



# County of Allegheny

## Office of the Controller

**PERFORMANCE AUDIT OF THE  
FIRST VEHICLE SERVICES, INC.  
CONTRACT WITH ALLEGHENY COUNTY  
FOR THE PERIOD  
JANUARY 1, 2012 THROUGH DECEMBER 31, 2014**

*(Performance Audit)*

**May 27, 2015**

**Chelsa Wagner  
Controller**

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**CHELSEA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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May 1, 2015

Mr. Stephen G. Shanley  
Director  
Public Works  
501 County Office Building  
542 Forbes Avenue  
Pittsburgh, PA 15219

Mr. Dale Domish  
Senior Vice President  
First Vehicle Services  
Suite 1400  
600 Vine Street  
Cincinnati, Ohio 45202

**PERFORMANCE AUDIT OF THE**  
**FIRST VEHICLE SERVICES, INC.**  
**CONTRACT WITH ALLEGHENY COUNTY**  
**FOR THE PERIOD**  
**JANUARY 1, 2012 THROUGH DECEMBER 31, 2014**

Dear Mr. Shanley and Mr. Domish:

We have performed procedures to evaluate First Vehicle Services, Inc.'s (FVS) compliance with contract #126694 to provide fleet management and maintenance services for the Allegheny County vehicle fleet and equipment. Our procedures covered the period from January 1, 2012 through December 31, 2014.

The results of our procedures revealed that State inspections were not performed before the current inspection expired, as required by State regulations, and preventive maintenance inspections were not performed timely according to the requirements of the contract. We also found that FVS' procedures, documentation, and controls surrounding the fleet availability reports, additional work performed, and parts procurement need to be strengthened.

The detailed results of our audit are included in the attached report.



Mr. Shanley and Mr. Domish  
May 1, 2015

We believe that the implementation of our recommendations will help improve the management of the First Vehicle Services contract. We would like to thank the management and staff of First Vehicle Services and Public Works for their courtesy and cooperation during the performance of our procedures.

Kind regards,



Chelsa Wagner  
Controller



Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. William D. McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Ms. Mary C. Soroka, Director, Office of Budget and Finance  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Mr. Walter Szymanski, Director of Budget and Administration, County Council  
Mr. Scott Striegel, General Manager, First Vehicle Services

## I. Introduction

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In April 2011, Allegheny County entered into an agreement with First Vehicle Services, Inc. (First Vehicle Services or FVS) for the maintenance, repair, and fleet management of the County's vehicles and equipment. FVS has maintained Allegheny County's vehicles since 1998. According to Executive Action 5794-11, the current contract period runs from May 1, 2011 through April 30, 2016, and the contract may be extended for two, one year periods. The estimated cost of the contract is \$11,053,684. For the period January 2012 through December 2014, Allegheny County paid \$8.2 million.

The fleet includes heavy and light equipment, trucks, cars, and other vehicles that are owned, leased, or operated by the County (referred to as vehicles throughout the report). The initial list of fleet vehicles was included as an attachment to the contract and included 701 vehicles. The number of vehicles fluctuates as vehicles are retired or added. As of December 31, 2014, there were 698 vehicles in the fleet, according to the records provided by FVS.

The facility, which is referred to as the South Side Garage, is owned by Allegheny County and is located at 215 McKean Street in Pittsburgh. The County leases the garage to FVS for \$1 per year, and is responsible for maintaining the garage as well as necessary repairs and utilities (gas, water, electricity, and basic telephone) for the garage. FVS is responsible for internet, cable, and janitorial services. Long-distance telephone is included as part of the operating target (see description below).

There are three main payment components to the contract: the operating target (contract work), non-target (non-contract) services, and parts procurement.

The operating target is FVS' operating budget for the year and includes personnel costs, parts/supplies/outside services, overhead expenses, certain capital expenditures, and a corporate administrative expense and management fee. The amount by category is identified for each year in the contract and increases each year. The table below summarizes the annual operating target for each year of the contract.

Year Ended April 30 <sup>th</sup>	Total Annual Operating Target
2012	\$2,085,881
2013	\$2,146,353
2014	\$2,208,875
2015	\$2,272,929
2016	<u>\$2,339,646</u>
	<u>\$11,053,684</u>

FVS refers to work performed under the operating target as contract services. According to FVS, preventative maintenance on the vehicles, required inspections, and normal maintenance and repairs are included under the operating target costs. FVS bills the County 1/12<sup>th</sup> of the annual operating target each month. If the 12 month actual cost is lower than the operating target, there is an aggregate annual savings to the County, and

## I. Introduction

FVS is entitled to 20% of this savings. A credit for any net savings (aggregate annual savings less amount retained by FVS) is applied to the County's non-contract invoices for the following period.

The contract also lists work that is not included under the operating target costs. Repairs that are a result of abnormal use, vandalism, or accidents are included as non-target services, which are referred to as non-contract services by First Vehicle Services. On a monthly basis, FVS sends a separate invoice to the County for each department's non-contract work. See page 6 for a listing of contract and non-contract services. In addition to the items that are specified as non-target work, the contract also allows the County to direct FVS to perform additional tasks under the contract and bill the County.

FVS also procures parts that the Public Works Department uses to maintain Parks and Public Works equipment. A 12% mark-up is charged by FVS for all parts provided to Public Works (the mark-up is not charged for parts that FVS installs while working on County Vehicles). FVS invoices the County on a monthly basis for the parts ordered.

