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To: The Honorable Mary Sue Rich, President of the Council
The Honorable John McLeod, President Pro Tem
The Honorable Suzy Heinbockel
The Honorable Jay Musleh
The Honorable Daniel Owen
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: March 1, 2013

Re: Genuine Parts Company – National Automotive Parts Association Contract Review

Please find attached the Genuine Parts Company – National Automotive Parts Association Contract Review Internal Audit Report. As requested by Councilwoman Suzy Heinbockel, Internal Audit reviewed the agreement between the City and Genuine Parts Company (NAPA) to provide full service parts room integrated management effective March 1, 2012 – 2017. The attached document details Internal Audit's observations and recommendations along with Management's response and action plan.

Based upon the review, the average monthly parts expense has increased since the inception of the agreement with NAPA. Since the review, Management has proactively improved contract management oversight and initiated improvements to processes and procedures. We recommend that Management continue to assure that contract terms and contract performance are met, any deficiencies are resolved timely, and continually assess the need for amending the terms of the agreement that may hinder the opportunities that such contracts typically provide. We also recommend that Management continue to assess the effectiveness and operational efficiencies of the contract to assure that continuation of the contractual arrangement is beneficial to the City.

We appreciate the assistance provided by Fleet and Facilities, especially Carolyn Dixon and Patti Blanton, Fleet and Facilities, and Tiffany Kimball, Contract Manager, Finance.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits 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 observations and conclusions.

Jeanne Covington

Jeanne Covington, Internal City Auditor

c: Sandra Wilson, Assistant City Manager, Support Services
Chris Dobbs, Director, Fleet and Facilities
Tiffany Kimball, Contract Manager, Finance

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Genuine Parts Company – National Automotive Parts Association Contract Review
Audit Wrap-up Conference: February 25, 2013

Participants: Chris Dobbs, Director, Fleet and Facilities; Robert Barnes, Division Head, Fleet; Carolyn Dixon, Fleet and Facilities Administrative Supervisor; Sandra Wilson, Assistant City Manager, Support Services; Jeanne Covington, City Auditor; Tiffany Kimball, Contract Manager

As requested by Councilwoman Suzy Heinbockel, Internal Audit reviewed the agreement between the City and Genuine Parts Company (NAPA) to provide full service parts room integrated management effective March 1, 2012 – 2017. NAPA serves as a turnkey parts room management service to provide new, original equipment manufacturer (OEM) parts, or quality remanufactured parts for use in repairs and maintenance of the City's fleet and equipment, shop chemicals, supplies, and related items, staffing and software systems.

Internal Audit met with Carolyn Dixon and Sandra Wilson on November 13, 2012 to discuss the issues identified during the review at which time, Internal Audit expressed their appreciation for the courtesy and cooperation during the review from Fleet and Facilities personnel and NAPA personnel. Since that meeting, Management has been addressing the issues, working closely with Internal Audit.

Purpose: To review the contractual terms of the agreement with NAPA and analyze expenses incurred since the agreement's inception.

Scope: Parts expenditures for the period of October 1, 2010 – October 31, 2012 and NAPA operating expenses for the period of March 1 – September 30, 2012.

Approach: Reviewed parts expense for 17 months prior to the agreement and for 8 months of the agreement. Reviewed NAPA operating expenses for 7 months.

Conclusion: Based upon the audit, the average monthly parts expense has increased 34% since the inception of the agreement with NAPA. The operating expenses average approximately $6,800 per month. Internal Audit was unable to identify quantifiable efficiencies resulting from the first 8 months of operations by NAPA. We recommend that management review the contract terms, contract performance, and assess the effectiveness and efficiencies of the contract to determine if continuation of the contractual arrangement is beneficial to the City. If it is determined that continuation of the current contractual arrangement is not beneficial to the City, we recommend that management research the opportunities provided by other contracts offered by the National Joint Powers Alliance and US Communities Purchasing Alliance. If management determines that the current contractual relationship with NAPA should continue, consideration should be given to amending the terms of the agreement that are hindering the opportunities that such contracts typically provide and management must implement proactive contract management controls to ensure cost efficiencies are achieved.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits 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 observations and conclusions.

