



**A Report to the Citizens
of Salt Lake County, the County Mayor,
and the County Council**

January 2005

A Limited Performance Audit of the

**Vehicle Replacement and
Maintenance Programs of
Salt Lake County Fleet**

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Salt Lake County Auditor

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A Limited Performance Audit of the Vehicle Replacement and Maintenance Programs of Salt Lake County Fleet

I. Executive Summary

Background

Fleet Management is responsible for acquiring, disposing of, maintaining, and repairing the County's fleet vehicles. Since 1995 Fleet has operated a unique "fast rotation" program, wherein vehicles are kept for a relatively short period of time before they are replaced. For example, the Sheriff's light-duty vehicles are currently replaced every year and all other light-duty vehicles are replaced every two years.

This audit was done to follow-up on issues raised in a November 7, 2003 letter from the Auditor to the Sheriff. (See Appendix G for a copy of that letter.) Among other things, that letter suggested that a detailed analysis of replacement and maintenance charges to each of Fleet's user organizations be completed and presented to the County Council. Recent vehicle-related scandals in Salt Lake County government created more interest in these issues as well, and led to the creation of a "Citizen's Review Panel." The Internal Audit division of the Auditor's Office had several meetings with the "Citizen's Review Panel", providing data and collaborative analysis on vehicle replacement and maintenance issues. That panel issued a separate report on the County's vehicle policies and practices in December, 2004.

During this audit we developed a detailed understanding of how Fleet calculates the replacement and maintenance charges described above. We also analyzed the viability of the fast rotation program by comparing Fleet's charges to similar charges that comparable peer organizations assess their users. In addition, we reviewed the recent history of the Fleet Internal Service fund cash balance and examined other related issues.

Our primary findings are:

- *The Fleet fund cash balance has increased significantly since the end of 1996.*
- *Salt Lake County's charges to their users, while generally competitive with those of peer organizations, were higher for most makes and models than the charges of at least two of those peers.*

- *Some of Salt Lake County Fleet's practices have created a difference between the costs they are charging their user organizations and the actual costs they are incurring to maintain and replace vehicles.*
- *Policies that govern Fleet activities and practices still need to be reviewed and updated.*

And, our most significant recommendation is:

- *Fleet should continue the fast rotation program for now, implement the recommendations in our report, and then work with the Auditor's Office to have their revised user charges compared to the user charges of peer organizations.*

The Fleet fund cash balance was about \$14.8 million at the end of 2003.

The Fleet fund cash balance has increased significantly since the end of 1996. The cash balance in the Fleet fund increased from about \$1.6 million at the end of 1996 to about \$14.8 million by the end of 2003. This \$13.2 million increase was generated through the activities of Fleet's two internally tracked funds, the replacement and operations funds.

Salt Lake County's charges to their users, while generally competitive with those of peer organizations, were higher for most vehicle makes and models than the charges of at least two of those peers. Salt Lake County's charges were higher than those of Pima and Pierce Counties, but lower than those of Sacramento and Milwaukee Counties. The fixed monthly portion of Fresno County's charges ranged from significantly less to somewhat more than Salt Lake County's replacement charge.

Some of Salt Lake County Fleet's practices have created a difference between the costs they are charging their user organizations and the actual costs they are incurring to maintain and replace vehicles. With very rare exceptions, Fleet has used a 6% per year inflation factor, across all makes and models, to estimate the cost of replacement vehicles. Actual purchase price history information from 1997 to 2004 indicates that average per year inflation by make and model varied from -2% to 4% during that period, with most makes and models between zero and 2%. This use of a higher than necessary inflation factor appears to be the primary reason that replacement activities have generated \$5.6 million of cash in the Fleet fund since the end of 1996.

In addition, Fleet's maintenance charges are established to recover budgeted cash expenditures. However, since 2000, Fleet has averaged an approximately 8% under-expend in the cash portion of their budget. This situation is the major reason that operations activities have generated \$3.8 million of cash in the Fleet fund since the end of 1996.

Policies that govern Fleet activities and practices still need to be reviewed and updated. In the November 7, 2003 letter described above we recommended that a committee be established to re-draft the Countywide Policy on vehicle replacement. That committee was never formed and no

Fleet should make some operational changes, then have the viability of continuing fast rotation assessed.

action has been taken to update the policy. In addition, we agree with the opinion of the “Citizen’s Review Panel” that there are multiple problems with many of the County’s vehicle policies. We believe that the committee we recommended in 2003 should be formed and should review, update, and re-draft all Countywide vehicle-related policies.

Fleet should continue the fast rotation program for now, implement the recommendations in our report, and then work with the Auditor’s Office to have their revised user charges compared to the user charges of peer organizations. Implementing the operational recommendations in this report will reduce the costs to user organizations. The impact of reducing those costs should be tracked by monitoring the resulting effect on the Fleet fund cash balance. Once the reductions are achieved, the charges to user organizations should again be compared to those of peer counties. Based on that comparison, the viability of continuing the fast rotation program should be assessed.

Please refer to section IV. of this report for more details about these and other findings.

A Limited Performance Audit of the Vehicle Replacement and Maintenance Programs of Salt Lake County Fleet

II. Introduction

Fleet Management is responsible for acquiring, disposing of, maintaining, and repairing the County's fleet vehicles. Fleet is accounted for as an internal service fund. By definition, the purpose of an internal service fund organization is to, "provide goods and services...to other departments or agencies of the County or to other governments on a cost-reimbursement basis." Accordingly, Fleet purchases and sells vehicles, provides them to County and other governmental organizations, provides maintenance for them, and pays for the gas and oil used in them, then charges the user organizations for these services.

The County's light-duty fleet (cars and trucks with a weight bearing capacity of one ton or less) includes Sheriff's patrol cars, other passenger cars, passenger and cargo vans, pick-up trucks, sport utility vehicles, and motorcycles. 938 light-duty vehicles were being used by County organizations in 2004. The fleet also includes various heavy-duty vehicles such as dump trucks, cab & chassis trucks, buses and others. There were 171 heavy-duty vehicles in use during 2004. Fleet also manages the County's motor pool operations, which accommodate users' short-term transportation needs. Fleet's services are provided by 58 full-time equivalent employees.

Prior to 1995, all County vehicles were kept for at least five years and then were disposed of through the County's regular surplus auctions. In 1995, Fleet began the "fast rotation" program, wherein most vehicles were kept for only one year before being replaced. At that time, Fleet also began disposing of vehicles through a number of new methods, including a County operated retail car lot.

In 1997, a new Fleet division director adjusted the "fast rotation" program by slightly increasing the retention period for many vehicles and limiting the sales methods to only direct sales from Fleet's 7200 South location. This modified "fast rotation" program is still in effect. As a result, most Sheriff's vehicles are still replaced every year but most other light-duty vehicles are now replaced every two years. Heavy-duty vehicles are replaced at varying intervals, depending on the vehicle type. Usually this interval is from three to ten years. The direct sales are predominantly made to other government agencies and legitimate car dealers.

In Salt Lake County, light-duty vehicles are replaced every one or two years.

A November, 2003 letter from the Auditor suggested that an analysis of Fleet operations be completed.

III. Scope and Objectives

A performance audit is designed to evaluate an organization's efficiency and effectiveness, however, because of time and resource constraints, the scope is usually limited to specific aspects of an organization's operation. This performance audit was done to follow-up on issues raised in a November 7, 2003 letter from the Auditor to the Sheriff. (A copy of that letter is attached as Appendix G.) That letter summarized our office's review of certain aspects of the Sheriff's fleet replacement and maintenance accounts. The letter also suggested that a detailed analysis of replacement and maintenance charges to each user organization be completed and presented to the County Council.

As a result, this audit was designed to achieve the following objectives:

- Develop a detailed understanding of how Fleet calculates replacement and maintenance charges to organizations.
- Compare budgeted per vehicle replacement charges to actual vehicle salvage and replacement results.
- Summarize the recent history of the Fleet Fund cash balance and identify the factors contributing to the year-to-year change in this balance.
- Analyze the viability of the "fast rotation" program by comparing Salt Lake County Fleet charges to charges by comparable peer organizations that are assessed to their respective users.

IV. Findings and Recommendations

Findings and Recommendations are divided into 5 sections: The Fleet Fund Cash Balance; Comparison to Peer Organizations; Replacement and Maintenance Charge Methodologies; Summary of Findings from Sections 1.0, 2.0 and 3.0, and their impact on the Viability of continuing the Fast Rotation Program; and Other Issues.

1.0 The Fleet Fund Cash Balance

Internally, Fleet separately accounts for two funds within its internal service fund, the replacement fund and the operations or maintenance fund. New vehicle purchases are made out of the replacement fund. Those purchases reduce the balance in this fund, while proceeds from the sale of vehicles and replacement assessments to user organizations increase the replacement fund balance.

All other Fleet activities essentially constitute their operations fund. This fund is made up of the cash portion of Fleet's operating budget, which mostly pays for maintenance and fuel, and the corresponding non-replacement related revenue that is paid to Fleet. Most of that revenue is payments from user organizations for maintenance and fuel. The sum of the cash balances in these two internally tracked funds constitutes the Fleet Internal Service Fund cash balance.

We reviewed the recent history of the Fleet Internal Service Fund cash balance and found:

- **The Fleet fund cash balance has increased significantly since the end of 1996.**
- **Assuming current operating practices remain in place, trends and projections indicate that the fund cash balance will continue to increase.**
- **Fleet estimated that there could be as much as \$6.6 million of excess funds in their fund cash balance by the end of 2004.**

1.1 The Fleet fund cash balance has increased significantly since the end of 1996.

In a 1996 performance audit of Fleet, our office expressed serious concerns with the replacement fund's cash flow situation at that time. The audit report, released in October 1996, stated that in the absence of any corrective action, "it appears unlikely that Fleet will be able to...generate the necessary cash flow for fast rotation to continue as planned". The report went on to state that, "the fast rotation program will either fail or require large cash infusions."

For various reasons, there were four significant differences between that audit's projected 1996 and 1997 replacement fund cash flow and the actual cash flow in those years. Those differences were:

- In early January, 1997, user organizations were assessed and paid an additional \$3,791,999 in replacement charges for 1996 to cover, according to the associated journal voucher, a "Projected 96 Fleet Deficit."
- Actual 1997 vehicle sales were \$14,468,393, a little over \$5 million more than the projection in the audit. This was at least partially due to the decision to sell vehicles only through the direct sales method.
- Actual 1997 vehicle purchases were \$15,654,257 or more than \$4.7 million less than the projection in the audit. This was predominantly due to the decision to replace some light-duty vehicles every two years instead of every year.
- Actual 1997 interest expense was zero and interest income was \$64,077. Combined, this was a little more than \$960,000 better than the audit report's projection of \$896,808 in interest expense and no interest income. This occurred largely because of the improved cash position that resulted from the differences described in the three previous bullets.