Net target costs for the contract years ending April 2012 through April 2014, after the County's share of savings, were calculated as follows:

		(A)	(B)	(A - B)	(C)	(D)	(A - D)	
	Contract Year Period	Operating Target Budgeted Amount	Amount Paid by the County	Actual Costs	Annual Savings	20% FVS	80% County	Net Target Cost
Year One *	5/1/11 to 4/30/12	\$2,085,881	\$ 2,085,881	\$2,053,328	\$ 32,553	\$ 6,511	\$ 26,042	<b>\$2,059,839</b>
Year Two	5/1/12 to 4/30/13	\$2,146,353	\$ 2,146,353	\$1,978,074	\$168,279	\$33,656	\$134,623	<b>\$2,011,730</b>
Year Three	5/1/13 to 4/30/14	\$2,208,875	\$ 2,208,875	\$2,016,261	\$192,614	\$38,523	\$154,091	<b>\$2,054,784</b>
		<u>\$6,441,109</u>	<u>\$6,441,109</u>	<u>\$6,047,663</u>	<u>\$393,446</u>	<u>\$78,690</u>	<u>\$314,756</u>	<u><b>\$6,126,353</b></u>

\* May through December 2011 was outside of our engagement period.

Annual costs, using contract years ending in April for operating target costs and calendar year for non-target and part costs, are as follows:

Year Ended	Contract Year	Calendar Year		Total
	Net Target Cost	Non-Target Services	Parts	
2012	\$2,059,839	\$282,221	\$367,264	\$2,709,324
2013	\$2,011,730	\$349,787	\$332,879	\$2,694,396
2014	\$2,054,784	\$329,095	\$332,245	\$2,716,124
	<u>\$6,126,353</u>	<u>\$961,103</u>	<u>\$1,032,388</u>	<u>\$8,119,844</u>

## **I. Introduction**

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Information on all vehicles and associated work orders is maintained in the First Source Database System. All work orders for the vehicle, as well as any other necessary documents such as the Parts Request forms, the FVS State Inspection forms, Vehicle Emissions Inspection reports, and the Preventive Maintenance Inspection for Snow Removal Equipment worksheet are printed, when applicable, and stored in a vehicle file.

## I. Introduction

<b>Target (Contract) Services Results from Normal Use (Wear &amp; Tear)</b>	<b>Non-Target (Non-Contract) Services Results from Accidents and Abnormal Use</b>
<ol style="list-style-type: none"> <li>1. Preventative Maintenance.</li> <li>2. Routine repairs and maintenance.</li> <li>3. Inspections.</li> <li>4. Repairs and inspections to vehicle attachments.</li> <li>5. Outside repairs that are associated with routine work.</li> <li>6. Preparation of newly acquired vehicles for service.</li> <li>7. Preparation of vehicles for disposal.</li> <li>8. A written vehicle report and any authorized repairs for the preparation of the return of leased vehicles.</li> <li>9. Road service calls.</li> <li>10. Maintenance of motor pool vehicles located at the South Side Garage.</li> <li>11. Administer manufacturer warranties.</li> <li>12. Other services:               <ul style="list-style-type: none"> <li>• Processing accident repairs.</li> <li>• Priority repair of critical units.</li> <li>• Wrecker service.</li> <li>• Assistance in developing equipment specification.</li> <li>• Training.</li> <li>• Mechanic certification program.</li> <li>• Assistance with permanently assigned vehicles.</li> <li>• Vehicle storage.</li> <li>• Recommendations on equipment replacement vs rebuilding.</li> <li>• Other vehicle maintenance (mounting, wheel balancing).</li> <li>• Welding.</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Parts procured for Public Works.</li> <li>2. Non-Target services specifically identified in the contract:               <ul style="list-style-type: none"> <li>• Repairs resulting from abnormal use, vandalism, and accident damage.</li> <li>• Repairs and Maintenance (R&amp;M) to extend the vehicle beyond its life cycle.</li> <li>• Repairs and inspection to bring a used vehicle not included in the contract list, up to fleet standards.</li> <li>• Repairs on fuel equipment.</li> <li>• Costs for fuel.</li> <li>• Repair work of the facility.</li> <li>• Services for small non-rolling stock equipment.</li> <li>• Repairs, maintenance, and replacement of vehicles not included on the contract list.</li> <li>• Authorized capital expenditures not included in the operating target.</li> <li>• Costs resulting from changes in law.</li> <li>• Replacement, acquisition, or repair of shop equipment.</li> </ul> </li> <li>3. Directed work.</li> <li>4. Services provided during an emergency.</li> <li>5. Outside repairs that are associated with non-routing or non-contract work.</li> <li>6. Accident repairs.</li> </ol>



## **II. Objectives, Scope, and Methodology**

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### **Objectives**

Our objectives were to:

- Gain an understanding of the processes surrounding the following:
  - The work order process
  - Target services, non-target services, and outsourced services
  - The process used to create the invoices submitted to the County
  - The scheduling of preventative maintenance and State inspections
  - The scheduling of non-target services
- Review a sample of invoices to determine if the County was charged in accordance with the agreement. The County is billed for several types of invoices which include:
  - Monthly operating target invoices
  - Non-target service invoices, including work by outside contractors
  - Public Works parts procurement
  - Cost Incentive
- Determine whether First Vehicle Services complied with the preventive maintenance program requirements of the agreement. According to the agreement, a preventative maintenance inspection is to be performed on each vehicle and piece of equipment every 4,000 miles, every 5,000 miles for heavy duty units, and annually for special equipment.
- Determine if First Vehicle Service is performing State inspections and seasonal equipment inspections in accordance with the agreement.
- Determine if First Vehicles Services staffed the Allegheny County Shop as outlined in the agreement.
- Determine whether First Vehicle Services maintained the 93% vehicle fleet availability percentage outlined in the agreement.
- Determine whether First Vehicle Services has complied with other significant provisions of the agreement.

