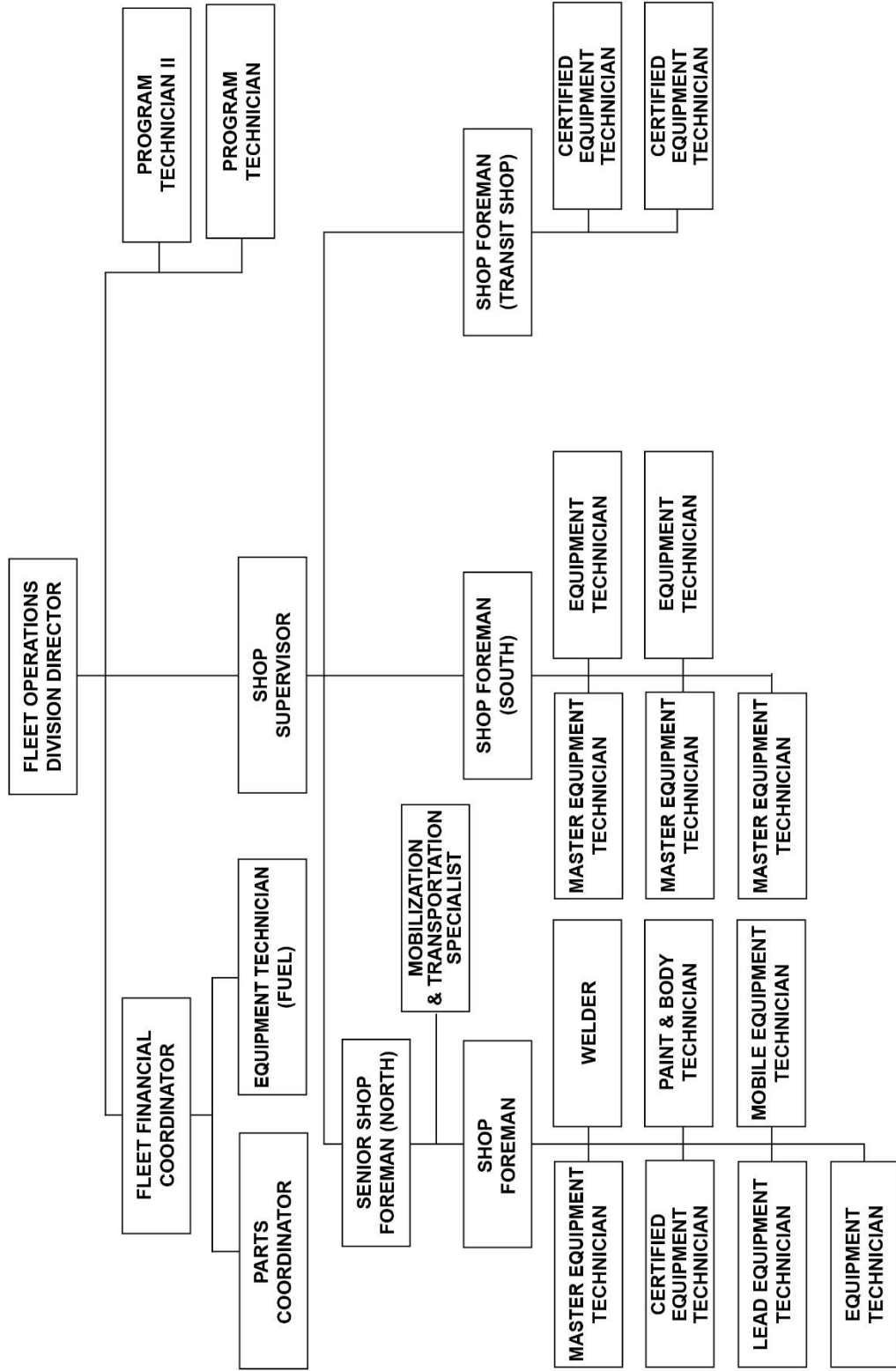
- This is a problem for Fleet Operations because its processes require a significant amount of paper handling and data entry which all supervisory personnel must perform in addition to their oversight responsibilities.
 - Responsibility for parts procurement and inventory control is split among several employees.
 - Parts in the North and South shops are purchased separately and inventories in both locations are managed separately.
 - The Division purchases almost \$1million of parts every year, but there is not a focal point to ensure their economical purchase and inventory investment.
 - Hands–on management, as previously recommended, is needed to negotiate blanket contracts.
- As mentioned earlier in this report, bus maintenance is a headache for Fleet Operations:
 - Buses are old, past their prime and require extensive maintenance to keep them running.
 - Bus operating conditions make effective maintenance more difficult:
 - Inexperienced drivers fail to identify maintenance issues early when repair time would be minimized.
 - There are insufficient backup buses, so buses with maintenance needs are still pressed into service.
- Although the Division has done a good job of cross training key employees, a workable succession plan is not in place.
 - The request to create a Fleet Operations Manager position to back up the Director has not been approved.
- The Division relies on experienced people to keep operations running smoothly, but key employees are approaching retirement.
 - Four employees are in the DROP program and will be retiring within the next five years.
 - The Division Director and Shop Supervisor are the most senior:
 - The Division Director is a twenty–year employee who has developed many of the processes that have made the Division successful; his retirement is a little more than a year away.
 - The Shop Supervisor has deep process knowledge and is responsible for many of the key control functions.
 - The other two employees in DROP are the Welder and the Mobile Equipment Technician.
 - Three other employees will be eligible for the DROP program within the next few years. One of these is the Program Technician II who has extensive knowledge of division processes and records.