These differences helped Fleet achieve year-end 1996 and 1997 cash balances of \$1,618,976 and \$7,527,648, respectively, as opposed to the audit's projections for the replacement fund of (\$4,811,517) and

Actions taken in 1997 allowed fast rotation to continue to function.

(\$12,037,450). Since this recovery, the Fleet fund cash balance has continued to grow, as shown in Table 1, below.

Fleet Fund "Cash and Cash Equivalents" Balances From the County's Consolidated Annual Financial Report (CAFR), at the end of the years shown		
<u>Year</u>	<u>Year-end Balance</u>	<u>Change in Balance</u>
1996	\$ 1,618,976	
1997	7,527,648	\$ 5,908,672
1998	13,388,022	5,860,374
1999	15,776,617	2,388,595
2000	11,810,981	(3,965,637)
2001	13,768,941	1,957,960
2002	15,820,146	2,051,905
2003	14,854,077	(966,069)
	Total Change	\$13,235,800

Table 1. The Fleet Fund Cash Balance has increased by about \$13.2 million since the end of 1996.

Our research of records obtained from Fleet, other financial records, and the CAFR indicate that the \$13.2 million increase was generated through the activities of both the replacement and operations funds, including the earning of interest, as shown below:

- Replacement fund activities - \$5.6 million
- Operations fund activities - \$3.8 million*
- Interest earned - \$3.0 million
- Other transfers into the replacement fund - \$0.8 million

* These funds were transferred into the replacement fund.

The details of how replacement and operations activities were able to generate these cash balance increases will be described in Section 3.0 of this report.

1.2 Assuming current operating practices remain in place, trends and projections indicate that the fund cash balance will continue to increase.

As shown in table 1, above, while the overall Fleet fund cash balance has grown since 1996, there were cash balance decreases in 2000 and 2003. However, variances in the timing of vehicle purchases largely account for those individual loss years.

For example, almost \$12 million of light-duty Sheriff's vehicles were paid for in 2000, as opposed to an average of about \$7.5 million in the other

years. Likewise, about \$4.7 million of heavy-duty Public Works Operations vehicles were paid for in 2003, as opposed to an average of about \$1.6 million in the other years. (Year-to-year vehicle purchase amounts since 1997 are depicted in figure 1, below.)

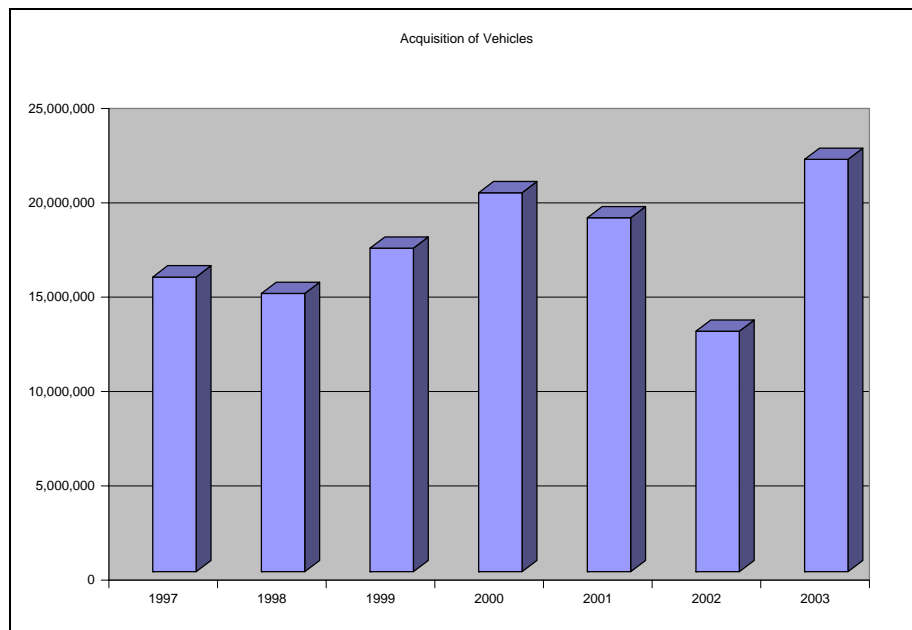


Figure 1. Vehicle purchases in 2000 and 2003 were unusually high, due to the timing of the delivery of, and payment for, certain vehicles.

These inevitable timing differences may continue to cause occasional individual loss years in the future. However, given the continuation of current practices and conditions, the overall trend suggests that Fleet should be able to maintain fund balance growth over time.

In addition, projections for 2004, as shown below, indicate that replacement activities will add at least another \$2.8 million to the fund cash balance by the end of the year.

2004 Projection

Sales of vehicles	\$10,551,148
Replacement payments from users	7,107,827
Transfers to Operations	(615,732)
Acquisition of vehicles	<u>*(14,190,072)</u>
Change in cash balance	\$ 2,853,170

*** Some December acquisitions may not materialize**

Assuming that there is no change in the Operations fund balance, this increase would result in a \$17.7 million Fleet fund cash balance at the end of 2004.

The County benefits from avoiding the use of debt for vehicle acquisitions.

1.3 Fleet estimated that there could be as much as \$6.6 million of excess funds in their fund cash balance by the end of 2004.

As the size of the Fleet fund cash balance came to light during our audit work, questions arose as to what the proper and necessary amount of this balance should be. This was especially a concern of the “Citizens Review Panel”, a committee appointed in June of 2004 by then Mayor Nancy Workman to review Countywide policy and procedure on items such as vehicle usage, expense reimbursement, and acceptance of gifts.

While cash should not accumulate needlessly in an internal service fund’s balance, it is also important that Fleet have the necessary resources on hand at anytime to pay for vehicle purchases. Doing so allows the County to continue to avoid the use of debt for vehicle acquisitions.

Since 1997, the Fleet fund’s position has allowed for the cash purchase of vehicles. As a result, the County has been able to earn, instead of pay, interest. As mentioned in section 1.1 of this report, this was one of the factors that contributed to the recovery of the Fleet fund in 1997.

To assess the impact that the cycle of vehicle purchases, vehicle sales, and user replacement assessments has on the replacement fund balance, we reviewed the month-by-month cash balance in that fund for 2003 and 2004. As shown in Table 2, below, the lowest month-end balance at any time during the two year period was just less than \$7.7 million in June 2003 and the highest was about \$17.6 million in October 2004.

Month-end Replacement Balances			
2003		2004	
January	\$10,673,346	January	\$ 11,715,067
February	13,966,229	February	16,793,005
March	13,079,469	March	15,120,261
April	9,552,528	April	13,492,090
May	7,820,182	May	14,097,137
June	7,686,642	June	14,281,277
July	7,721,840	July	15,125,948
August	8,688,960	August	17,591,812
September	9,066,491	September	17,572,275
October	10,036,114	October	17,648,859
November	11,059,503	November	17,242,343
December	\$ 11,105,260	December	\$ 13,958,431

Table 2. The lowest month-end replacement balance during the two-year period occurred in June 2003. The highest occurred in October 2004.

The range of almost \$10 million between these low and high points could be used as an estimate of the minimum amount of cash that should be left in the fund.

The above estimate correlates well with a projection of excess funds that was provided by Fleet to both us and the "Citizen's Review Panel". As shown in the calculation below, Fleet's projection indicates that they could have excess replacement funds of \$4 million at year-end 2004, which would leave about \$10 million in the fund for imminent vehicle replacements and contingencies. As also shown below, Fleet projected that it could have \$2.6 million in excess operations funds at the end of 2004.

Projection of excess replacement funds

Replacement program cash balance	
projected as of 12/31/2004, approximately -	\$ 14,000,000
Current estimated value of vehicles for sale -	4,000,000
Funds required for future replacement vehicles -	(11,000,000)
Contingency for unanticipated events -	(3,000,000)
Cash beyond replacements/contingencies -	<u>\$ 4,000,000</u>

Projection of excess operations funds

Operations program cash balance	
projected as of 12/31/2004, approximately -	\$ 3,700,000
Projected under-expend -	300,000
Transfer in from replacement	
(Replacement overhead + Sheriff's credit) -	600,000
Accounts payable -	(1,000,000)
Contingency for unanticipated events -	(1,000,000)
Cash beyond payables/contingencies -	<u>\$ 2,600,000</u>

1.4 ACTION TAKEN:

1.4.1 *During the 2005 County budget session, \$2 million was transferred from the Fleet fund balance to the various fund balances of the user organizations.*

2.0 Comparison to Peer Organizations

We conducted a telephone survey of other local government fleet operations to gather information for comparison with Salt Lake County's fleet. We initially attempted to contact nine peer counties and Salt Lake City. The nine peer counties were selected based on their population and geographic location.

We were unable to establish contact with an appropriate representative at one of the nine selected counties. Two others either had multiple, complex

Based on Fleet's projections, their fund could still have about \$4.6 million in excess funds.

arrangements for providing vehicles to each of their user organizations or were in the process of changing the way they provide vehicles to their users. As a result, we did not attempt to acquire detailed comparison information from those two counties. One other county and Salt Lake City did not provide sufficient information for comparison purposes. (See Appendix A for more detailed information regarding the peer organizations.)

Consequently, through the questions on our survey, a copy of which is attached as Appendix B, we collected sufficient comparative information from the following five peer county organizations:

- Pima County, AZ
- Pierce County, WA
- Sacramento County, CA
- Milwaukee County, WI
- Fresno County, CA

The five peer counties all:

- Have organizations similar to Salt Lake County Fleet that are accounted for as internal service funds.
- Retain their vehicles for longer than Salt Lake County, generally to at least 100,000 miles, before replacing them. (i.e. they do not use a “fast rotation” approach)
- Sell their surplus vehicles through some form of auction.

(For more details related to the attributes of both the Salt Lake and the peer counties’ fleets, see Appendix C.)

Using the information gathered through the survey, we compared the amounts Salt Lake County Fleet charges its user organizations to the amounts or rates charged by the five peer county fleets. We found that:

- **While generally competitive with all five peer organizations, Salt Lake County’s charges to their users, for most vehicle makes and models, were higher than at least two of the peer counties.**

2.1 While generally competitive with all five peer organizations, Salt Lake County’s charges to their users, for most vehicle makes and models, were higher than at least two of the peer counties.