Observations, Recommendations, and Management's Response

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Management Operating Expenses	Management entered into an agreement with NAPA to manage the parts room beginning March 1, 2012. Through October 2012 (8 months), total operating costs for managing the parts room totaled $55,743. Since the audit, additional invoices for managing the parts room through January 31, 2013 bring the total operating costs for 11 months to $74,500 or an approximate average monthly cost of $6,800. We reviewed the NAPA operating expense invoices from March – September 2012 that included a copy of NAPA's Profit and Loss Statement (P/L). Fleet Management has not received any documentation to substantiate the invoiced operating expenses. NAPA operating expenses include: • Salaries and benefits for the 2 NAPA parts room employees • Delivery vehicle insurance • General Liability insurance • Office supplies • Store expenses • Data line connection (TAMS) • Computer Maintenance (TAMS) • Freight (for rush deliveries) • Vehicle Maintenance (fuel) • Payroll accounting expenses are calculated at .5% of sales per the P/L • General office expenses are calculated at .49% of sales per the Profit and Loss Statement. The total sales per the P/L do not agree to the parts costs billed to the City. For the period audited, the amount invoiced and paid by the City for parts is $6,700 more than the sales reported on the P/L.	The NAPA Agreement Scope of Services states that: • the fee for operating a turnkey parts room management service will be a flat 10% of total sales, which represents NAPA's operating margin, and • Expenses related to running the parts operation will be reimbursed to NAPA using a Profit and Loss Statement provided monthly to the City in the form of an invoice, along with all supporting documentation substantiating the cost. • No insurance is provided by the City to cover NAPA and Business and Auto Liability insurance is required and shall be provided and maintained by NAPA. The contract does not stipulate that operating expenses will be based upon a percentage of sales.	The City should not reimburse for any future operating expenses unless fully supported by appropriate documentation, are allowable under the terms of the contractual agreement, and are necessary for the management of the parts room. If expenses will be based upon a percentage of sales, NAPA should provide a copy of a certified overhead audit, which will substantiate the appropriate percentage of sales for these corporate expenses.	NAPA billed for operating expenses on the P/L, but did not provide supporting documentation. NAPA is now providing copies of paid invoices for supplies and fuel and Kronos payroll reports to support personnel time worked. Management has requested a copy of NAPA's certified overhead audit to substantiate the overhead percentage for accounting and office expenses. NAPA provides and maintains its own insurance; however, it was charged as an operating expense. The contract does not clearly state who is financially responsible for the cost of insurance. Since the audit, NAPA has agreed to no longer bill for insurance. NAPA has changed staffing of the parts room from two full time employees to a manager with vast parts room experience and a part-time employee (25-29 hours per week) with no benefits. This will result in an overall decrease to personnel costs.
			The City's management of the parts room required 1 ½ City employees at an annual cost of salaries and benefits of $ 88,658. Other personnel, including service technicians, covered the parts room for vacation and sick days, removing these employees from their daily duties. Estimating at 60 hours per year, the annual cost for this coverage was $ 1,740. Technicians often were required to retrieve parts from suppliers. Estimating at 100 hours per year, the annual cost was $2,900. Therefore, the cost of City personnel staffing the parts room was approximately $93,300 annually or $7,775 per month, which is higher than NAPA's monthly average cost of $6,800. Additionally, Fleet and Facilities was able to eliminate a position with the transition, resulting in annual savings of $45,928. Since the NAPA agreement, significantly fewer invoices are processed, saving time and effort by both Fleet and Finance. NAPA is also considering offering part-time training classes during the day so that more of our employees can attend. This feature alone is a great asset to the City, as the technicians will be provided training at no cost. Currently the classes they offer are at night, which some technicians do attend, but we believe the participation would be greater if held during the day. We have offered our facility for use and it will include other non-city participants to cover the cost for NAPA and the City.	