Recommendations

- In the near term, modify the current organizational structure and add new positions to meet the Division's critical needs. (See Exhibit 4).
 - Create a Transit Shop for the maintenance of buses as recommended by the Director.
 - Establish three new positions: Shop Foreman and two Certified Equipment Technician positions. The Shop Foreman would report to the Shop Supervisor.
 - The Transit Shop employees would work out of the Okaloosa County Transit facility at 600 Transit Way, Ft. Walton Beach, FL. This would increase the readiness of the bus fleet.
 - Buses would be the top and only priority of the shop.
 - Maintenance would be performed on site where buses are stored.
 - Closer working relationships between the Maruti contract operators and the maintenance personnel would increase the earlier detection of maintenance problems and could result in suggestions that would improve bus operation.
 - Move an employee experienced in bus maintenance from the North or South shops to the Transit Shop.
 - Ideally, this employee could fill the Shop Foreman position or act in a lead technician role to train newly hired employees.
 - Having someone experienced in bus maintenance in the shop will significantly help the new shop increase bus operating time.
 - With bus maintenance moving to the new shop, the Division could choose to not replace the transferred Technician position.
 - Moving bus maintenance will reduce maintenance requirements in the current shops by 1,700 hours.
 - The Division could use the reduction of the position to offset budget increases from adding new positions
 - The Transit Shop employees will be paid by grant funds.
 - Although recommended, the reduction of an Equipment Technician position is not shown in Exhibit 4.
 - Establish a Parts Coordinator position to oversee the cost-effective procurement and inventorying of maintenance parts and materials for the Division.
 - The Parts Coordinator would be responsible for:
 - Lowering the cost of purchasing parts including creating blanket purchase contracts.
 - Determining cost-effective inventory levels.

RECOMMENDED SHORT-TERM ORGANIZATION

TOTAL POSITIONS
26
(3 PAID BY GRANTS)