### **Scope**

Our procedures covered the period January 1, 2012 through December 31, 2014. We conducted the performance audit 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **II. Objectives, Scope, and Methodology**

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### **Methodology**

Methodologies used to accomplish our objectives included, but were not limited to the following.

- Interviewed First Vehicle Services (FVS) and Public Works personnel to gain an understanding of the processes surrounding:
  - Work order process,
  - Preventive maintenance and State inspections,
  - Contract and non-contract services,
  - Allegheny County billing, and
  - Public Works parts procurement.
- Examined a sample of contract, non-contract, and parts procurement invoices to determine if the County was properly charged in accordance with the contract.
- Reviewed the year-end calculation comparing the actual expenses versus the annual operating target. If a credit was due to the County, we tested a sample of the invoices to ensure the proper credit was given to the County.
- Tested vehicle files to determine if FVS complied with the preventive maintenance and State inspection provisions of the contract.
- Examined employee records to verify that FVS staffed the facility as outlined in the contract and that FVS technicians have ASE certifications to meet Blue Seal shop standards.
- Analyzed reports provided by FVS to determine if FVS complied with the fleet availability requirement of the contract.
- Reviewed the vehicle list provided by FVS.

We provided a draft copy of this report to the Senior Vice President of First Vehicle Services, Inc. and the Director of Public Works for response. Their responses begin on pages 25 and 28.

### **III. Findings and Recommendations**

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**Finding #1: First Vehicle Services Did Not Perform Required State Inspections Timely**

Criteria: Section 5.16 of the agreement requires First Vehicle Services, Inc. (FVS) to perform State inspections and State emissions inspections as required by Pennsylvania (PA) regulations, perform annual pre-winter inspections of all snow handling assets, and perform annual inspections on all other seasonal equipment. Section 5.17 also requires FVS to perform repairs and inspections as required to attachments to vehicles such as snow plows, spinners, etc. Accordingly, FVS should have processes and procedures in place to ensure that all the required inspections are performed timely.

All registered vehicles used on a highway require an annual PA State inspection, unless specifically exempted by the regulations. For example, trailers that have a registered gross weight of 3,000 pounds or less are not required to have a State inspection, and trucks with a registered gross weight over 17,000 pounds are subject to semi-annual, rather than annual State inspections. In addition, registered gasoline powered vehicles model year 1975 and newer with a gross vehicle weight rating of 9,000 pounds or less are subject to an annual PA State emission inspection. There are several exemptions to the requirement, including exemptions for motorcycles, certain current year model vehicles, and certain vehicles driven less than 5,000 miles per year.

Although the State may not require an inspection on exempt vehicles, FVS will still perform an annual inspection for these vehicles. In addition, FVS indicated that there are approximately 71 snow related vehicles (dump trucks with salt spreaders and/or plows, pick-up trucks with plows, etc.) that require a pre-winter inspection. These inspections start in October and should be completed by the beginning of the snow season.

Condition: We reviewed the vehicle files for a sample of 30 vehicles to determine if all required inspections for the period from January 1, 2012 through December 31, 2014 were performed timely.

These 30 vehicles required 90 inspections during this period. Overall, 60 (67%) inspections were performed timely, 26 (29%) were performed late, and we could not determine if 4 (4%) of the inspections were performed timely. According to FVS, the technicians will inspect the vehicle if it is in the garage for preventive maintenance within three months of the inspection expiration. However, we found that for seven of the 26 late inspections, the vehicle was in the garage within the three month

### III. Findings and Recommendations

window. The table below provides further details of our results, and a description of the abbreviations is provided beneath the table.

Type of Inspection Required	Number Tested	Timely	Late	Could Not Determine If Timely
<u>State Required Inspections</u>				
PA	23	12	8	3
PA Semi	20	16	4	0
PA/E	37	22	14	1
	80	50	26	4
<u>Other Inspections Required per the Agreement</u>				
A	3	3	0	0
Pre	7	7	0	0
	10	10	0	0
TOTAL	90	60	26	4
	100%	67%	29%	4%

#### Type of Inspection Required

PA	Annual PA State Inspection
PA Semi	Semi-Annual PA State Inspection
PA/E	Annual PA State Inspection and Emissions Inspection
A	FVS Annual Inspection of Seasonal/Specialized Equipment
Pre	FVS Pre-winter Inspection of Snow Related Vehicles

The table below shows the range of days late and the average number of days late for the 26 inspections that were not performed timely.

Type of Inspection Required	Inspections Performed Late	Range of Days Late	Average Days Late
<u>State Required Inspections</u>			
PA	8	10 to 124	30
PA Semi	4	3 to 169	58
PA/E	14	1 to 174	40
	26		

### III. Findings and Recommendations

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During our testing, we also reviewed the vehicle files to determine if proper documentation was maintained in the files. We found that one (1%) of the 75 work order packets (which contains the parts request list and the FVS State Inspection form), and one (14%) of the seven snow vehicle checklists were not in the vehicle file.

**Cause:** There is a significant deficiency in the design of FVS' internal control over compliance in that FVS did not contact the County departments or drivers to notify them that a vehicle was due for an inspection. The responsibility to recognize that the vehicle was due for an inspection was placed on the vehicle driver and County department.

**Effect:** Allegheny County fleet vehicles are not being inspected according to State regulations. Pennsylvania requires vehicle safety inspections to ensure that vehicles are maintained for safe operation. Safety inspections can prevent vehicle failure on the roads and crashes that may result in injuries or death.