Note related to this finding: A factor that is not taken into consideration in these survey comparisons is downtime, which is the amount of time vehicles are not available for use as a result of maintenance. If significant downtime did occur as a result of maintaining an older Fleet, either mission requirements would not be consistently fulfilled or more vehicles per user would have to be on-hand in the Fleet. The latter situation could presumably increase the overall cost of maintaining a fleet without increasing the per vehicle cost. We asked some of the peer counties if they had any downtime

statistics and they stated that they did not have any readily available. Inquiries as to mission requirement failures or the number of vehicles per user were outside the scope of this audit.

Peer county comparisons: The per mile rate counties – Pima and Pierce.

These two counties bill their user organizations via a straight, per mile rate. These rates are calculated, and charged to users, by class of vehicle. For example, there is one rate for all vehicles in a class titled “Sedan”. According to representatives of these counties, their rates are calculated to cover all costs associated with the vehicles, including replacement, maintenance, fuel, etc. The only exception to this is insurance cost in Pierce County. For comparison with these counties, we converted Salt Lake County’s 2004 replacement charges and 2003-2004 maintenance and gas card charges into an annual cost per mile (CPM) figure. We also put Salt Lake County’s charges, which are calculated by specific year, make, and model, into groups that would compare to the classes used by Pima and Pierce. As a result, costs for multiple specific year, make, and model vehicles from Salt Lake County are compared to the one peer county cost for the comparable vehicle class.

For example, Figures 2 and 3, below, show the comparison of Salt Lake County’s Crown Victorias, which are predominantly used for Sheriff patrol, to Pima and Pierce’s Sheriff patrol class. The lower cost County’s CPM or rate is highlighted in yellow.

Comparison: Salt Lake County Crown Victorias CPM vs. Pima County Sheriff Patrol Class Mileage Rate						
Salt Lake County	CPM Totl*	VYR	VMAKE	VMODEL	Pima Rate	Description of Pima vehicle
Crown Vics	0.61	2003	FORD	Crown Victoria Police	0.546	Sheriff patrol
	0.59	2004	FORD	Crown Victoria Police		
	0.66	2003	FORD	Crown Victoria LX		
* Salt Lake County CPM calculations do not include the \$288 per vehicle Fleet overhead charge that organizations also pay annually. This charge would add .01 to .04 cents per mile to the CPM for most vehicles, depending on mileage, which would not significantly affect the comparison results.						

Figure 2. Pima County’s Sheriff patrol vehicle mileage rate is lower than the CPM for all three of Salt Lake County’s Crown Victoria year and model options.

Comparison: Salt Lake County Crown Victorias CPM vs. Pierce County Full-Size Sheriff Class Mileage Rate						
Salt Lake County	CPM Totl*	VYR	VMAKE	VMODEL	Pierce rate	Description of Pierce vehicle
Crown Vics	0.61	2003	FORD	Crown Victoria Police	0.54	Auto, Full Size, 4 door, Sheriff
	0.59	2004	FORD	Crown Victoria Police		
	0.66	2003	FORD	Crown Victoria LX		

* Salt Lake County CPM calculations do not include the \$288 per vehicle Fleet overhead charge that organizations also pay annually. This charge would add .01 to .04 cents per mile to the CPM for most vehicles, depending on mileage, which would not significantly affect the comparison results.

Figure 3. Pierce County’s Full-Size Sheriff vehicle mileage rate is lower than the CPM for all three of Salt Lake County’s Crown Victoria year and model options.

All valid Salt Lake County make and model vs. Pima/Pierce vehicle class comparisons are shown in Appendix D. These comparisons indicate that:

Pima and Pierce’s mileage rates were lower than Salt Lake County’s charges for most makes and models.

- Pima’s mileage rates were lower than Salt Lake County’s charges to their user organizations, on a CPM basis, for 53 of the 62 valid make and model vs. vehicle class comparisons available.
- Pierce’s mileage rates were lower than the comparable Salt Lake County charges for 21 of the 29 valid make and model vs. vehicle class comparisons available.

Obviously, the number of miles vehicles are driven has a major impact on a vehicle’s cost per mile calculation. Salt Lake County does have some vehicle utilization issues that need to be addressed. However, we found that under-utilization, as measured by the average annual vehicle mileage, was not a significant contributing factor to these comparison results. Please refer to section 5.0 of this report for more information on this, and other vehicle utilization issues.

Peer county comparisons: The fixed charge plus per mile rate counties – Sacramento and Milwaukee. These two counties bill their user organizations both a fixed charge, that essentially covers vehicle replacement/depreciation, and a per mile rate, that covers maintenance and fuel. These charges are also calculated and administered by vehicle class.

In this case, we compared Salt Lake County’s 2004 replacement charges to Sacramento and Milwaukee’s fixed charges and our 2003-2004 cost per mile figure for only maintenance and gas card charges to their per mile rates. In some instances there was a split decision as to the lower cost County, i.e. when a County had a lower fixed charge, but a higher per mile rate or charge, or vice versa.

When this occurred, we calculated what our total cost would have been using the peer county’s rates and our mileage, and compared that theoretical total

cost to our actual total cost. If the theoretical total cost was lower, the peer county was considered to be lower cost for that comparison. If the actual total cost was lower, Salt Lake County was considered the lower cost option for that comparison. Figures 4 and 5 show the comparison of Salt Lake County’s Crown Victorias to Sacramento and Milwaukee’s Sheriff patrol class. The lower cost County’s charge and CPM or charge and rate are highlighted in yellow.

Comparison: Salt Lake County Crown Victorias vs. Sacramento County Sheriff Patrol Car Class						
Salt Lake County – Crown Victorias					Sacramento County – Sheriff’s Patrol Car	
Monthly Replcmt Charge*	CPM-Maint & Gas	VYR	VMAKE	VMODEL	Monthly Fixed Charge	Per Mile Rate
408.66	0.29	2003	FORD	Crown Victoria Police	485.00	0.42
389.58	0.29	2004	FORD	Crown Victoria Police		
445.08	0.32	2003	FORD	Crown Victoria LX		
* Salt Lake County’s monthly replacement charge does not include the \$24 per vehicle Fleet overhead charge that organizations also pay per month. However, it was included in the Salt Lake County total cost when this amount was used to compare to a theoretical total cost in order to settle a split decision.						

Figure 4. Salt Lake County’s charges for all three of their Crown Victoria year and model options are lower than the charges for Sacramento County’s Sheriff Patrol Car class.

Comparison: Salt Lake County Crown Victorias vs. Milwaukee County Sedan, Full-Size Squad Car Class						
Salt Lake County – Crown Victorias					Milwaukee County – Sedan, Full-Size Squad Car	
Monthly Replcmt Charge*	CPM-Maint & Gas	VYR	VMAKE	VMODEL	Monthly Fixed Charge	Per Mile Rate
408.66	0.29	2003	FORD	Crown Victoria Police	941.00	0.45
389.58	0.29	2004	FORD	Crown Victoria Police		
445.08	0.32	2003	FORD	Crown Victoria LX		
* Salt Lake County’s monthly replacement charge does not include the \$24 per vehicle Fleet overhead charge that organizations also pay per month. However, it was included in the Salt Lake County total cost when this amount was used to compare to a theoretical total cost in order to settle a split decision.						

Figure 5. Salt Lake County’s charges for all three of their Crown Victoria year and model options are lower than the charges for Milwaukee County’s Sedan, Full-Size Squad Car class.

Salt Lake County's charges were lower than Sacramento and Milwaukee's for most makes and models.

All valid Salt Lake County make and model vs. Sacramento/Milwaukee vehicle class comparisons are shown in Appendix E. These comparisons indicate that:

- Salt Lake County's charges to their user organizations were lower than Sacramento's for 27 of the 44 valid make and model vs. vehicle class comparisons available.
- Salt Lake County's charges to their user organizations were lower than Milwaukee's for 54 of the 69 valid make and model vs. vehicle class comparisons available.

Peer county comparisons: The multiple charges and rates county – Fresno. In Fresno County, organizations pay four different types of charges for vehicles:

- A flat monthly charge that covers Fleet overhead, salaries, and benefits, plus insurance and the Countywide cost allocation.
- A “meter rate”, which is usually charged on a per mile basis. This rate pays for fuel, parts, and repairs.
- A three cents per mile replacement factor that is assessed to cover the increase in vehicle prices over time due to inflation.
- An annual amount for vehicle depreciation, based on the following formulas:
 - Light duty vehicles: Vehicle cost – 2% salvage / 5 years,
 - Heavy duty vehicles: Vehicle cost – 5% salvage /10 to 20yrs

Organizations stop paying depreciation after vehicles are retained for longer than the estimated lives used in the formulas. In addition, vehicles that are obtained with grant money are not depreciated.

To simplify the examination of their data, we combined Fresno's two “fixed” charges, the flat monthly charge and depreciation on a monthly basis. These charges for some groups of vehicles in their “Mid-sized Auto” class are shown in the “Monthly Fixed Cost” column in Figure 6, below. We also combined their two per mile rates, the “meter rate” and the replacement factor. For Mid-sized Autos this combined rate was \$.17 per mile as indicated in the “Total per mile rate” column of Figure 6.

Salt Lake County: Other Passenger Cars and Fresno County: Mid-sized Autos							
Salt Lake County – Other Passenger Cars					Fresno County – Mid-sized Autos		
Monthly Replcmt Charge*	CPM-Maint & Gas	VYR	VMAKE	VMODEL	Monthly Fixed Cost, including depreciation	Totl per mile rate	# of Vehicles at each Fixed Cost
299.20	0.19	2003	Toyota	Camry	89.63	0.17	268**
305.00	0.14	2003	Ford	Taurus SES	255.13	0.17	30
413.99	0.20	2002	Pontiac	Grand Prix GTP	342.96	0.17	112
396.71	0.08	2002	Dodge	Intrepid ES	355.21	0.17	25
392.20	0.11	2002	Chevrolet	Monte Carlo 2dr Coupe SS	486.88	0.17	1

Does not include the \$24 per vehicle Fleet overhead charge that organizations also pay per month. ** Organizations are paying no depreciation on these vehicles. Of the 268, 206 have already been fully depreciated and 62 were purchased through a grant.

Figure 6. Fresno’s fixed charge to their users for these comparable vehicles range from significantly less to somewhat more than Salt Lake County’s replacement charge.