- Determining the efficient design of parts rooms.
 - Refining and documenting processes used to order parts, restocking the parts rooms, and getting parts to the technicians.
 - Refining controls to ensure the security of parts inventories.
 - Managing the parts inventories.
- The new position should report to the Fleet Financial Coordinator.
 - The Fleet Financial Coordinator would have oversight of the Division's major non-maintenance operations functions (fuel and parts) which are over \$2.5 million of the budget.
 - Major contract negotiations and oversight would be consolidated.
- Make the temporary Program Technician position permanent to assist Fleet Operations supervisory personnel with routine clerical tasks.
 - The position should report to the Division Director and would free up the Director and other supervisors to focus on planning, employee development, quality assurance, and cost management.
- Have the Mobilization & Transportation Specialist report to the Senior Shop Foreman (North) instead of the Shop Foreman (North).
 - The Specialist serves customers throughout the county, not just the Crestview shop. He conducts commercial driver's license tests under a contract with the State of Florida and is a Semi and low-boy trailer driver.
 - This would enable the Shop Foreman to focus on North shop activities.
- In the longer term, refine the organization chart to reflect the hiring of new personnel and making recommended changes. (See Exhibit 5). This would:
 - Maintain the separation of shop operations, financial control, and administration.
 - Add and upgrade positions to attract personnel to implement recommendations and provide natural pathways for succession planning.
 - Add a Fleet Operations Manager to run maintenance and repair operations, a \$1,971,000 annual business, reporting to the Division Director.
 - The Fleet Operations Manager would oversee the North, South and Transit shops. He would be Responsible for on-time, quality service, ensuring that sufficient qualified staff are available to deliver required service and resolving customer service issues.

- He would assist the Director in key planning, budgeting and financial decisions and represents the Division in the absence of the Director and would be a logical successor to the Division Director.
 - Have the Program Technician position report to the Fleet Operations Manager to provide needed clerical support to maintenance operations.
 - Reassign foremen positions to oversee operations units appropriate to their level:
 - The Shop Supervisor would head up the North shop, the busiest and most complex maintenance operation.
 - The Senior Shop Foreman would head up the South shop, the next challenging operational environment.
 - The Shop Foreman would head up the Transit shop, the least complex operation.
 - Placement of personnel in these positions would likely represent promotions following the retirement of the current Shop Supervisor.
 - The progression of Shop Foreman to Senior Shop Foreman to Shop Supervisor represents a possible pathway for succession.
 - Upgrade Technicians through training and certification to increase the Division's maintenance capabilities.
 - Add a Service Advisor position to the North shop since the North shop handles two thirds of the Division's maintenance and repair business.
 - Currently, and in the Near-Term Organization, the Senior Shop Foreman and the Shop Foreman share the customer interactions.
 - In the Longer-Term Organization, there is only one supervisory position in the North shop.
 - The Service Advisor would greet customers, initiate the work orders, follow work progress, call customers when the work is complete. He would also receive customer complaints, resolve them, and if necessary refer them to the proper person for resolution.
- Develop a succession plan for the Division's senior managers and technicians.
 - Several employees are in the DROP program or will be eligible for it in a few years.
 - The most critical need is for the replacement of the Director. He has extensive Fleet Operations experience and intimately understands its processes; he is the Division's driving force.
 - To ensure a successful transition, the new Director should be in place six months before the current Director retires.
 - Qualified replacements should be identified for the Shop Supervisor and all other managerial positions, including Shop Foreman.
 - Replacement strategies should be identified for Technicians, especially those with unique skills.

- The Welder is in the DROP program. The Division should consider partnering with Northwest Florida State College, through its welding program, to establish an internship that benefits welding certification.
- Determine if incentives are needed to hire new Technicians, including an adjustment to the pay scale.

CONCLUSIONS

Okaloosa County is fortunate to have a well–run Fleet Operations Division. Led by capable managers and staffed by experienced and dedicated employees, the Division provides quality service on a limited budget. Its customers not only get well–maintained vehicles and equipment, they get a good deal; Fleet Operations’ fuel and labor charges are significantly below what they would pay to outside providers.

Despite its good performance, the Division faces some significant challenges. Experienced, key employees are approaching retirement and it is getting more difficult to recruit qualified Technicians. Facilities need upgrading to support efficient operations. Division revenues are not covering its expenses. To continue providing good service, the Division must overcome these challenges. More investment is needed. This will achieve the efficiencies and savings in recurring expenses discussed in this report.