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Parts Expense	Total Parts expenditures for the first 8 months of the NAPA agreement totaled $660,364. Monthly average cost is $82,546.Total Parts expenditures for the 17 months prior to the inception of the NAPA agreement totaled $1,045,497 or an average monthly cost of $61,500.This represents an average monthly increase of $21K or 34% since the inception of the agreement. Management requested that tires and oil be excluded from the calculation due to the fluctuation in oil prices, which resulted in an average increase of 26%. We also compared the monthly NAPA parts expenditures to the same calendar months of 2011 (at which time the City managed the parts department). The total expenditures under the NAPA contract from March – October 2012 compared with March—October 2011correlated with the same 34% average increase. Although not audited, the analysis was carried out through January 2013. For the 11 months of the NAPA contract, Total Parts expenditures totaled $ 814,395or $ 74,036 average per month. Compared with the same 11-month period under City management, this represents an increase in parts expense of 22%. We were unable to substantiate that the current "Jobber net" (wholesale) pricing is being utilized by NAPA, as this information is only available to parts distribution retailers.	Per the agreement, NAPA intends to manage the City's annual parts expenditure, approximately $720,000, with an objective to meet or exceed the level of service that the City provided itself and impart significant savings. The agreement also states that NAPA will continually work to lower the costs of parts acquisition to provide the best price available. As of January 31, 2013, the parts expenditures incurred with the NAPA agreement for 11 months exceed the contract annual expectation by $94, 395.	Based upon the analysis of parts cost, we recommend that management assess the cost effectiveness of the NAPA agreement. If management determines that the NAPA agreement is not cost effective, we recommend that Management research the benefits of utilizing the parts inventory management and procurement opportunities provided by the National Joint Powers Alliance awarded contract with NAPA and the US Communities Government Purchasing Alliance with CARQUEST.	Costs of parts fluctuate month to month for required repairs, especially due to the fluctuations in oil costs and its effect on petroleum based products. Accidents and age of vehicles also factor into the number of parts required for repairs. "Jobber net" pricing that we receive from NAPA is input by NAPA Headquarters based upon manufacturer supplier pricing. This is not pricing that manufacturers provide to independent agencies or businesses. It is correct that we cannot verify the jobber pricing nor does any other entity. The jobber that the City receives is the same pricing as any other entity with a NAPA contract that states Jobber net pricing. The standard in the industry is to receive Jobber net pricing from the vendor, not the manufacturers. Management will periodically perform a quality control check by independently contacting other governmental agencies that have contracted with NAPA and compare prices of 5 items to ensure that the City is receiving the same pricing as other entities that have contracted for prices based upon Jobbernet prices.

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Parts Expense	Internal Audit compared prices for 42 parts that are not stocked by NAPA and were purchased from third party vendors with the costs that the City paid for these items from the same vendors prior to the agreement. The cost through NAPA for these items was $1,268.91 higher. We also compared NAPA's cost for 31 of the 42 items with the current governmental pricing to account for price increases over time. For the 31 items, the City paid $802.28 more through NAPA than if the City had purchased the parts directly from the third party vendors.	For items purchased from a third party vendor, NAPA charges the City the cost of the item plus 10%. NAPA is not able to obtain preferential governmental pricing from some third party vendors. Some vendors will not sell directly to NAPA. Parts purchased from third party vendors by NAPA may exceed the cost for these parts had the City purchased the parts directly, plus 10% is added to the cost by NAPA.	The purpose of the agreement is for NAPA to serve as a turnkey parts room management service. Consideration should be given to removing purchase of non-NAPA stocked items from the agreement to achieve cost efficiencies. Agreements between NAPA and the third party vendors may be possible that would allow NAPA to purchase parts on behalf of the City utilizing preferential government pricing; however, there is the risk that NAPA may utilize preferential pricing to obtain products for customers other than the City. The City would need to monitor these purchases to assure all items purchased by NAPA with preferential, government pricing be solely for the City's use. Per the contract, the City can purchase from third party vendors. Page A-3 second paragraph reads in part -- In the event VENDOR cannot provide a part in a timely manner or at a reasonable cost, VENDOR will agree to allow the City to buy parts.	NAPA has attempted to use local third party vendors. Due to lack of cooperation of some local vendors, NAPA must deal with non-local vendors to obtain best pricing for the City. Initially, Ford of Ocala agreed to provide NAPA with the same pricing as the City. NAPA determined that Ford of Ocala charged NAPA a 25% mark-up whereas the City's mark-up was 10%. Ford of Ocala will not honor the original agreement. NAPA has arranged with Beck Group in Palatka to obtain Ford and Chevrolet parts at 10% above cost. Additionally, Beck Group has agreed to stock items needed and provide free daily delivery to the NAPA City facility. Ford of Gainesville has offered NAPA the same terms. NAPA negotiated with Maudlin Headquarters to obtain the same pricing previously given to the City effective January 16, 2013. E-One or Hallmark will offer NAPA 20% off the published list price, the same pricing received directly by the City. NAPA's heavy truck expert has reviewed product data and some of the bought out parts will be crossed over to NAPA brand eliminating the need to use outside vendors for these products. NAPA is completing a pricing comparison of bought out prices since the inception of the agreement. Credits will be issued for overcharges due to higher third party vendor pricing to NAPA as compared with pricing to the City. The January 2013 billing included a credit of $4,334 for Maudlin purchases and $3,924 for Ford of Ocala purchases. The NAPA agreement does allow the City the ability to purchase directly from a third party vendor if NAPA cannot provide a part in a timely manner or a reasonable cost.