Figure 6 shows the summarization of a cross-section of Fresno’s “Mid-sized Auto” vehicle class, side-by-side with Salt Lake County vehicles placed in a group called “Other Passenger Cars”. It should be noted that the exact cost for all the vehicles in Fresno’s Mid-sized Auto class are not shown in Figure 6. Instead, only the major groups of vehicles on which organizations are paying the same, or a very similar, amount of depreciation are shown, including those on which no depreciation is being paid and the highest depreciation amount vehicle. In total, there are 558 vehicles in Fresno’s Mid-sized Auto class with close to 100 different depreciation amounts.

A side-by-side summary, similar to Figure 6, with data for all of Fresno’s vehicle classes, is attached as Appendix F. Because of the complexity of the data, a detailed cost comparison with Fresno, such as those done with the other peer counties, was not possible. We were, however, able to make the following general comparative observations:

- The fixed monthly portions of the Fresno charges to their users generally range from significantly less to somewhat more than Salt Lake County’s replacement charges.
- About half of Fresno’s in-use vehicles are fully depreciated or were purchased through a grant. As a result, the fixed monthly charge for those vehicles does not include depreciation. This puts those vehicles in the “significantly less” category, in comparison to Salt Lake County.
- The variable cost per mile portion of the Fresno charges to their users is generally competitive with Salt Lake County’s cost per mile figure for maintenance and gas card charges.

For the purpose of developing recommendations, the finding related to these survey results will be considered in combination with the findings of the next section of this report. Therefore, no recommendations will be made at this point.

The fixed charges for about half of Fresno’s vehicles were lower than Salt Lake County’s replacement charges.

3.0 Replacement and Maintenance Charge Methodologies

Section 1.1 of this report indicated that Fleet’s replacement and operations activities both contributed to a significant increase in the Fleet fund cash balance since the end of 1996. This section of the report will describe how Fleet calculates the amounts they charge their users for the replacement and maintenance of vehicles. Those descriptions will also indicate why the charges have exceeded Fleet’s replacement needs and maintenance costs, which has led to the creation of Fleet’s favorable cash position.

Our specific findings in this area are:

- **Although actual vehicle inflation has been very low since 1997, Fleet has consistently used a 6% inflation factor to estimate the cost of replacement vehicles.**
- **Fleet’s maintenance charge calculation ensures the recovery of a pre-established dollar amount that is based on budgeted expenditures.**

3.1 Although actual vehicle inflation has been very low since 1997, Fleet has consistently used a 6% inflation factor to estimate the cost of replacement vehicles.

In general terms, Fleet estimates the amount needed to replace a vehicle by estimating the salvage value of the current vehicle and applying an inflation factor to estimate what it will cost to buy the next vehicle. For vehicles on a one-year replacement cycle, the inflation factor is applied once. For vehicles that will be retained for longer, the inflation factor is compounded, or, in other words, applied once for each year that the vehicle will be retained.

If a vehicle has been purchased at a time that allows the actual purchase price to be known in August, when the replacement amount is usually computed, the calculation is very straightforward. For example, the elements of the actual second year replacement calculation for a 2001 F-150 Supercab were:

Year Make and Model	Rotation Timeframe	Budget year	Purchase Price	Inflation %	Salvage %
2001 F-150 Supercab	Two year	2002	\$24,681	6% + 6%	70%

And, the resulting calculation was:

Estimated replacement price:	$\$24,681 \times 1.06 = 26,162 \times 1.06 = \$27,732$
Estimated salvage value:	$\$24,681 \times .70 = \$17,277$
Current estimate of total savings required to replace this vehicle:	\$27,732
	<u>-17,277</u>
	\$10,455
Budget amount required for this vehicle in 2002:	$\$10,455 / 2 = \$5,228$
	Plus Fleet overhead: <u>+288</u>
	Total \$5,516

Fleet has consistently used a higher than necessary inflation factor in their replacement calculations.

Fleet has improved this replacement calculation methodology in recent years by making more accurate, model-specific salvage value estimates. However, with very rare exceptions, Fleet has used the 6% per year inflation factor, across all makes and models, to estimate the cost of replacement vehicles. Actual purchase price history information from 1997 to 2004 indicates that average per year inflation by make and model varied from -2% to 4% during that period, with most makes and models between zero and 2% per year.

As shown and described in the examples below, the estimated replacement price, which is based on the inflation factor, is, out of necessity, often used as the estimated purchase price (the starting point) for the next vehicle's calculation. This occurs when the actual purchase price of a vehicle that needs to be budgeted for in an upcoming year is not known in August, which is often the case.

For example, the elements of the actual first year replacement calculation for a 2003 F-150 Supercab, that replaced the 2001 F-150 Supercab from the example above, were:

Year Make and Model	Rotation Timeframe	Budget year	Estimated Purchase Price	Inflation %	Salvage %
2003 F-150 Supercab*	Two year	2003	\$27,732**	6% + 6%	70%

* "2001 F-150 Supercab" is still shown as the year, make and model on Fleet's replacement records since the new vehicle had not yet been acquired.

** This is the 2002 budget year Estimated replacement price calculated for the 2001 F-150 Supercab, as shown in the previous calculation above.

And, the resulting calculation was:

Estimated replacement price:	$\$27,732 \times 1.06 = 29,396 \times 1.06 = \$31,160$
Estimated salvage value:	$\$27,732 \times .70 = \$19,412$
Current estimate of total savings required to replace this vehicle:	\$31,160
	<u>-19,412</u>
	\$11,748
Budget amount required for this vehicle in 2003:	$\$11,748 / 2 = \$5,874$
	Plus Fleet overhead: +288
	Total \$6,162

The calculations for one-year replacement cycle vehicles almost always use an “estimated purchase price of the next vehicle” approach. For example, the elements of the actual replacement calculation for a 2002 Crown Victoria, that replaced a 2001 Crown Victoria, were:

Year Make and Model	Rotation Timeframe	Budget year	Estimated Purchase Price	Inflation %	Salvage %
2002 Crown Victoria*	One year	2002	\$22,053**	6%	85%

* “2001 Crown Victoria” is still shown as the year, make and model on Fleet’s replacement records since the new vehicle had not yet been acquired.

** This is the actual 2001 Crown Victoria purchase price increased by 6% one time, to estimate what the 2002 purchase price will be.

And, the resulting calculation was:

Estimated replacement price:	$\$22,053 \times 1.06 = 23,376$
Estimated salvage value:	$\$22,053 \times .85 = \$18,745$
Current estimate of total savings required to replace this vehicle:	\$23,376
	<u>-18,745</u>
	\$ 4,631
Budget amount required for this vehicle in 2002:	\$ 4,631
	Plus Fleet overhead: +288
	Total \$4,919

The consistent use of a higher than necessary inflation factor appears to be the primary reason that replacement activities have generated \$5.6 million of cash in the fleet fund since the end of 1996. The need to estimate the purchase price, in addition to the replacement price and salvage value, compounds the effect of using a high inflation factor.

3.2 ACTION TAKEN:

3.2.1 *Fleet adjusted the inflation factor used for the 2005 budgeted replacement calculation to 1% for certain Sheriff vehicles and 3% for all other vehicles. This action reduced the 2005 replacement charges to user organizations by about \$700,000.*

3.3 RECOMMENDATION:

Assuming the fast rotation program is continued, we recommend that:

3.3.1 *Fleet management use an up-to-date estimate of inflation to set the replacement calculation inflation factor each year. If possible, the estimate should be specific to vehicle prices, ideally on a model by model basis. The Auditor's Office Economist can assist by providing an annual inflation estimate to Fleet.*

3.4 Fleet's maintenance charge calculation ensures the recovery of a pre-established dollar amount that is based on budgeted expenditures.

As we stated earlier in this report, Fleet's operations or maintenance fund is made up of the cash portion of Fleet's operating budget, which mostly pays for maintenance and fuel, and the corresponding non-replacement related revenue that is paid to Fleet. Most of that revenue is payments from user organizations for maintenance and fuel.

To calculate the amount they charge users for maintenance, Fleet first determines how much they need for budgeted operations cash expenditures that are not already covered by some other operations related revenue. This is shown in the sample calculation below:

Sample maintenance charge calculation-Approx. numbers for 2005

Fleet Operating budget	\$23,000,000
Less: Depreciation	(7,800,000)
Loss on sale of assets	(2,600,000)
Fuel revenue	(3,400,000)
Other operations related revenue	<u>(1,400,000)</u>
Amount needed to cover expenditures	\$ 7,800,000

They then increase the actual maintenance work order amounts for the most recent July 1 to June 30 period by the percentage necessary to make the total equal the calculated dollar amount needed.

<u>Approximate 2005 percentage increase</u>	
7/1/03 to 6/30/04 work order total:	\$7,097,137
Increased by approximately 9.9%:	<u>702,863</u>
	\$7,800,000

Organizations are then billed for the sum of the "after the percentage increase" work order amounts that apply to the vehicles assigned to them.

As explained above, the percentage increase is established to recover budgeted expenditures. However, since 2000, Fleet has averaged an approximately 8% under-expend in the cash portion of their budget. This situation is a major reason that operations activities have generated \$3.8 million of cash in the fleet fund since the end of 1996. For 2004, Fleet is estimating that actual expenditures will be about \$300,000 less than budgeted.

Fleet calls this method of charging its users for maintenance an “insurance premium system.” They use it, as opposed to direct billing for the actual work order cost, so organizations will know exactly how much they need to budget and pay for this expense. However, Fleet is currently in the process of adjusting the rates they use to charge out work orders so the rates will recover a targeted expenditure amount. This will eliminate the need for the percentage increase and could bring an end to the “insurance premium system”.

Whether using the percentage increase or higher rate method, it is difficult to envision a system that ensures the recovery of some pre-established amount of expense as being capable of reducing maintenance costs to user organizations. For this reason, the newly set work order rates should be based on prior actual costs, adjusted for inflation, and increased based on actual year-to-year increases in cost.

3.5 RECOMMENDATIONS:

We recommend that:

3.5.1 *Fleet management use the most recent July 1 to June 30 actual work order amounts, adjusted by a reasonable inflation percentage, to set the rates they will use to charge out work orders.*

3.5.2 *Going forward, rates be adjusted based on the annual increase in labor, parts, etc. costs to the County.*

4.0 Summary of Findings from Sections 1.0, 2.0 and 3.0, and their impact on the Viability of continuing the Fast Rotation Program.