If given the opportunity, Fleet Operations can control its own destiny. As a self–funded entity, it can raise the rates charged for fuel and labor to cover increased salary and benefits costs and capital investments. Needed changes can be phased in to reduce the impact in any one year. The disparity between Fleet Operation’s current rates and those of outside providers is so great that even with the increases needed for investment, the Divisions’ rates would still be well below outside providers. With these investments, the County will continue to get great service for years to come.

ISP wishes to thank all County employees who gave us their time and insight. We specifically would like to thank John Vaughn and his Fleet Operations team for quickly responding to our continuous stream of questions and requests for information. Without their cooperation, we would not have been able to carry out our assignment.

ATTACHMENTS:

A – Request Letter

B – Reference Materials

C – Inventory and Tangible Personal Property Issues

D – Fleet Operations (Ft Walton Beach)

E – Fleet Operations (Crestview)

ATTACHMENT A

REQUEST LETTER



County Administrator's Office

State of Florida

September 1, 2016

Mr. Mike Flynt, Chair
Institute for Senior Professionals
Northwest Florida State College
100 College Blvd
Niceville, FL 32578

Via E-Mail mflynt6905@aol.com

Dear Mr. Flynt,

Okaloosa County is continuing to implement some best practice recommendations made by the State of Florida Auditor General and county auditors. In June of this year, the Institute for Senior Professionals completed a management review of the Solid Waste Department, and we really appreciate all of the work that went into this project. We are now requesting your assistance with a Management Control Review of the Fleet Operations Department.

Attached is a scope of work drafted jointly with the Clerk of Courts Internal Auditor. As before, we understand this project would require interaction with county senior management staff, and we certainly anticipate this being a joint effort with county participation throughout. Upon review, please let us know if this is a project that you would be willing to consider, either in part or in full.

Once you have had the opportunity to review our request and identify a project team, we welcome the opportunity to speak with you further about the next steps in accomplishing this goal. If you have specific questions, you may address them to County Deputy Administrator Kay Godwin, who is the staff point of contact for this project. She can be reached at 850-689-5007, and email address is kgodwin@co.okaloosa.fl.us. Thank you in advance for any support you might be able to provide.

Sincerely,

A handwritten signature in blue ink, appearing to read 'John Hofstad', written over a large, stylized blue scribble.

John Hofstad
County Administrator

Okaloosa County Administration Building
1250 N. Eglin Parkway, Suite 102
Shalimar, FL 32579
(850) 651-7515 • FAX: (850) 651-7551
e-mail: managerinfo@co.okaloosa.fl.us

ATTACHMENT A

REQUEST LETTER



State of Florida

County Administrator's Office

Scope of Work

Conduct a comprehensive management control review that identifies the County's key business functions/goals and identifies the risks to achieving them. The assessment should identify and evaluate controls (policies and procedures) in place that minimize, to an acceptable level, the risks identified. Such will involve assessing the County's risk tolerance. Fraud should be a consideration in this project.

- The process should include interviewing key board and clerk employees responsible for carrying out identified controls.
- Produce a report that includes a grid of key business functions, risks, controls and residual risk.
- Make recommendations for controls (policies and procedures) that minimize any risks that have not been reduced to an acceptable level.
- Work with identified County/Clerk staff members throughout the process and produce a tool that may be used by them in performing in-house, periodic management control reviews going forward.
- The project should address the related findings contained in both audit reports conducted by the Florida Auditor General (2013-085 and 2014-068).

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ATTACHMENT B

Reference Documents

The team reviewed the following State and County documents during the course of this project:

- State Audits – 2013-085, 2014-068, 2015-095 & the final TDC audit report
- Prior ISP County Projects – Growth Management Report, Fuel Usage Report 2009, & the Solid Waste Management Report
- Okaloosa County Strategic Plan FY 2014-2014
- Comprehensive Annual Financial Report Okaloosa County Year ending September 30, 2014
- Fleet Policy & Procedure Manual dated January 2017
- Fleet Operation Budget FY2013-FY2016
- Fleet Employee list & Organizational Chart
- 2016 JD Peacock II IG reports - 3 inventory reports
- AssetWorks Fleet Focus software program-web site description
- Federal & State Grant Documents which support Transit Operations
- Fleet Management & Maintenance Norfolk, VA.
- Florida State Property Accountability & disposal documents
- County Property Accountability Manuals
- County Human Resources (HR) policies
- HR policy – Take Home vehicles September 2016
- Transit Contract – Maruti Fleet & Management – October 1, 2015