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Parts Expense	We reviewed 11 invoices from March to September that contained at least one item with a unit cost exceeding $1,200. We could not substantiate that 3 quotes were obtained or that the purchased had been approved by the Fleet Director or designee.	The NAPA Agreement Scope of Service states that NAPA will obtain at least three quotes for items that exceed $1,200 and the Fleet director or designee approval is required prior to the purchase. This contract requirement is a control to ensure that high dollar items are necessary and that the best price is obtained.	Procedures should be implemented to document that three quotes are obtained for all items with a per item cost exceeding $1,200 and that the quotes and purchase request is approved by the Fleet Director or his designee prior to the purchase.	Per discussion with NAPA, three quotes have always been obtained for costs exceeding $1,200. However, only the low bid was kept for documentation. The process now requires that the Division Head or designee review all 3 quotes and his sign-off is required prior to placement of the order.
System Integration	NAPA's TAMS computer system was not integrated with the City's Lucity/GBA work order system until October 1, 2012, more than 30 weeks after the start of the NAPA agreement.	The timeframe for the customization to integrate with the City's Lucity/GBA work order system was expected to be completed approximately 6 to 8 weeks after the start of the agreement. Proper contract management requires that all contractual agreements are met within the timeframe stipulated by the agreement.	Management should ensure that the terms of the contract are met within specified time.	This is correct; this process long exceeded the contract requirements. This was not NAPA's breach of the contract. Three parties were required to work together to implement this program which are Lucity, NAPA and the City. Each party had tasks to complete which at times delayed processes. NAPA has not invoiced or received payment from the City for customization of the City's Lucity/GBA work order computer system to TAMS. This is correct that the City does have charges from NAPA regarding TAMS. The fees that we pay are for TAMS software maintenance and a data line for NAPA headquarters.