In summary, the major findings from the first three sections of this report are:

- Fleet’s fast rotation program is competitive, on a cost to the user basis, with other, more traditional fleet operations. However, some of these other operations appear to be providing vehicles to their users at a lower cost than Salt Lake County.
- There is a difference between the costs that Salt Lake County Fleet is charging their user organizations and the actual costs Fleet is incurring to maintain and replace the fleet vehicles. These cost

differences have allowed the Fleet fund to accumulate a significant cash balance.

In our opinion, the implementation of the recommendations we made in sections 3.3 and 3.5 of this report will simultaneously:

- minimize the difference between the costs charged and the costs incurred by Fleet,
- slow or stop the increases to the Fleet fund cash balance, and
- reduce or eliminate the gap between Salt Lake County and the lower cost peer counties.

Fast rotation provides positive, intangible benefits to the County and its employees.

In addition, we believe that the fast rotation program provides a positive, intangible benefit to County employees, who are able to operate newer, reliable, sharp-image vehicles. Other intangible or difficult to measure benefits include improved fuel consumption and up-to-date emission control. As a result, we make the following recommendations:

4.1 RECOMMENDATIONS:

We recommend that:

4.1.1 For now, the County continue the fast rotation program, with an on-going evaluation of costs. If any modification or moratorium is implemented, limit such program to lower mileage, non-public safety vehicles.

4.1.2 Fleet management monitor the impact of implementing the recommendations in sections 3.3 and 3.5 of this report by tracking their effect on the fund cash balance.

4.1.3 As reductions in the costs to user organizations are achieved, Fleet work with the Auditor's Office to have their revised charges compared to peer counties. Based on that comparison, the viability of continuing the fast rotation program should be assessed.

5.0 Other Issues.

During our audit work, we identified some key issues related to vehicle utilization, maintenance efficiencies, model preferences, and fleet policies. We will discuss each of these issues briefly in this section. Our findings in these areas are:

- **According to average annual mileage figures, some vehicle makes and models appear to be under-utilized; however, utilization did not have a significant impact on the Salt Lake vs. Pima County CPM comparison results.**

- **Maintenance cost to user organizations, per make and model, were higher than expected because the number of vehicles receiving maintenance exceeded the number of vehicles assigned to organizations.**
- **Fleet provides many different make, model and option vehicles to user organizations, at widely varying replacement charges.**
- **Policies that govern Fleet activities and practices still need to be reviewed and updated.**

5.1 According to average annual mileage figures, some vehicle makes and models appear to be under-utilized; however, utilization did not have a significant impact on the Salt Lake vs. Pima County CPM comparison results.

As we stated earlier in this report, the number of miles vehicles are driven has a major impact on cost per mile calculations. Salt Lake County fleet representatives emphasized this point when we pre-viewed with them the peer county cost comparisons that were described in section 2.1 of this report. At that time, they stated their belief that utilization, as measured by vehicle mileage, was the primary reason that the two “per mile rate” counties were lower cost than Salt Lake County for most make and model comparisons.

As a result, we attempted to acquire comparable average annual mileage totals from those two counties, Pima and Pierce. We successfully obtained this data, by vehicle class, from Pima County for the same mid-2003 to mid-2004 time period from which we used mileages to calculate Salt Lake County’s CPM. We compared the annual average mileage figures for the same 62 valid make and model vs. vehicle class comparisons used earlier. This comparison for some makes and models vs. vehicle classes is shown in figure 7, on page 21.

Mileage comparison: Selected Salt Lake County makes and models vs. corresponding Pima County vehicle classes					
S.L. VYEAR	S.L. VMAKE	S.L. VMODEL	S.L. Mileage	Pima Mileage	Description of Pima vehicle
2004	FORD	Crown Victoria Police	15566	15814	Sheriff patrol
2003	FORD	Crown Victoria LX	15923		
2003	Toyota	Camry	7742		Sedan - Non police
2003	Ford	Taurus SES	14759		
2002	Pontiac	Grand Prix GTP	20227	10461	
2002	Dodge	Intrepid ES	16966		
2002	Chevrolet	Monte Carlo 2dr Coupe SS	17863		
2002	Ford	15 Pass Van E-350 XLT	7155		Van - Pass., Mini, and Cargo
2003	Ford	15 Pass Van E-350 XLT	4671	8619	
2003	Chevrolet	Wheel Chair Van	28303		

Figure 7. Salt Lake County had the higher mileage on six of the 10 comparisons shown here. Overall, Pima County had the higher mileage for 35 of 62 comparisons.

The mileage column for the higher utilization County is highlighted in green. Overall, Pima County’s mileages were higher for 35 of the 62 comparisons and Salt Lake County’s were higher for 27 of the 62.

Based solely on average annual mileage, some County vehicles appear to be under-utilized.

To further this analysis, we calculated what Salt Lake County’s CPM would have been if vehicles had been driven as many miles as Pima’s. We did this by substituting Pima’s mileages for Salt Lake’s in the CPM formula for the 35 vehicles on which Pima had a higher mileage. Doing this significantly reduced Salt Lake County’s CPM for most dump trucks, some passenger vans, and some pick-up trucks. Using average annual mileage as the criteria, the makes and models on which this significant reduction occurred appear to be under-utilized. Some other makes and models, such as Toyota Camrys, appear to be under-utilized based on a direct comparison of annual average mileages, as can be seen in Figure 7.

However, the CPM reductions described above made Salt Lake the lower cost County in comparison to Pima for only four of the 35 higher mileage vehicles. In other words, even after compensating for the under-utilization of vehicles, Pima’s mileage rates were still lower than Salt Lake County’s charges to their user organizations for 49 of the 62 valid comparisons available.

In summary, utilization, as measured by vehicle mileage, does not appear to be the primary reason that Salt Lake County’s costs to their users are higher than some peer counties. However, improvements in utilization will help to significantly reduce this gap for several vehicle makes and models. These improvements should be made to increase the efficiency of Fleet operations. Audit procedures necessary to formulate recommendations as to specific

steps that should be taken to improve vehicle utilization were outside the scope of our audit.

5.2 RECOMMENDATION:

We recommend that:

5.2.1 Fleet and higher-level County administration work together to determine specific steps that should be taken to improve vehicle utilization Countywide.

5.3 Maintenance costs to user organizations, per make and model, were higher than expected because the number of vehicles receiving maintenance exceeded the number of vehicles assigned to organizations.

In order to calculate the maintenance CPM by make and model for Salt Lake County vehicles, we had to determine Fleet's maintenance cost to user organizations, on a per make and model basis. While doing this, we noted that the number of vehicles receiving maintenance exceeded the number of vehicles assigned to organizations, sometimes significantly so. For example, 834 Crown Victorias received maintenance from July 1, 2003 to June 30, 2004. However, only 274 Crown Vics were on the replacement schedule, and therefore assigned to organizations, for budget year 2004.

Fleet conducted their own analysis of this by calculating the total number of in-use days for Crown Vics from July 1, 2003 to June 30 2004, and dividing by 365 to determine the number of full-time vehicles available. This analysis showed that 275.75 Crown Vics were available full-time during this period, which is used to calculate the upcoming year's maintenance charge.

This situation has a significant impact on the maintenance cost per make and model, and, consequently, the cost per mile by make and model, to user organizations. This is illustrated in the two calculations shown below:

Cost to the user per available Crown Vic: 2005 Budget charge

Net maintenance charge to users, after percentage increase -	\$913,803.32
Divided by the number of Crown Vics assigned to organizations -	275.75
Equals: Cost to user per available Crown Vic -	\$3,313.88

Cost per Crown Vic maintained

Net maintenance charge to users, after percentage increase -	\$913,803.32
Divided by the number of Crown Vics receiving maintenance -	834
Equals: Cost per Crown Vic maintained -	\$1,095.69

As far as user organizations are concerned, they are paying for the number of vehicles assigned to them each year. The first calculation appropriately identifies this cost. As a result, we used the first of these two calculations to determine the maintenance CPM.

A more comprehensive review of Fleet maintenance practices is still necessary.

According to Fleet, the discrepancy between the number of vehicles in use and the number receiving maintenance is due to the necessity of performing make ready maintenance. This is required both before the County uses a vehicle and before the vehicle can be sold. The impact of this is increased for Crown Vics and other makes and models that are rotated on an annual basis.

This situation may be an unavoidable consequence of operating the fast rotation program. However, inaccurate and/or inappropriate maintenance practices and/or record keeping could also be contributing factors. Fleet management is currently reviewing many aspects of their maintenance work order practices. As a result of this review, Fleet identified a service writer that had been consistently mis-coding work order charges. That employee was subsequently dismissed from County employment. We commend Fleet management for this review effort; however, a more comprehensive investigation is probably necessary.

5.4 RECOMMENDATION:

We recommend that:

5.4.1 A detailed analysis of Fleet's maintenance practices and record keeping be conducted to determine:

- *The validity and accuracy of work order charges, including the timing of the charges.*
- *If there are cost effective ways to reduce the gap between the number of vehicles maintained and the number available for use.*

5.5 Fleet provides many different make, model and option vehicles to user organizations, at widely varying replacement charges.

Currently, organizations request the exact make, model, option packages, etc. they prefer and Fleet orders vehicles based on those requests. This has created a situation wherein Fleet provides many different make, model and option vehicles, at varying replacement charges to the organizations. This is especially evident with Sport Utility Vehicles (SUVs) and pick-up trucks.

For example, Figure 8 shows the 2004 replacement charge, on both an annual and monthly basis, for all the SUV makes and models in the Salt Lake County fleet. As shown, the models range from Escapes at an average replacement charge of about \$400 a month to Expeditions at an average charge of around \$800 a month. In addition, a wide range of charges, from \$410 to \$671 per month, exist within the Explorer model, depending on the exact type of Explorer in use.

Salt Lake County Fleet's 2004 SUV Makes, Models, and Replacement Charges				
2004 Req	Monthly	VYEAR	VMAKE	VMODEL
4,986.20	415.52	2003	DODGE	Durango SLT 4x4
4,566.62	380.55	2003	Ford	Escape XLT 4WD
4,938.29	411.52	2002	Ford	Escape XLT Sport 4x4
9,302.34	775.19	2003	FORD	Expedition XLT 4WD
9,987.00	832.25	2003	Ford	Expedition Eddie Bauer
4,920.54	410.04	2003	Ford	Explorer 2 dr XLT Sport
5,400.00	450.00	2003	Ford	Explorer 4dr XLT 4WD
5,588.55	465.71	2003	Ford	Explorer 4dr XLT Sport
6,105.58	508.80	2002	Ford	Explorer XLT 4x4
6,105.69	508.81	2003	FORD	Explorer XLT 4dr 4x4
8,051.00	670.92	2003	FORD	Explorer Eddie Bauer
6,842.48	570.21	2003	Chevrolet	Suburban 4dr 2500 LS
7,162.44	596.87	2003	Chevrolet	Suburban 4dr 2500 LS 4WD
7,540.00	628.33	2002	Chevrolet	Suburban Commercial 4WD
6,494.01	541.17	2002	Chevrolet	Tahoe Police 4WD

Figure 8. The most expensive SUV in the County fleet, an Eddie Bauer Expedition, cost the using organization a base replacement charge of \$832.25 per month.