**Recommendation:** The Controller's Office recommends that FVS Management:

- Notify, in writing, County departments at least three months prior to the vehicle's inspection expiration.
- Monitor the inspection scheduling process to ensure that all vehicles are inspected timely. If the vehicle has not been scheduled for its inspection within the month that the inspection expires, FVS should involve the Public Works Fleet Manager in the process.
- Maintain proper documentation in all vehicle files.

The Controller's Office recommends that the Allegheny County Department of Public Works Fleet Manager:

- Establish specific escalation procedures that detail the process and enforce consequences if a vehicle driver or County department does not contact FVS to schedule the inspection within the established time frame.
- Contact the County department and/or driver to schedule the vehicle's inspection before it expires.

**Management's Response:**

FVS' response begins on page 25 and Public Works' response begins on page 28.

### **III. Findings and Recommendations**

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**Finding #2: First Vehicle Services Did Not Perform Preventive Maintenance in Accordance with the Contract**

Criteria: Section 5.14 of the agreement requires that a preventive maintenance program be established for all vehicles and equipment that are the responsibility of First Vehicle Services, Inc. (FVS). The program should be designed in accordance with recognized industry standard fleet management practices and comply with the original equipment manufacturer's specifications.

FVS must perform a preventive maintenance inspection (PM inspection) on each vehicle and piece of equipment (collectively referred to as vehicles). At a minimum, PM inspections are required every 4,000 miles for police and sheriff marked vehicles, 4,000 miles for administrative vehicles, and 5,000 miles for all heavy duty vehicles. The PM inspections for specialized equipment are performed annually instead of at certain mileage. The agreement requires two different levels of PM inspections. FVS must perform the PM-B inspections, which includes a safety checklist as well as a list of several other items, at the regular intervals specified above. A PM-C inspection, which includes additional items, is to be performed in addition to the PM-B every fourth inspection, or annually, whichever comes first.

FVS stated that even if a PM inspection is not performed by the above deadline, they do not consider it non-compliant until it is 1,000 miles or 30 days late. Public Works stated that the contract requirement is an optimal schedule. Although FVS and Public Works provide this leeway for the timing of PM inspections, the contract does not. Therefore, we identified anything performed outside of the contract terms as late.

Section 5.15 of the agreement also requires FVS to road test all vehicles, ensure the vehicle is in good operating order, and make any necessary repairs. Once the PM inspection and any necessary work is completed, the technician will visually inspect the vehicle and take the vehicle on a test drive to ensure no problems exist and the vehicle is fully functional.

FVS should have processes and procedures in place to ensure preventive maintenance is performed in a timely manner and all vehicles receive an appropriate level of preventive maintenance.

Condition: The FVS General Manager indicated that he faxes each County department a list of vehicles that need to be scheduled for a PM inspection. The General Manager will continue to include a

### III. Findings and Recommendations

vehicle on the fax list until the driver contacts FVS to schedule an appointment for the PM inspection.

We reviewed the vehicle file for a sample of 30 vehicles to determine if all required PM inspections for the period from January 1, 2012 through December 31, 2014 were performed timely. These 30 vehicles required 113 PM inspections during this period. Overall, 55 (49%) preventive maintenance inspections were performed timely, 36 (32%) were performed less than 1,000 miles or 30 days late, and 13 (11%) were performed over 1,000 miles or 30 days late. We could not determine if 6 (5%) of the preventive maintenance inspections were performed timely, and 3 (3%) were not performed at all. We requested support from FVS documenting the requests made to the County departments for the vehicle to be brought in for the PM Inspection. However, FVS sends out numerous faxes, and does not maintain copies of these requests. The table below provides further details of our results.

PM Inspections Tested	Early or On Time	Late (Under 1,000 miles/ 30 Days)	Late (Over 1,000 miles/ 30 Days)	Could Not Determine If Timely	PM Not Performed
<u>Vehicles (21 vehicles tested based on miles)</u>					
86	48	28	8	2	0
<u>Special Equipment (9 vehicles tested based on days)</u>					
27	7	8	5	4	3
<u><b>Total Vehicles Tested (30 vehicles)</b></u>					
<b>113</b>	<b>55</b>	<b>36</b>	<b>13</b>	<b>6</b>	<b>3</b>
<b>100%</b>	<b>49%</b>	<b>32%</b>	<b>11%</b>	<b>5%</b>	<b>3%</b>

The table below shows the range of miles/days late, and the average number of days/miles late for the PM inspections that were performed over 1,000 miles or 30 days late.

Type of Vehicle	PM Inspections Performed Over 1,000 miles/ 30 Days Late	Range of Miles/Days Late	Average Miles/Days Late
Vehicles	8	1,037 to 3,628 miles	1,894 miles
Special Equipment	5	33 to 51 days	44 days

### III. Findings and Recommendations

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During our testing of the vehicle files, we also noted that the technician did not test drive the vehicle at the conclusion of the preventive maintenance for two (2%) of the 97 PM inspections tested where a road test was required (road tests are not required for certain vehicles such as motorcycles or trailers). We also found that for one (1%) of the 73 PM-C inspections tested, the technician did not complete all of the items required on PM-C checklist during the inspection.

**Cause:** FVS stated that they have procedures in place to notify County departments of the required PM inspections; however, it is the vehicle driver or the County department's responsibility to bring the vehicle in for service.

Missed or omitted steps in the preventive maintenance process may not be detected by management as FVS management only spot checks work orders on a random basis, they do not review every work order completed by the technicians.