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
System Access	The integration between TAMS and Lucity/GBA does not provide for a fully automated solution from request to invoice. Currently, technicians are able to order NAPA stocked parts through PROLink. To order non-stocked parts, technicians must request the part through the memo field of PROLink or continue to use the paper Parts Request Form. NAPA personnel continue to enter the parts issued manually, adding the work order task code, into TAMS for invoicing. Monthly, batches of invoices are uploaded to Lucity/GBA from TAMS. NAPA is considering a bar code system to automate entry into TAMS. However, this will still require NAPA personnel intervention. Bar coding will not result in a completely automated point-of-sale (technician requisition) to billing (TAMS invoice) and recording in Lucity/GBA. Prior to the integration, NAPA personnel entered information directly into Lucity/GBA. The City's work order process requires that a task code be assigned to each work order. The task code provides a control to ensure that parts and work performed are appropriate for that task. NAPA personnel must enter the task code into TAMS prior to invoicing. Although task codes and parts could be bar coded, the process will continue to rely on manual intervention by NAPA employees.	The NAPA agreement stipulates that NAPA's TAMS computer system provides a complete point-of-sale, parts catalog, inventory control and replenishment, and reporting software solution. Allowing a vendor to access a City system, which is used to validate the payments to that vendor, increases the risk that misappropriation and unintentional errors could occur which could lead to increased costs. The Lucity/GBA work order system documents the maintenance history for City vehicles and equipment. Reliance on a third party vendor to input this information increases the risk that inappropriate or unintentional errors could occur which would lead to inaccurate maintenance history.	Management should assess the cost effectiveness of the current contractual relationship and inventory management process. If it is determined that the contractual relationship will continue, Management should consider having a City employee housed in the parts room to enter necessary information into the City's GBA/Lucity work order system to eliminate the need for NAPA's access to the system. Additionally, the City employee should reconcile to the technician's receipt of parts prior to NAPA invoicing for the parts.	The City no longer utilizes PROLink for requesting parts, as it was not beneficial to the parts order placement process. PROLink is only used to research NAPA's part availability. Bar coding has eliminated many of the manual steps and double entry that used to occur. All NAPA parts are input at NAPA headquarters; any bought out parts are input into the system allowing NAPA to track cost and usage through the system. Once a part is requested, the part is pulled, scanned, invoice is generated, part is delivered to tech, tech signs invoice, and paperwork is ready to be sent to Fleet Administration the next morning. This eliminates NAPA manually entering each item and technicians waiting to sign invoices as well as paperwork to Administration is streamlined. Fleet Management, IT, and NAPA are currently working on a scanable order form in Lucity, which will eliminate the hard copy parts request and requirement for the request to be delivered to the NAPA parts room. With the bar coding system, the invoice is printed immediately and is available for the technician to sign at the time the part is delivered to the technician. Fleet Administration will review the invoices to assure technicians have signed for parts as invoiced.
System Access	NAPA continues to have administrative rights and direct access to the City's work order system.	Administrative rights grants access to the entire system, which would allow additions, modifications, and deletions to data, program users, and user access. Access that is not required as part of a user's normal business function increases the risk that unauthorized or inappropriate changes or unintentional errors could occur.	Administrative rights should be removed from the NAPA user profile. Management should work with the IT department to ensure that unauthorized or inappropriate changes have not occurred since administrative rights were given to the NAPA user profile. Access for NAPA personnel should be limited to inquiry only to prevent additions, deletions, or changes to equipment maintenance history by non-fleet personnel.	Administrative rights have been removed from NAPA, which were required to import the information from TAMS into the work order system. Fleet Administration has been provided the software for the import of NAPA information to City servers. It is anticipated that Information Technology will complete the setup process to allow Fleet Administration to process the import data for February and going forward.