In some cases, organizations may be able to justify the need for a specific model and/or option package. However, to reduce the overall cost of the fleet, higher priced models should be limited as much as possible. Emphasis should be put on providing lower cost vehicles within each vehicle class that will still meet organizations' necessary functional requirements.

5.6 RECOMMENDATIONS:

We recommend that:

5.6.1 *Fleet consider standardizing the vehicle makes, models, and options available within each vehicle class.*

5.6.2 *Fleet provide other than the standard vehicles to user organizations only when valid need justification is presented.*

5.7 Policies that govern Fleet activities and practices still need to be reviewed and updated.

In our November 7, 2003 letter to the Sheriff on fleet replacement and maintenance activities we stated that, "Countywide Policy #1302, "Vehicle Replacement," needs to be updated." At that time we recommended that a

We support the “Citizens Review Panel” conclusion that Countywide policies related to vehicles are inconsistent, incomplete, and need revision.

committee be established, “as soon as possible after the conclusion of the 2004 budget setting process” to re-draft that policy. That committee was never formed and no action has been taken to update the policy. This still needs to be accomplished.

In addition, we agree with the opinion of the “Citizens Review Panel” that there are multiple problems with many of the County’s vehicle policies. As a result, we believe that the committee we recommended in 2003 should still be formed, and that its scope should be expanded to include reviewing, updating, and re-drafting all Countywide vehicle-related policies.

5.8 RECOMMENDATIONS:

We recommend that:

5.8.1 A committee that includes representatives from, at a minimum, Fleet, Public Works Operations, the Sheriff’s Office, the District Attorney’s Office, the Auditor’s Office, and the County Council be formed.

5.8.2 This committee review and, as necessary, re-draft all written Countywide vehicle-related policies.

Peer Jurisdictions selected for Fleet Survey

Jurisdiction Name	State	Census Population April 1, 2000	Overall County Population ranking	Survey Participation Status
<i>Bexar County</i>	<i>TX</i>	<i>1,392,931</i>	24	<i>Did not provide sufficient information</i>
<i>Clark County</i>	<i>NV</i>	<i>1,375,765</i>	25	<i>Multiple, complex arrangements with users</i>
<i>Sacramento County</i>	<i>CA</i>	<i>1,223,499</i>	29	<i>Participant</i>
<i>Contra Costa County</i>	<i>CA</i>	<i>948,816</i>	38	<i>Changing how they provide vehicles to users</i>
<i>Milwaukee County</i>	<i>WI</i>	<i>940,164</i>	39	<i>Participant</i>
<i>Salt Lake County</i>	<i>UT</i>	898,387	43	
<i>Pima County</i>	<i>AZ</i>	<i>843,746</i>	53	<i>Participant</i>
<i>Travis County</i>	<i>TX</i>	<i>812,280</i>	56	<i>Unable to establish contact with representative</i>
<i>Fresno County</i>	<i>CA</i>	<i>799,407</i>	58	<i>Participant</i>
<i>Pierce County</i>	<i>WA</i>	<i>700,820</i>	71	<i>Participant</i>
<i>Salt Lake City</i>	<i>UT</i>	<i>181,767</i>	<i>N/A</i>	<i>Did not provide sufficient information</i>

Fleet phone survey questions

1. How many vehicles are in your fleet?
2. What is the light-duty vs. heavy-duty vehicle composition?

Sedans	Heavy-duty trucks
SUVs	Other Heavy-duty vehicles
Light-duty trucks	
Other light-duty	
3. What is the primary type of light-duty and heavy-duty vehicle in your fleet?
4. How does your vehicle replacement program work? i.e. how long do you keep vehicles, how are the vehicles sold, etc.
5. What is the objective of your retention strategy? How do you think your maintenance costs are impacted by your retention strategy?
6. Do you charge user organizations for replacement and maintenance of vehicles? If so, briefly describe how the replacement and maintenance charges are calculated.
7. Can I get a schedule of the replacement and maintenance charges to organizations?
8. Are you accounted for as an internal service fund?
9. Is your organization's budget assessed a Countywide indirect, overhead or similar charge? If so, how much is this charge annually?

Appendix B

Summary of Salt Lake and Peer County Fleets' attributes - responses to Telephone Survey

	Salt Lake County	Pima County	Pierce County	Sacramento County	Milwaukee County	Fresno County
Approximate number of vehicles in light-duty fleet	938	1,470	630	3,000	850	1,200-1,500*
Approximate number of vehicles in heavy-duty fleet, if known	171	100			200	800-1,000
Primary type of light-duty vehicle in fleet, if known	Crown Vic		Crown Vic		GMC Trucks	
Replace light-duty every 1 to 2 yrs, heavy-duty every 3 to 10	X					
Usually replace vehicles at 100,000 to 150,000 miles		X	X	X		
Replace vehicles as needed, subject to available funding					X	X
Borrow money/use debt to purchase vehicles				X	X	
Sell surplus vehicles directly to governments and car dealers	X					
Sell surplus vehicles through auction		X	X	X**	X	X
Charge users three separate fixed amounts	X					
Full-charge to users thru a per mile rate		X	X***			
Charge users both a fixed amount and a per mile rate				X	X****	X
Users pay depreciation, until vehicle is fully depreciated						X*****
Users are charged by make & model and individual vehicle	X*****					
Users are charged by vehicle class		X	X	X	X	X*****
Provided us a schedule of their charges to user organizations	X	X	X	X	X	X
Accounted for as an internal service fund	X	X	X	X	X	X
Pay a Cntywide overhead or indirect charge /amount, if known	X / 645,000	X / 451,927	X / 75,000	X	X	X / 250 to 400K

* They do not manage the County Sheriff's vehicles

** Their auctions are sealed-bid only

*** Their charge does not include insurance costs. Users pay separately through risk management

**** Accident costs are direct-billed, and therefore are not included in their fixed charge or per mile rate

***** Vehicles purchased with grant money are not depreciated

***** Replacement is by makes and models that are purchased at the same price. Maintenance and fuel is by individual vehicle

***** A small portion of the per mile rate is the same for all vehicles. Depreciation is calculated and charged by individual vehicle

All valid Salt Lake County make and model vs. Pima County vehicle class comparisons

Salt Lake County	CPM-Total*	VYEAR	VMAKE	VMODEL	Pima	Description of Pima vehicle
Crown Vics	0.61	2003	FORD	Crown Victoria Police	0.546	Sheriff patrol - Crown Vic
	0.59	2004	FORD	Crown Victoria Police		
	0.66	2003	FORD	Crown Victoria LX		
Other Cars	0.65	2003	Toyota	Camry	0.392	Sedan - Non police Crown Vic
	0.39	2003	Ford	Taurus SES		
	0.44	2002	Pontiac	Grand Prix GTP		
	0.36	2002	Dodge	Intrepid ES		
Passenger & Mini Vans	0.37	2002	Chevrolet	Monte Carlo 2dr Cpe SS	0.469	Van - Pass., Mini, and Cargo
	1.67	2002	Ford	15 Pass Van E-350 XLT		
	1.53	2003	Ford	15 Pass Van E-350 XLT		
	0.35	2003	Chevrolet	Wheel Chair Van		
	0.87	2003	Ford	Windstar LX 7 Pass		
Cargo Vans	0.96	2002	Ford	Windstar LX 7 Pass Van	0.469	Van - Pass., Mini, and Cargo
	1.03	1997	Dodge	1 Ton Cargo Van		
	1.34	1997	For Unit# 10553	Roof Conversion-4823		
	0.63	2002	Ford	1 Ton Cargo Van E-350 Super		
	0.74	1997	Dodge	3/4 Ton Cargo Van		
	0.57	2001	Ford	1/2 Ton Cargo Van E-150		
	0.61	2002	Ford	1/2 Ton Cargo Van E-150		
	0.56	2003	FORD	1/2 Ton Cargo Van E-150		
	0.50	2003	Chevrolet	Astro Cargo Van		
	0.56	2002	Chevrolet	Astro Cargo Van AWD		
0.54	2003	GMC	Savana Cargo Van 2500 155 RWD			
SUVs	0.57	2002	Ford	Escape XLT Sport 4x4	0.534	Utility Vehicle - Blazer, etc.
	0.80	2003	Ford	Expedition Eddie Bauer		
	0.71	2003	FORD	Expedition XLT 4WD		
	0.58	2003	Ford	Explorer 2 dr XLT Sport		
	0.49	2003	Ford	Explorer 4dr XLT Sport		
	0.63	2003	FORD	Explorer XLT 4dr 4x4		
	0.63	2002	Ford	Explorer XLT 4x4		
	0.88	2003	Chevrolet	Suburban 4dr 2500 LS		
	0.91	2003	Chevrolet	Suburban 4dr 2500 LS 4WD		
0.49	2002	Chevrolet	Tahoe Police 4WD	0.586	Extended Utility Vehicle-	
Dump Trucks	4.84	2001	International	6-Wheel Dump	1.096 1.114	Dump Trucks Truck 34-64 GVW with REP Value
	3.18	2003	International	6-Wheel Dump		
	7.22	2001	International	6-Wheel Dump 4x4		
	1.28	2003	International	6-Wheel Dump Hooklift		
	3.65	2003	International	6-Wheel Dump RDS		
	2.90	2001	International	10-Wheel Dump		
	2.60	2003	International	10-Wheel Dump		
	3.06	2002	International 25	10-Wheel Super Dump		
Pick-up Trucks	0.39	2002	Chevrolet	Silverado 1500 ExtCab 6.5' LS 4WD	0.47	Pickup 4X4
	0.64	2002	Chevrolet	Silverado 2500 ExtCab 8' LS 4WD		
	1.12	2002	Chevrolet	Silverado 2500 RegCab 6' LS 4x4		
	0.72	1999	Dodge	Dakota 6' bed		
	0.57	2001	Dodge	Dakota Club Cab Sport 4x4		
	0.37	2002	Dodge	Ram 2500 QuadCab 6.5' 4WD		
	0.97	2002	Ford	Ranger Supercab XLT 4x4		
	0.89	2003	FORD	Ranger Supercab XLT 4x4		
	0.69	2002	Ford	F-150 RegCab 8' XLT 4x4		
	0.63	2003	FORD	F-150 RegCab 8' XLT 4x4		
	0.37	2003	Ford	F-150 RegCab Flareside 6' XLT 4x4		
	0.64	2002	Ford	F-150 SuperCab 6' XLT 4x4		
	0.57	2003	FORD	F-150 SuperCab 6' XLT 4x4		
	0.83	2002	Ford	F-150 SuperCab 8' XLT 4x4		
	0.75	2003	FORD	F-150 SuperCab 8' XLT 4x4		
	0.66	2002	Ford	F-250 RegCab 8' XLT 4x4		
	0.90	2001	Ford	F-250 SuperCab 6' XLT 4x4		
	0.96	2002	Ford	F-250 SuperCab 6' XLT 4x4		
	0.89	2003	FORD	F-250 Supercab 6' XLT 4x4		
	1.22	2003	Ford	F-250 SuperCab 8' 4x4		
6.76	2002	Ford	F-550 RegCab DRW XLT4x4			
2.09	2004	FORD	F-650 RegCab 212 XLT 4x2			