ATTACHMENT C

INVENTORY AND TANGIBLE PERSONAL PROPERTY ISSUES

1. Can components that exceed \$1,000 in value and have a useful life of a year or more be included as a part of a larger item (e.g. Vehicle) in that larger item's property number? A related question was whether assets could carry a depreciated value while included on the master inventory list. **A short answer to both questions is "No".**

State law establishes the definition of "property".

274.02 Record and inventory of certain property.—

- (1) The word "property" as used in this section means fixtures and other tangible personal property of a non-consumable nature.

Further, various rules promulgated by the state Chief Financial Officer provide specific guidelines for the recording and disposal of property. For instance:

69I-73.001 Definitions.

(1) "Control Accounts" means summary accounts designed to control accountability for individual property records. Unlike individual property records which establish accountability for particular items of property, control accounts accumulate the total cost or value of the custodian's property and, through entries to the control accounts documenting acquisitions, transfers and dispositions, provide evidence of the change in that total cost or value over periods of time as well as the total cost or value at any time.

(2) "**Cost**" means **acquisition or procurement cost** (i.e., invoice price plus freight and installation charges less discounts). In determining cost, the value of property exchanged by the custodian in satisfaction of a portion of the purchase price of new property shall not be deducted from the full purchase price regardless of any property "traded in" on the new property.

(6) "Depreciated Cost" means cost less accumulated depreciation.

(11) "Property" has the meaning set forth in Section 274.02(1), F.S.

((13) "Value" means the worth or fair market value at the date of acquisitions for donated property.

69I-73.002 Threshold for Recording Property.

All property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more shall be recorded in the local government's financial system as property for inventory purposes.

69I-73.003 Recording of Property.

(2) Individual Records Required for Each Property Item – Each item of property shall be accounted for in a separate property record. Related individual items which constitute a single functional system may be designated as a property group. A property group may be accounted for in one record if the **component items** are separately identified within the record. Examples of property items subject to group accountability include, but are not limited to, modular furniture, computer components, book sets, and similar association of items. All property group items, the total value or cost of which is equal to or greater than \$1,000 shall be inventoried under this rule.

(5) Depreciation shall be recorded to meet local governments' financial reporting requirements relating to depreciation accounting. However, **depreciation shall not be recorded on the individual property records or in control accounts in such a manner as to reduce the recorded acquisition cost or value** (i.e., depreciation shall be recorded as an item separate from the acquisition cost).

2. County tangible personal property guidelines and procedures conflict with state requirements. Chapter 274, F.S. provides as follows:

274.01 Definitions.—The following words as used in this act have the meanings set forth in the below subsections, unless a different meaning is required by the context:

- (1) "Governmental unit" means the governing board, commission or authority of a county or taxing district of the state or the sheriff of the county.
- (2) "Custodian" means the person to whom the custody of county or district property has been delegated by the governmental unit.

This chapter further provides:

274.02 Record and inventory of certain property.—

- (1) The word "property" as used in this section means fixtures and other tangible personal property of a nonconsumable nature.
- (2) **The Chief Financial Officer shall establish by rule** the requirements for the recording of property and for the periodic review of property for inventory purposes.