**Effect:** Allegheny County does not have assurance that vehicles are functioning properly and efficiently, and are available when needed if preventive maintenance is not being conducted timely. A good PM program ensures the functionality of the fleet to perform the tasks necessary throughout the County. In addition, effective preventive maintenance increases the life expediency of fleet vehicles and reduces the need for costly repairs and/or replacements.

**Recommendation:** The Controller's Office recommends that FVS Management:

- Involve the Public Works Fleet Manager in the early stages of the PM inspection scheduling process.
- Evaluate the First Source system to determine if the notification process can be streamlined. We were told that FVS is going to start sending notifications via email in 2015.
- Maintain documentation, including date and contact person, of all notifications sent to the County departments regarding the need to schedule preventive maintenance.

The Controller's Office recommends that the Allegheny County Department of Public Works Fleet Manager:

- Establish specific escalation procedures that detail the process and enforce consequences if a vehicle driver or



### **III. Findings and Recommendations**

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County department does not contact FVS to schedule the PM inspection within the established time frame.

- Contact County departments, if they do not respond to FVS' request, to ensure that all County fleet vehicles are delivered to the South Side Garage in a timely manner. This should enable First Vehicle Services to perform the scheduled preventive maintenance according to the terms of the agreement.
- Modify the contract to include the 1,000 miles or 30 days late interpretation if Public Works believes that PM inspections performed within those periods are acceptable, and that the change will not impact the operation of the County fleet.

Management's  
Response:

FVS' response begins on page 25 and Public Works' response begins on page 28.

### III. Findings and Recommendations

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**Finding #3: First Vehicle Services' Procedures Surrounding the Fleet Availability Requirement Needs to be Strengthened**

**Criteria:** Section 9.03 of the agreement requires that First Vehicle Services, Inc. (FVS) maintain fleet availability of at least 93% for each month for all vehicles. During the period from December 1<sup>st</sup> through March 31<sup>st</sup>, the minimum fleet availability requirement is raised to 95% for snow removal vehicles. If the performance standard for any month drops below 93% (95% for the snow vehicle availability), a penalty of \$1,000 for each percentage point below the 93% or 95% will be paid to the County.

Additionally, Section 1.07 of the agreement describes downtime as the percentage of time a vehicle is unavailable for use due to a need for authorized repair or preventive maintenance work. It does not include time for repairs resulting from vehicle abuse, accidents, vandalism, capital improvements, or acts of God. Downtime begins when the vehicle is brought to the facility (or when FVS is notified of a breakdown) and ends when the County department is notified that the vehicle is available.

FVS should have processes and procedures in place to ensure fleet availability levels are maintained for the fleet in general as well as the snow vehicle fleet.

**Condition:** FVS generates the Availability – Vehicles by Department F930 report (general availability report) and the Snow Availability – Vehicles by Department Q930 report (snow availability report) to determine if they are in compliance with the contract requirements.

FVS provided us with these reports for each month of the engagement period (when applicable). However, we noted the following issues with the reports.

- The general availability report for June 2012 initially provided by FVS listed the downtime hours as zero for the month. FVS did not notice the error at the time the report was initially generated. FVS reprinted this report for us; however, the totals and the calculation are inaccurate (see the following paragraph for an explanation).
- We also noted that FVS did not have a copy of the March 2012 snow availability report in the files. FVS was able to recreate this report for us.

According to FVS, if a prior period fleet availability report is reprinted at a later date, the current vehicle count at the time the report is reprinted is pulled into the report, resulting in an

### III. Findings and Recommendations

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inaccurate availability calculation. This was the case for the reprinted June 2012 general availability report. There are over 700 vehicles on this report, making it nearly impossible to recreate. However, the March 2012 snow availability report only contains 71 vehicles. Therefore, FVS management manually adjusted the vehicle counts before reprinting the snow availability report so that the report would provide the correct totals.

We reviewed the availability reports provided to us and noted the time that the reports are run. It appears the reports are run at a convenient time, not necessarily at the end of the reporting period. None of the reports were generated at the close of the fiscal month.

- For the 36 general availability reports:
  - 13 (36%) of the reports were run the last day of the fiscal month, but prior to 11:59 pm,
  - 10 (28%) of the reports were run the day before the fiscal month end,
  - 1 (3%) of the reports was run one week prior to the fiscal month end, and
  - 12 (33%) of the reports were run after the fiscal month end.
- For the 12 snow availability reports:
  - 7 (59%) of the reports were run the last day of the fiscal month, but prior to 11:59 pm,
  - 1 (8%) of the reports was run the day before the fiscal month end,
  - 3 (25%) of the reports were run after the fiscal month end, and
  - 1 (8%) of the reports was generated during our fieldwork.

We also reviewed the availability reports to determine if FVS was in compliance with the fleet availability requirement defined in the contract. Based on these reports:

- FVS was in compliance with the general availability requirement of 93% for the engagement period (except June 2012).
- FVS was in compliance with the snow availability requirement of 95% for 11 of the 12 months.
  - The snow availability report for December 2014 reported availability at 93.31% while the contract requires 95%. Therefore, a penalty of up to \$2,000 would apply. FVS indicated the penalty would be paid or credited at the end of the snow season in March 2015.

### **III. Findings and Recommendations**

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FVS did not provide documentation to support the fleet availability calculation. Therefore, we attempted to verify the fleet availability percentage by comparing the downtime from the fleet availability reports with the calculated downtime from the electronic work order file (provided by FVS).

We tested the general availability reports for June 2012 (reprinted report), October 2013, and May 2014, and found that the calculated downtime did not agree to the downtime on the reports. We also found discrepancies when testing the December 2014 snow availability report. We brought this to the attention of FVS management, but they could not explain the differences for any of the reports. We noted that the difference does not affect compliance for the three general availability reports tested. However, FVS currently owes a penalty of up to \$2,000 for snow availability for December 2014.