All valid Salt Lake County make and model vs. Pierce County vehicle class comparisons

Salt Lake County	CPM-Total*	VYEAR	VMAKE	VMODEL	Pierce	Description of Pierce vehicle		
Crown Vics	0.61	2003	FORD	Crown Victoria Police	0.54	Auto, Full Size, 4 door, Sheriff - Crown Vic		
	0.59	2004	FORD	Crown Victoria Police				
	0.66	2003	FORD	Crown Victoria LX				
Other Cars	0.65	2003	Toyota	Camry	0.50	Assessor Vehicles - Most Taurus		
	0.39	2003	Ford	Taurus SES	0.35	Auto, Intermediate, 4 door, Taur		
	0.44	2002	Pontiac	Grand Prix GTP	0.43	Unmarked Sheriff, 75% Taurus 25% Malibu		
	0.36	2002	Dodge	Intrepid ES				
	0.37	2002	Chevrolet	Monte Carlo 2dr Cpe SS	0.33	Auto, Full Size, 4 Door - CV		
Passenger & Mini Vans	1.67	2002	Ford	15 Pass Van E-350 XLT	0.62	Van, 3/4 ton, 15 Passenger		
	1.53	2003	Ford	15 Pass Van E-350 XLT				
	0.35	2003	Chevrolet	Wheel Chair Van				
	0.87	2003	Ford	Windstar LX 7 Pass				
	0.96	2002	Ford	Windstar LX 7 Pass Van			0.60	Van, 1/2 ton, 7 Passenger
Cargo Vans	1.03	1997	Dodge	1 Ton Cargo Van	1.50	Van, 1 ton, High Cube Body		
	1.34	1997	For Unit# 10553	Roof Conversion-4823				
	0.57	2001	Ford	1/2 Ton Cargo Van E-150				
	0.61	2002	Ford	1/2 Ton Cargo Van E-150				
	0.56	2003	FORD	1/2 Ton Cargo Van E-150			0.58	Van, 1/2 ton, Utility Body
	0.50	2003	Chevrolet	Astro Cargo Van				
	0.56	2002	Chevrolet	Astro Cargo Van AWD				
	0.54	2003	GMC	Savana Cargo Van 2500 155 RWD				
SUVs	0.57	2002	Ford	Escape XLT Sport 4x4	0.42	Truck, Sport Utility, 1/4 ton, 4 door - 4x4		
	0.80	2003	Ford	Expedition Eddie Bauer	0.55	Truck, Sport Utility, 3/4 ton Truck, Sport Utility, 1/2 ton		
	0.71	2003	FORD	Expedition XLT 4WD				
	0.49	2003	Ford	Explorer 4dr XLT Sport				
	0.63	2003	FORD	Explorer XLT 4dr 4x4				
	0.63	2002	Ford	Explorer XLT 4x4				
	0.49	2002	Chevrolet	Tahoe Police 4WD				
Motorcycle	2.93	2002	Harley Davidson	FLHPI			2.00	Motorcycle

* Salt Lake County CPM calculations do not include the \$288 per vehicle Fleet overhead charge that organizations also pay annually. This charge would add .01 to .04 cents per mile to the CPM for most vehicles, depending on mileage.

All valid Salt Lake County make and model vs. Sacramento County vehicle class comparisons

Salt Lake County	2004 Repl*	Monthly*	CPM-Mnt&Gas	VYEAR	VMAKE	VMODEL	Sac Annual FC	Sac Mnthly FC	Sac Per mile rt	Description of Sacramento Vehicle				
Crown Vics	4,903.95	408.66		2003	FORD	Crown Victoria Police	5,820.00	485.00	0.42	Sheriff's Patrol Car - Crown Vic				
	4,675.00	389.58	0.29	2004	FORD	Crown Victoria Police								
	5,341.00	445.08	0.32	2003	FORD	Crown Victoria LX								
Other Cars	3,590.43	299.20	0.19	2003	Toyota	Camry	4,116.00	343.00	0.16	Compact, 4-6 cylinder				
	3,660.00	305.00	0.14	2003	Ford	Taurus SES								
Passenger & Mini Vans	5,704.34	475.36		2002	Ford	15 Pass Van E-350 XLT	3,252.00	271.00	0.27	3/4 ton van - Cargo or Pass				
	5,024.53	418.71	0.45	2003	Ford	15 Pass Van E-350 XLT								
	6,694.00	557.83	0.12	2003	Chevrolet	Wheel Chair Van								
	5,251.00	437.58		2003	Ford	Windstar LX 7 Pass								
Cargo Vans	6,046.00	503.83	0.23	2002	Ford	Windstar LX 7 Pass Van	5,076.00	423.00	0.21	Mini-van				
	6,356.00	529.67	0.34	1997	Dodge	1 Ton Cargo Van	4,848.00	404.00	0.26	1 ton van - Cargo or Pass				
	2,929.00	244.08		1997	For Unit# 10553	Roof Conversion-4823								
	4,297.00	358.08		2003	FORD	1 Ton Cargo Van E-350								
	4,990.00	415.83		2002	Ford	1 Ton Cargo Van E-350 Super								
	4,297.00	358.08	0.19	2003	FORD	1 Ton Cargo Van E-350 Super								
	4,992.00	416.00	0.28	1997	Dodge	3/4 Ton Cargo Van					3,252.00	271.00	0.27	3/4 ton van - Cargo or Pass
	3,956.00	329.67		2001	Ford	1/2 Ton Cargo Van E-150					3,588.00	299.00	0.32	1/2 ton van - Cargo or Pass
	4,461.14	371.76	0.22	2002	Ford	1/2 Ton Cargo Van E-150								
	3,830.00	319.17		2003	FORD	1/2 Ton Cargo Van E-150								
	4,154.00	346.17		2003	Chevrolet	Astro Cargo Van								
	4,876.92	406.41	0.17	2002	Chevrolet	Astro Cargo Van AWD								
3,809.95	317.50	0.17	2003	GMC	Savana Cargo Van 2500 155 RWD									
SUVs	4,566.62	380.55		2003	Ford	Escape XLT 4WD	8,940.00	745.00	0.23	Sport Utility Vehicle - all sizes				
	4,938.29	411.52	0.18	2002	Ford	Escape XLT Sport 4x4								
	9,987.00	832.25	0.24	2003	Ford	Expedition Eddie Bauer								
	9,302.34	775.19	0.31	2003	FORD	Expedition XLT 4WD								
	4,920.54	410.04	0.11	2003	Ford	Explorer 2 dr XLT Sport								
	5,400.00	450.00		2003	Ford	Explorer 4dr XLT 4WD								
	5,588.55	465.71	0.11	2003	Ford	Explorer 4dr XLT Sport								
	6,105.69	508.81	0.28	2003	FORD	Explorer XLT 4dr 4x4								
	6,105.58	508.80		2002	Ford	Explorer XLT 4x4								
	6,842.48	570.21		2003	Chevrolet	Suburban 4dr 2500 LS								
	7,162.44	596.87	0.34	2003	Chevrolet	Suburban 4dr 2500 LS 4WD								
	7,540.00	628.33		2002	Chevrolet	Suburban Comerical 4WD								
6,494.01	541.17	0.08	2002	Chevrolet	Tahoe Police 4WD									
Pick-up Trucks	6,187.67	515.64	0.22	2002	Chevrolet	Silverado 2500 ExtCab 8' LS 4WD	5,280.00	440.00	0.32	3/4 ton truck, 4 X 4				
	5,607.50	467.29	0.45	2002	Chevrolet	Silverado 2500 RegCab 6' LS 4x4								
	5,739.45	478.29	0.35	2002	Ford	F-250 RegCab 8' XLT 4x4								
	5,430.00	452.50		2001	Ford	F-250 SuperCab 6' XLT 4x4								
	6,169.83	514.15		2002	Ford	F-250 SuperCab 6' XLT 4x4								
	5,316.39	443.03	0.42	2003	FORD	F-250 Supercab 6' XLT 4x4								
	5,237.18	436.43	0.61	2003	Ford	F-250 SuperCab 8' XLT 4x4								
	6,213.89	517.82		2002	Ford	F-250 SuperCab 8' XLT 4x4								
5,410.37	450.86		2003	FORD	F-250 SuperCab 8' XLT 4x4									
Motorcycle	3,249.92	270.83	1.02	2002	Harley Davidson	FLHPI	7,896.00	658.00	0.35	Motorcycle				

* Salt Lake County 2004 Repl, and the resulting monthly replacement charge, does not include the \$288 per vehicle Fleet overhead charge that organizations also pay annually. However, it was included in the Salt Lake County total cost when this amount was used to compare to a theoretical total cost in order to settle a split decision as to the lower cost County.