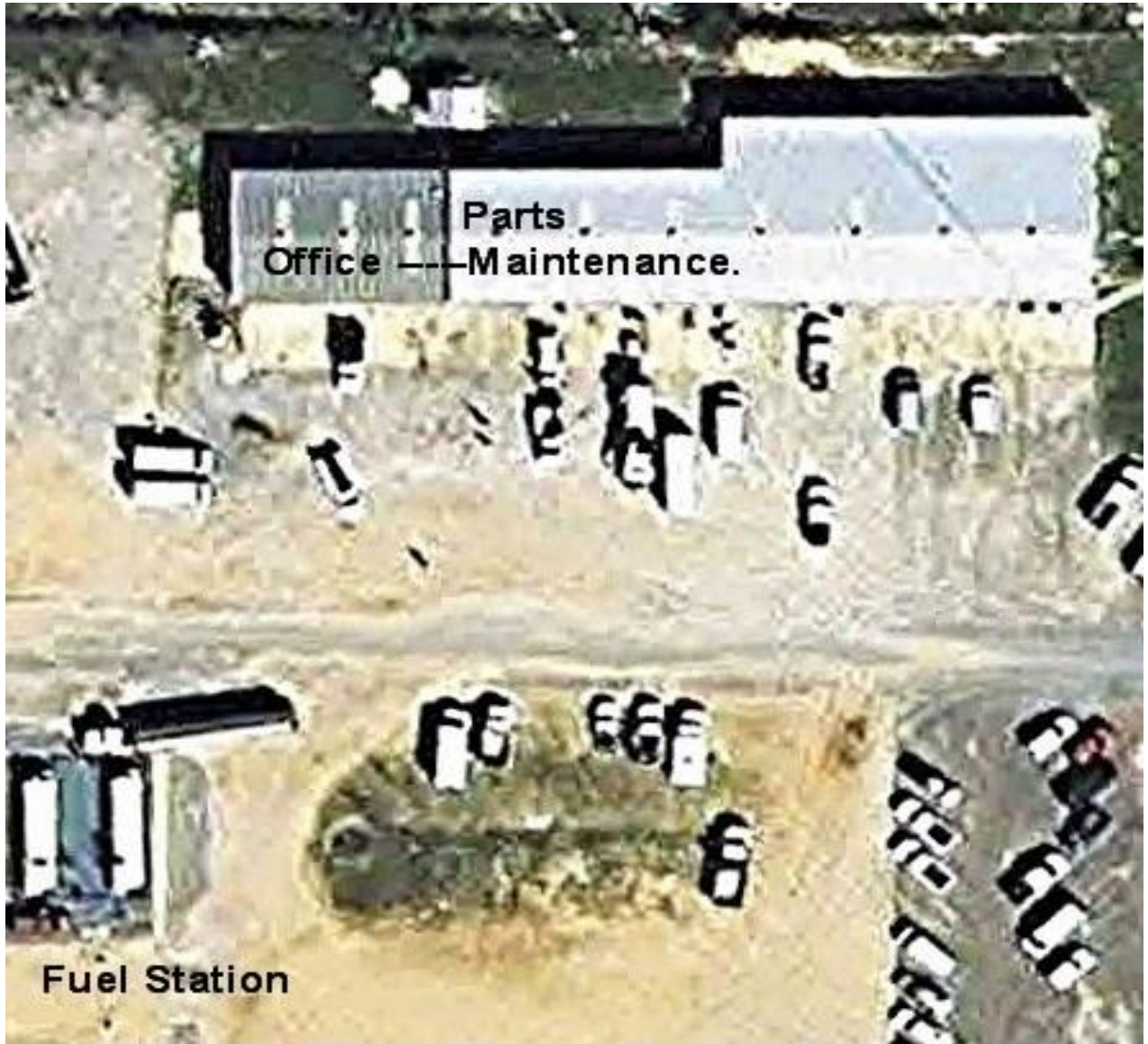
For purposes set forth above, the Chief Financial Officer of the county is the Clerk of Courts. However, the Tangible Personal Property, Commodity Inventory & Accountability Manual, last revised on 5/22/15, was wholly written by county employees and approved by the BCC. While the manual is currently being updated by the county, it appears that, by statute, the Clerk should be the one drafting and promulgating the procedures set forth in the manual. See sec. 274.02(2), F.S., above.

Recommendation

The BCC and Clerk should resolve this apparent conflict in responsibilities prior to the issuance of a new manual.

ATTACHMENT D

Fleet Operations (Ft Walton Beach)



ATTACHMENT E

Fleet Operations (Crestview)