**Cause:**

FVS is responsible for demonstrating its compliance with the vehicle availability requirements during each month. There is a significant deficiency in the design of FVS' internal control over compliance in that a control procedure is not in place to ensure that availability reports are generated at the end of each fiscal month. Availability reports are being generated during the monthly closing process, and the dates and times the reports are generated vary from month to month based on the timing of the closing process. By doing this, FVS has a close representation of fleet availability each month, but not an exact figure.

In addition, we attempted to assess the effectiveness of FVS' information system controls by manually calculating the vehicle availability for selected sample periods based on the work orders. We noted that the availability we calculated did not agree with the availability per the FVS reports for any of the selected periods. We determined that FVS assumes the availability reports are accurate, and therefore has not applied procedures to verify their accuracy.

**Effect:**

FVS is not maintaining compliance with the fleet availability requirement, resulting in a penalty of up to \$2,000.

Although a few hours may not matter when generating certain fiscal reports, the timing difference could affect the fleet availability calculation. Downtime that occurs after the report is generated, but prior to the fiscal month close, would not be included in the calculation. The additional downtime may not affect compliance for months where the availability percentage well exceeds the requirement. However, if the availability

### **III. Findings and Recommendations**

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percentage is closer to the requirement, especially for the snow vehicles, additional downtime could potentially affect compliance.

Allegheny County has set certain fleet availability and snow vehicle availability thresholds in order to maintain a viable fleet for the County. County management should be aware of the current status of the fleet at all time, especially during inclement snow conditions in order to ensure proper coverage is available to conduct County business. In addition to weather related equipment, the fleet consists of police, sheriff, other law enforcement vehicles and other emergency related vehicles. It is imperative to maintain certain availability levels to ensure public safety and security.

**Recommendation:** The Controller's Office recommends that FVS Management:

- Credit the County \$2,000 for the penalty that is due because the December 2014 snow vehicle availability fell below the contract requirement.
- Generate the general and snow availability reports at the actual fiscal month end. FVS should inquire if these reports can be automatically generated.
- Review the availability reports, along with supporting documentation, to verify the reported availability percentages are accurate and in compliance with the contract. Maintain copies of all reports.
- Report any issues of non-compliance to the Public Works Fleet Manager and remit or credit the associated penalty to Allegheny County in a timely manner.
- Provide supporting documentation to the Allegheny County Fleet Manager to allow the County to examine and reconcile fleet availability percentages.

The Controller's Office recommends that the Allegheny County Department of Public Works Fleet Manager:

- Monitor fleet availability for compliance with the contract.
- Review the supporting documentation provided by FVS to ensure the fleet availability reports are accurate.

**Management's  
Response:**

FVS' response begins on page 25 and Public Works' response begins on page 28.

### **III. Findings and Recommendations**

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**Finding #4: First Vehicle Services' Documentation and Internal Controls Surrounding Additional Work and Parts Procurement Needs to be Strengthened**

Criteria: The agreement provides requirements for directed work performed by First Vehicle Services, Inc. (FVS), as well as parts procurement.

#### **Additional Work Performed**

The contract with First Vehicle Services, Inc. (FVS) addresses costs related to target and non-target services. In addition, section 5.09 allows the County to direct FVS to perform additional tasks under the contract. Labor and costs associated with such assignments shall be invoiced to the County at the non-target rates identified in the contract. Parts and supplies and any services performed by other than FVS shall be invoiced to the County. For non-target work, FVS obtains the County department's approval prior to the start of the work.

#### **Parts Procurement**

Sections 5.04 and 11.15 of the agreement states that FVS will procure parts for Public Works and Parks equipment, and allows FVS to bill Public Works at cost plus 12% for the parts. The markup only applies to the cost of the part, not to freight or handling. FVS must also provide a work order system that provides accountability for all parts ordered and used by Public Works.

Condition: As part of our procedures, we tested invoices associated with the following areas:

#### **Additional Work Performed**

We tested the amount billed to the County for a sample of 45 non-target transactions during our engagement period. For 40 of the 45 (89%) transactions tested, we verified that the County department authorized the work and we agreed the amount billed to the work order. The amounts for the other five transactions (11%) did not agree to the work order and FVS could not provide evidence that the department authorized the work and the amount. The amount billed to the County for these five invoices totaled \$23,450. However, the calculated amount, based on the parts cost and labor hours from the electronic work order file (provided by FVS) and the non-target labor rate from the contract, totaled \$15,011. According to the FVS General Manager, the work orders may not have included all labor hours since the work order was not used to

### **III. Findings and Recommendations**

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bill the County for these invoices (see paragraph below). Therefore, the calculated total could be low.

According to the FVS General Manager, this work was related to the installation of additional equipment and upgrades on police and sheriff vehicles, and falls outside of the contract (including the section regarding directed work). At the time the contract took effect, the departments used an outside company for these installations. Later it was decided that FVS would perform the work. According to the General Manager, the departments wanted to pay a flat fee, without the risk paying more than the quoted amount. Therefore, FVS quoted a set fee to perform the job, and the departments agreed to it, regardless of what the actual expense would be. FVS was not able to provide evidence that the departments agreed to the amount for these 5 work orders. The General Manager indicated that since the work does not fall under the contract, the standard documentation practices were not always followed.