CELEBRATING OUR
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150 YEARS OF SERVICE
1852 – 2002

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SALT LAKE COUNTY AUDITOR'S OFFICE

CRAIG B. SORENSEN, AUDITOR

November 7, 2003

Sheriff Aaron Kennard
Salt Lake County Sheriff's Office
2001 S State Street, Suite S2700
Salt Lake City, UT 84190-1423

RE: Review of Sheriff's fleet replacement and maintenance accounts

Dear Sheriff Kennard:

At the request of County Council staff and as a result of discussions with your office, we recently reviewed certain aspects of the Sheriff's fleet replacement and maintenance charges and credits during budget years 1995 to 2004. The main focus of this review was to determine if your office had both received and taken the appropriate amount of credit in relation to the withdrawal of helicopters and vehicles from the Fleet Replacement Program.

As we will discuss later in this letter, current Countywide policy does not address a partial, yet permanent, withdrawal of vehicles from the replacement program. Therefore, we make no assertion as to the appropriateness of returning replacement/maintenance funds to a user organization when such a partial withdrawal occurs, as happened in this case. However, we note that Fleet took action to allow such credits in this situation. This action should be evaluated through appropriate County policy review mechanisms and may be included in a revised Countywide policy. We essentially relied on the validity of this action for purposes of this review.

Over the course of this review, we met and coordinated with your fiscal people and fleet management to clarify and validate important transactions. On Monday, October 27th, we had a final meeting with Jared Davis and Scott Jorges of your office, Nick Morgan and Craig Miller from Fleet, and Darrin Casper from the Council staff. During this meeting, a consensus agreement on the appropriate amount of credit was reached, thereby resolving this specific issue. The major points identified and agreed to during our review, on which general consensus was achieved, are:

- **The total of previously agreed upon credits allowed and taken resulted in the Sheriff's Office accruing a net excess credit of \$63,459.**

- **A total of 65 vehicles, 18 more than previously identified and credited, were removed from the Sheriff's Fleet from budget year 2001 to budget year 2004, and were deemed eligible for calculation toward the appropriate, cumulative credit.**
- **A net underpayment of "fleet maintenance" charges in budget years 1999 and 2000 was identified as an additional credit taken by the Sheriff's Office.**
- **The previously agreed upon net excess credit taken, plus the additional vehicle credit allowed, minus the additional maintenance credit taken, as agreed to by Fleet Management, results in an additional \$205,163 credit to the Sheriff's Fleet account.**
- **Countywide Policy #1302, "Vehicle Replacement," needs to be updated to address permanent reductions in the number of vehicles used by an organization and related issues.**

The total of previously agreed upon credits allowed and taken resulted in the Sheriff's Office accruing a net excess credit of \$63,459. A summary of credits allowed and taken as shown on documents submitted to us by the Sheriff's Office and Fleet Management, that were, after a fair review and discussion, mutually agreed to in an initial meeting on this subject on October 8th, is presented below.

<u>Credits Allowed</u>	<u>Credits Taken</u>
Reduction of 47 vehicles	2002 Replacement
The return of vehicle replacement funds (\$20,798 per vehicle) for 47 vehicles permanently reduced from the Sheriff's fleet from budget year 2002 to 2003: \$977,506	The amount of the Sheriff's 2002 Vehicle Replacement assessment from Fleet that was not budgeted for, or paid by, the Sheriff: \$301,286
Return of Air Replcmnt. and Maint.	2002 Maintenance
The return of the remaining funds held by Fleet for the replacement and maintenance of the Sheriff's helicopters, which were previously sold: \$944,040	The amount of the Sheriff's 2002 Maintenance assessment from Fleet that was not budgeted for, or paid by, the Sheriff: \$433,215
Continued on next page	

<u>Credits Allowed (continued)</u>	<u>Credits Taken (continued)</u>
	2003 Replacement The amount of the Sheriff's 2003 Vehicle Replacement assessment from Fleet that was taken as a one time offset and was not paid by the Sheriff: <p style="text-align: right;">\$1,250,504</p>
Total Credits Allowed: \$1,921,546	Total Credits Taken: \$1,985,005
	The difference between totals = net excess credit: <p style="text-align: right;">(\$63,459)</p>

During this initial meeting, the accuracy of the \$944,040 balance remaining for the replacement and maintenance of helicopters was questioned, as documents from our office indicated that more funds may have been paid by the Sheriff's Office to Fleet for that purpose. However, we researched the associated journal vouchers and other documentation related to this issue during our review, after the initial meeting, and determined that \$944,040 was the correct balance of available credit related to the Sheriff's air operations.

We would also note here a concern of our office regarding the source and use of the public funds which provided the funding for the replacement and maintenance of the helicopters. The source of these monies was clearly the County's General Fund. However, our analysis indicates that \$822,316 of the \$944,040 credit was used to offset expenses related to Municipal Service Fund operations in 2002 and 2003. A possible solution to this problem would be to transfer \$822,316 from the Municipal Service Fund balance to the General Fund balance.

A total of 65 vehicles, 18 more than previously identified and credited, were removed from the Sheriff's Fleet from budget year 2001 to budget year 2004, and were deemed eligible for calculation toward the appropriate, cumulative credit. As shown in the table on Page 2, the previously agreed upon credit received for the reduction of vehicles was based on a decrease of 47 vehicles from the beginning of 2002 to the beginning of 2003. During our review, we researched this issue thoroughly, and, at the concluding meeting, presented the following year-to-year Sheriff's vehicle count, which was agreed on as accurate by the Sheriff and Fleet representatives at the meeting.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
No. of vehicles	506	503	504	492	445	439
Yr to Yr change		-3	+1	-12	-47	-6
Cumulative permanent change				-12	-59	-65

During the final meeting it was also agreed that the reduction of 12 vehicles from 2001 to 2002 and 6 vehicles from 2003 to 2004 constituted permanent reductions, and thereby were considered eligible for the calculation of an additional credit. We also noted in the meeting that the total 65 vehicle reduction from the beginning of 2001 to the beginning of 2004 correlates well with the number of personnel that were cut from the Sheriff's Office in 2001. In that year, 60 sworn and 24 civilian positions were eliminated, as a result of the circumstances surrounding the passage of Senate Bill 168, which mandated that "Detective Investigations" become a Municipal Services function.

Consequently, Fleet agreed to credit the Sheriff's Office, at \$20,798 per vehicle, for the additional 18 vehicle reduction, for a total of \$374,364. This represents the amount paid by the Sheriff's Office for the replacement of the 18 vehicles which are no longer needed and, as a result, did not require replacement.

It is critical to note that if the Sheriff's Office subsequently needs and requests more than 439 vehicles, the full acquisition cost per vehicle will have to be paid into the replacement fund in the year of the request. This fact was also discussed and agreed upon by all of the meeting participants.

A net underpayment of "fleet maintenance" charges in budget years 1999 and 2000 was identified as an additional credit taken by the Sheriff's Office. During our review, we noted certain previously unexplained differences between Fleet's original maintenance allocation to the Sheriff, based on annual work orders, and the amounts actually paid by the Sheriff's Office for Fleet Maintenance in 1999, 2000, and 2001. We researched these differences and resolved the 2001 discrepancy. However, through our work and discussion of the matter during our concluding meeting, it was determined and mutually agreed that the Sheriff's Office paid \$214,855 less than Fleet's maintenance allocation to the Sheriff in 1999, and \$109,113 more than that allocation in 2000. By agreement, this net underpayment of \$105,742 was essentially to be treated by Fleet as an additional credit taken by your office.

The previously agreed upon net excess credit taken, plus the additional vehicle credit allowed, minus the additional maintenance credit taken, as agreed to by Fleet Management, results in an additional \$205,163 credit to the Sheriff's Fleet account. A summary of the proper and agreed upon credits, as discussed in this letter, is presented at the top of Page 5:

Previously agreed upon net excess credit taken:	(\$63,459)
Additional credit received for reduction of 18 vehicles:	\$374,364
Additional credit taken through underpayment of maintenance:	<u>(\$105,742)</u>

Total net additional credit to the Sheriff's Office: \$205,163

The meeting participants agreed that this credit would be taken as a decrease to the Sheriff's 2004 Vehicle Replacement charge, and would be spread on a pro-rata basis among the Sheriff's five budget organizations. This modification has been accomplished and is part of the Mayor's proposed adjustments to the Vehicle Replacement object codes in those five budget organizations.

Countywide Policy #1302, "Vehicle Replacement," needs to be updated to address permanent reductions in the number of vehicles used by an organization, and related issues. Currently, this policy only addresses the case of a complete withdrawal from participation in the vehicle replacement program. The policy does not include procedures for handling a permanent reduction in the number of vehicles held by an organization. In the case of a complete withdrawal, section 2.2 of the policy states, *"Funds accumulated for the replacement of vehicles returned to Fleet Management will stay with those vehicles and will not revert to the prior using organization, except in the case of special fund vehicles"*.

However, in this situation with your office, Fleet returned replacement monies to an organization when a permanent reduction occurred. This approach should be reviewed for appropriateness by the County's Steering Committee and, if approved, formalized in a revision to Countywide policy. If the return of replacement funds to organizations when permanent reductions occur is formally adopted, the policy should also be updated to include specific procedures describing how the transfer of these funds between the user organization and Fleet should occur. Any other pertinent, related issues should also be addressed.

Consequently, during our concluding meeting we discussed the establishment of a committee that would re-draft Countywide Policy #1302. This committee should include a representative from Fleet and Public Works Operations, the Sheriff's, District Attorney's and Auditor's Offices, and a representative from the County Council. We would recommend that this committee be established and begin its work as soon as possible after the conclusion of the 2004 budget setting process.

To assist this committee with its task, our office would request that Fleet make a presentation at the first meeting detailing replacement and maintenance charges to each user organization, including the specific inflation and salvage value assumptions used. This presentation should also include the corresponding actual results of sales and subsequent purchase of replacement vehicles by organization, for the most recently completed cycle of charges and sales. This analysis will help the committee make a determination as to the most appropriate handling of replacement funds when a partial vehicle reduction occurs.

Furthermore, because of the complex nature of the Fleet replacement calculations, the significant use of estimates in making those calculations, and the substantial dollar impact of the Fleet fund on the County as a whole, it may be prudent for Fleet to make a presentation, such as the one described above, on an annual basis to the County Council.

Sheriff Aaron Kennard

November 7, 2003

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This possibility can also be discussed, and consideration given to including the requirement for such a presentation in the policy, by the newly formed committee.

Sincerely,

Craig B. Sorensen
County Auditor

cc: The County Council Executive Committee:

- Council Chair Michael Jensen
- Councilman Joe Hatch
- Councilman Russell Skousen

Mayor Nancy Workman

David Marshall

Darrin Casper

Nick Morgan

Jared Davis

Larry Moeller

Dick Nixon

Lance Brown

Jim Wightman