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Reconciliation Process	Currently, two Fleet Administration employees that previously worked in the parts room review all NAPA invoices for accuracy of extended cost, inclusion of applicable supporting documents, and proper posting of parts to the specific work order in the City's work order system. Validation to the work order is necessary to maintain accurate maintenance history for the City's vehicles and equipment. Current reconciliations do not include substantiating the technician part request to the invoice. NAPA requires each tech to sign the printed invoice; however, this is not done at the time that the tech physically receives the parts. It is done after the invoice is printed. The delay can be days, weeks, or even months from the time parts were issued. Fleet Administration manually enters each invoice into a spreadsheet to recalculate the extended cost and 10% mark-up calculation. The total of all parts invoiced for the month is not validated to the NAPA invoice prior to payment. Of the 50 parts invoices reviewed, we found 11 irregularities: • 4 invoices included parts used based upon the tech's notes on the work order, but had not been posted by NAPA to the work order system and were not billed until requested by Fleet Administration • 3 invoices included parts posted to the work order system but had not been billed until requested by Fleet Administration • 1 invoice had invoiced items at a price lower than the contracted price; Fleet had requested the items be correctly billed at which time NAPA billed the items at a price higher than the contracted price. • 1 invoice included undocumented freight • 1 invoice was a duplicate billing • 1 invoice billed for 4 items; only 2 items were issued	The Exhibit C of the NAPA contract states that the City will only pay NAPA for those items that have been reconciled and properly entered into the City's Lucity/GBA work order system. The current reconciliation process emphasizes identification of undercharges. The process is not effective to assure that payment is made for only parts issued to technicians and that inappropriate and unintentional errors are detected. Since NAPA has considerable intervention in the current process, including access to the City's work order system, strong internal controls require an effective reconciliation process. The intent of the contract is to streamline cost and efficiencies. It appears that the necessary reconciliation controls may exceed the cost and manpower efficiencies that the agreement had hoped to achieve.	Management should assess the cost effectiveness of the current contractual relationship and inventory management process. If it is determined that the contractual relationship will continue, Management's reconciliation process should include a full review of all invoices, including verification to the service technician requests to ensure that the City is billed correctly, and that vehicle repair history is accurate in the GBA/Lucity work order system. The process should be changed to require technicians to sign for parts as they are received rather than signing the NAPA invoice. The delay until the invoice is available hinders the technician's ability to accurately validate parts received, making it an ineffective control. To ensure that the City is only charged for parts received by the technicians, the reconciliation process must include a review of the technicians' parts received with the NAPA invoices. Technicians should not be required to sign the invoices. Management should ensure that the completed review of each invoice agrees to the total monthly invoice prior to payment to NAPA. Any differences should be addressed prior to payment.	Bar coding has eliminated many of the manual steps and double entry that used to occur. The invoice is now generated at the time the parts are pulled which allows the invoice to be signed by the technician at the time parts are delivered. Management has enhanced the Parts reconciliation process which has affected many areas: Fleet Management will now complete the following: • Receive all road calls and dispatch the technicians. • Construction Tire will only communicate with Management. • Work orders are diverted to Light Vehicle Management for review, issues etc. • Open work order report is generated monthly and provided to Management for review With this revised process implemented, it will be more cohesive with the appropriate people reviewing work orders against the vehicles that have come through the shops for repairs to assure the required parts are installed and billed. NAPA now provides a daily excel spreadsheet with all information from the invoices. This eliminates the need for Fleet Administration to manually key the information. Fleet Administration now validates the spreadsheet against the invoices, which have been signed by the technician at the time parts were received. Fleet Administration validates the spreadsheet to the NAPA monthly invoice prior to payment. The light vehicle manager spot checks work orders to the NAPA parts invoices for the respective work orders.

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Construction Tire Purchases	A third party vendor, Construction Tire, routinely inspects tires of the heavy-duty Sanitation fleet vehicles at the City Complex. Tires are repaired on-site. Fleet Administration creates the work order in Lucity/GBA. Construction Tire sends an invoice to NAPA for the parts and sends an invoice to Fleet for the labor. NAPA manually enters the tire purchases into TAMS to generate an invoice that includes the 5% up-charge. The tires are not placed in inventory and NAPA does not physically touch the tires.	NAPA's agreement provides for a 5% up-charge for tire purchases. Since the tires are not brought into inventory and are not handled by NAPA. NAPA is only processing the payment of the invoice, which increases the cost of the tires by 5%. Construction Tire is allowed to independently assess and perform tire repairs or replacement without oversight and authorization by Fleet Management that the repair or replacement is necessary. Reliance on a third party vendor to assess the need for product and/or repairs without Management oversight could lead to inappropriate or unintentional errors and unnecessary costs to the City.	For tires that are not brought into inventory, Construction Tire should bill the City directly and NAPA should not be involved. Management should assess the need for the tire repairs or replacement prior to Construction Tire initiating the work.	This area has had changes to correct the deficiencies with the following process: • Construction Tire inspects tires weekly. Recommended replacements or repairs are reviewed and processed by Fleet Management; Fleet Administration creates the work order. • After the work order is created, Fleet Management schedules the work with the department and with Construction Tire. Only Management will contact Construction Tire for repairs. • The vehicle is brought to Fleet for the repairs. No repair unless roadside or emergencies will be completed outside of Fleet. • Fleet Management will review the invoices and sign off each invoice stating the tires have been received and installed on the proper vehicle. About 5 years ago, Management stockpiled tires due to a pricing increase on the horizon. The City paid carrying costs along with arranging to store the tires at the Central Warehouse. Tire price increases made a drastic jump when tires needed to be purchased again. Within the last year the cost of tires have increased about 20%. Tires are unexpected repairs. For example, a bucket truck had to have 10 tires at a cost of $3,646 due to an accident; a police car had to have 4 tires due to an accident at the cost $1,227. These two cases, which happened just within a couple days, are examples of circumstances that can have a significant impact on product costs.
	NAPA purchases tires from Construction Tire for tires held in inventory through the State of Florida Tire Contract. Invoices from Construction Tire to NAPA indicate that the tires are shipped to NAPA's Jacksonville location. Per discussion with City personnel and Construction Tire, tires are delivered directly to the City's parts room.	The State of Florida Tire Contract is only available to state and local governments. Allowing third party vendors to utilize the contract without proper monitoring could risk the loss of preferential pricing provided by the State contract.	Future invoices from Construction Tire to NAPA should indicate the correct "Ship To" location. Accurate records need to be maintained and reviewed by City staff to ensure that all tires purchased by NAPA utilizing the State of Florida Tire Contract pricing are only used for City purposes.	This was immediately changed when the draft report was issued.