#### **Parts Procurement**

Currently, a First Vehicle Services Parts Order form is completed by the person requesting the parts. The form is reviewed and approved by Public Works management, and forwarded to the Public Works Purchasing Manager. The Public Works Purchasing Manager determines if it is cost effective to order the parts through FVS, and if it is, he emails the order forms to the FVS General Manager. Once FVS receives the email, the parts are ordered. After the parts are delivered, the department must acknowledge receipt of parts by completing a Work Order card. These procedures were implemented in mid-2014 after the current Deputy Director of Maintenance Operations was hired.

Prior to this time, the various divisions within Public Works would fax their request to the General Manager. The Parts Order form was used, however, it was not required, and the form was not authorized. The Work Order card was used to acknowledge receipt of the parts.

Therefore, we separated our testing into two categories: prior process and current process.

### **III. Findings and Recommendations**

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We tested 60 parts ordered under the prior process and found the following:

- FVS could not provide the Work Order card for 34 of the 60 (57%) parts tested.
  - One (4%) of the 26 Work Order cards that were provided to us was not signed by the employee.
- We also noted that FVS could not provide 19 of the 60 (32%) Parts Order forms requested. However, according to FVS management, these Parts Order forms were not always required under the prior process.

We also tested 15 parts ordered under the current process and found the following:

- FVS could not provide 3 of the 15 (20%) Parts Order forms requested.
  - All 12 of the forms that were provided were signed by the employee requesting the part. However, 2 of the 12 (17%) forms were not authorized by Public Works management.
- FVS could not provide the Work Order card for 5 of the 15 (33%) parts tested. All 10 of the forms that were provided were signed by the employee requesting the part.

Cause: These issues occurred because:

#### **Additional Work Performed**

There is a significant deficiency in the implementation of FVS' internal control in that the FVS General Manager accepted verbal authorization from the departments based on his understanding that the work performed was outside the contract.

#### **Parts Procurement**

The conditions noted are attributable to significant deficiencies in the design of internal control over parts procurement. Previously, FVS would accept nearly any parts order from the Public Works division employees. The use of the Parts Order form was not strictly enforced, and the order was not authorized by Public Works Management. Currently, the FVS General Manager orders the parts once he receives the Parts Order form via email from the Public Works Purchasing Manager. However, the FVS General Manager does not verify that the Parts Order form is authorized.



### **III. Findings and Recommendations**

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Effect: Without written evidence of the departments' authorization of additional work performed, we cannot verify the County was properly billed.

If proper controls are not in place over the parts procurement process, unnecessary and unauthorized items may be purchased at the County's expense.

Recommendation: The Controller's Office recommends that FVS Management:

- Maintain documentation of the Department's authorization for all additional work performed, including the agreed upon amount to be billed.
- Maintain all Parts Order forms and Work Order cards submitted by Public Works. All forms should be properly completed and signed by the employee, and the Parts Order form should be authorized by Public Works management.

The Controller's Office recommends that Public Works Management:

- Review and sign off on all Public Works parts orders prior to submission to the Public Works Purchasing Manager to ensure accountability over the process.

Management's  
Response:

FVS' response begins on page 25 and Public Works' response begins on page 28.

## **IV. Conclusion**

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First Vehicle Services, Inc. (FVS) has been contracted to maintain and repair Allegheny County's fleet of vehicles and equipment since 1998. The County has paid approximately \$8.2 million for the period from January 1, 2012 through December 31, 2014 for these services.

FVS needs to improve the timeliness of State inspections and preventive maintenance. FVS management needs to notify the County departments in writing at least three months prior to the vehicle's inspection date and within 500 miles/30 days for preventive maintenance. In turn, the County's Public Works' Fleet Manager should establish specific escalation procedures that detail the process and enforce consequences if a vehicle driver or County department does not comply with FVS' schedule. Pennsylvania requires state inspections to ensure vehicles are maintained for safe operation and to prevent vehicle failure and crashes that may result in injuries or death. The County does not have assurance that the vehicles are properly functioning, available, and efficient if preventive maintenance is not being conducted timely.

FVS is also not maintaining compliance with the fleet availability requirement. The availability reports are not being run at the end of the reporting period which does not give an accurate depiction of the downtime. In addition, these reports cannot be reconciled to the detailed work orders. Availability of vehicles is extremely important for the County because its fleet consists of police, sheriff, and other law enforcement and emergency vehicles as well as snow vehicles responsible for cleaning and maintaining roads during winter storms. FVS needs to run these availability reports at the end of the reporting period to ensure accurate information is documented and that FVS is in compliance with the contract requirements.

FVS also needs to have stronger internal controls in place regarding additional work performed and for parts procurement. FVS could not provide documentation that the departments authorized the additional work or the amount to be paid prior to FVS performing the service. Due to the nature of the expenses, all costs associated with these transactions were not included on the invoice and work order.

We did note that FVS is in compliance with the contract billings, the 12% markup on parts for Public Works, and the staffing requirements of the contract.

In addition, the Department of Public Works needs to strengthen its monitoring of the contract to ensure that the County's vehicle fleet is being inspected timely, properly maintained, and is available. This will ensure that taxpayers' dollars are being utilized efficiently and effectively.

**First Vehicle Services**  
1903 Chamberlayne Ave  
Richmond, VA 23222  
Tel 804-306-9857  
Fax 775-806-1370



May 22, 2015

Ms. Chelsa Wagner  
Controller  
Allegheny County  
436 Grant Street, Suite 104  
Pittsburgh PA 15219

Ms. Wagner:

We appreciate the County's efforts to conduct an audit of the contract between First Vehicle Services and Allegheny County. We realize that your team dedicated numerous hours to accomplish this task. The following are responses to the specific findings and recommendations as directed in the audit. Please include these as our formal response.