	Observation	*Discussion of Criteria, Cause and Effect*	Recommendations	Management Response
Parts Held for Repair	Vehicle Operators may be allowed to keep their vehicles while parts are ordered from third part vendors for non-emergency repairs until parts have arrived. Once the parts are received by the NAPA parts room the parts are immediately issued and invoices. The parts remain in the custody of the technician until the vehicle is repaired. We identified parts ordered and invoiced to the City on June 15, 2012. As of October 31, the parts have not been installed.	Issuing and billing for parts that will not be immediately used increases the risk of loss and that the parts may not be used and return period may expire.	Parts should be held in inventory until the technician is ready to install the parts on the vehicle. Management should initiate an interdepartmental process to ensure that vehicles that need non-emergent repairs are brought into the Fleet facility as soon as the parts are available.	This issue has been addressed and the Supervisor has made changes. When a bought out part is received, the department is notified and they have 10 working days to have the vehicle brought to Fleet for the repairs. If the vehicle is not brought in within that timeframe, the Supervisor will return the part(s). The departments will be notified at least twice within this period.
Interdepartmental Supplies	Other City departments request parts and supplies directly from the Fleet parts room to be used as needed within the department. This includes items such as oil, windshield solvent. Each part issued through NAPA must be associated with a vehicle or piece of equipment through a work order created by Fleet. Fleet uses a miscellaneous vehicle ID for each department. We reviewed one work order that was assigned to a fire truck rather than using the miscellaneous vehicle ID for Ocala Fire Rescue. Departmental employees are able to request items without authorization.	Assigning parts to a particular vehicle rather than the miscellaneous vehicle ID for the department creates inaccurate maintenance history for that vehicle. All items distributed to other City departments should be supported with proper authorization to ensure that parts are necessary for departmental operations and provide accountability for the departments and staff requesting items.	Management should initiate a formal interdepartmental requisition process that documents general departmental use parts requests. This will ensure accountability and facilitate proper identification of the department's miscellaneous vehicle ID for work order repair history.	There are two departments that this policy mainly affects which is Fire and Electric and the following changes have been made: • Fire - When the Fire Department requires product(s) for their vehicles to be kept on site, a Battalion Chief now must come to Fleet and request the item(s) and sign they received them. • Electric - When they require product(s) to be kept on site, a Supervisor must come to Fleet and request the item(s) and sign they received them. The department miscellaneous key will still be charged for the items as no one has any way to identify the vehicle/equipment. This change has already been implemented.

Internal Audit will continue to work with Management to assess the NAPA contract and will review Management's action plans by June 30, 2013.

Jeanne Covington, City Auditor — 3/1/13

Internal Audit Signature/Title — Date

Fleet/Facilities Director — 3/1/13

Management Signature/ Title — Date

Sandra R Wilson, Acm Support Services — 3/1/13

Executive Leadership Signature/Title — Date