If you have any questions or would like to discuss any of our responses, please call me at 804-306-9857.

Sincerely,

A handwritten signature in black ink that reads "Jason Stack".

Jason Stack  
Region Vice President  
First Vehicle Services

C: Ms. Amy Weise, Deputy County Controller  
Mr. Stephen Shanley, Director of Public Works, Allegheny County  
Mr. Douglas Nolfi, Deputy Director of Maintenance Operations, Allegheny County  
Mr. Scott Striegel, General Manager, First Vehicle Services  
Mr. Dale Domish, Senior Vice President, First Vehicle Services

***Finding #1: First Vehicle Services Did Not Perform Required State Inspections Timely.***

Working together with the Public Works Management, it was determined that we could strengthen this process and we began working on improved processes in December 2014, prior to the contract audit. The following changes have been implemented and continue to be adjusted to improve timely State Inspections:

- Email notifications will be sent to departments 30 days in advance of the scheduled service. These emails will serve as a record the date and time of each notification.
- A second email notification will be sent prior to the due date with sufficient time to schedule and complete the inspection.
- Any vehicles that have not responded to the first or second request will be forwarded to the Public Works department for further escalation.
- Working together both the Public Works Department and the FVS General Manager will be monitoring this new communication method for its effectiveness and making appropriate adjustments where needed.

***Finding #2: First Vehicle Services did not Perform Preventive Maintenance in Accordance with the Contract.***

Preventive Maintenance is the core of our business. Performing timely PM inspections reduces costs associated with repairs and minimizes breakdowns. It has been, and always will be, the desire of FVS to make sure PM inspections are completed timely. However, the vehicle has to be delivered for us to be able to perform the PM. In the past, FVS had faxed schedules to departments and the vehicle users would contact us to schedule their vehicle for service. Again, working with the current Public Works Management, we have identified areas where we can strengthen our processes to improve the timeliness of PM inspections and we implemented the following:

- Email notifications will be sent to departments 30 days in advance of the scheduled service. These emails will serve as a record of the date and time of each notification.
- A second email notification will be sent prior to the due date with sufficient time to schedule and complete the inspection.
- Any vehicles that have not responded to the first or second request will be forwarded to the Public Works department for further escalation.
- Working together both the Public Works Department and the FVS General Manager will be monitoring this new communication method for its effectiveness and making appropriate adjustments where needed.

Additionally, it is very difficult to expect a vehicle to be delivered on the exact date and mileage that it is due so a reasonable window of time to complete a PM should be agreed to. We are working with Public Works to determine what modification may appropriate at this time.

***Finding #3: First Vehicle Service's procedures surrounding the Fleet Availability Requirements needs to be strengthened.***

FVS understands the issue found during the Audit, and in fact, is in the process of upgrading the system and reporting to account for certain variances in the reporting. It should be noted that in

every case, the actual fleet availability report, where penalties may have been calculated, resulted in variances showing worse than actual performance. The simple explanation is that, in many cases, there were two work orders opened for the same vehicle at the same time. The current availability would calculate the downtime from both of those work orders and use that downtime to calculate the percentage of availability. In fact, when working with fleet availability, the downtime should be calculated only against the total time the unit is down, understanding that two or even more work orders should not affect fleet availability calculations.

- FVS is currently in the progress of creating a report that takes multiple work orders for the same vehicle into account and will reflect the actual fleet availability.
- All month end reporting is now setup to run automatically at fiscal month end.
- Our GM will review the availability reports and supporting documentation for accuracy. Copies of all reports will be maintained by FVS and provided to the County Fleet Manager.
- Any non-compliance issues will be reported the County Fleet Manager and any penalties will be paid in a timely manner.
- FVS paid the penalty of \$1,690 in March 2015 for missing snow fleet availability in December 2014.

***Finding #4: First Vehicle Services' documentation and internal controls surrounding additional work and parts procurement needs to be strengthened.***

FVS agrees with the auditors recommendations. We previously accepted verbal approvals for some additional work. Moving forward, all additional work will be documented and approved, in writing, and verbal authorizations will not be accepted.

The Honorable Chelsa Wagner  
Allegheny County Controller  
104 County Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

Controller Wagner:

The Department of Public Works would like to thank you for the opportunity to respond to the audit report Of First Vehicle Services.

As stated by the County Manager in his February 3, 2015 correspondence to you, this audit is more accurately described as a contract compliance audit. We have treated it as such and will respond accordingly.

Public Works has hired a full time Fleet Manager on June 29<sup>th</sup> 2015 and a new Deputy Director of Operations on May 19<sup>th</sup>, 2015 who have been working to improve procedures and Quality Checks of all aspects of Fleet Management.

In your introduction, you stated that the contract ended April 30, 2016, or records indicate that the contract expires November 30, 2015.

In your recommendations for Findings #1, Public Works is working with First Vehicle Services to improve the Notification process.

In your recommendations for Findings #2, Public Works is working with First Vehicle Services to improve the notification process. We will take your recommendation to revise the contract under consideration when the contract renewal comes due.

In your recommendations for Findings #3, Public Works does review the Fleet availability compliance and have received the credit of \$1690 for the month of December for the non compliance of snow fleet availability.

In your recommendations for Findings #3, Public Works since the last quarter of 2015 has been having the Parks Superintendent, Assistant Deputy Director of Operations or the Deputy Director of Operations signing off on all parts ordered. Also since the first quarter of the year we have been processing all parts orders thru our purchasing agent. In respects to the non-contract work, all non contract work request are reviewed by the Fleet Manager.

Sincerely,



Douglas Nolfi

Deputy Director of Public Works