



LIMITED SCOPE AUDIT OF
VEHICLE DAMAGE AND PRIVATE
PROPERTY REPAIR EXPENDITURES

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Report No. 05-25

CITY OF ORLANDO

OFFICE OF AUDIT AND EVALUATION

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CITY OF ORLANDO

MEMORANDUM

To: Kevin J. Edmonds, General Administration Director
Kent Olson, Interim Chief Financial Officer
Alan Oyler, Public Works Director
Michael W. Carroll, Solid Waste Division Manager
Jay R. Goldrick, Risk Manager
Vernon L. "Lee" Whitehurst, Fleet Management Division Manager

From: Beryl H. Davis, CPA, CGFM, Audit and Evaluation Director

Date: September 28, 2005

Subject: Limited Scope Audit of Vehicle Damage and Private Property Repair Expenditures (Report No. 05-25)

At the request of the Deputy Chief of Staff, the Office of Audit and Evaluation has performed a limited scope audit of transactions related to the repair of City vehicles and private property. The objective of the audit was to review the propriety of selected transactions related to repairs to City vehicles and private property damaged by vehicle accidents. We were informed that employees of the Risk Management section raised questions on the propriety of these transactions, including whether the use of ProCards to pay for such repairs is acceptable.

Our examination was conducted in accordance with generally accepted government auditing standards, except that we did not perform tests of data gathered from computer-based resources. This audit included a review of relevant City policies, procedures, and operational practices, comparison of these practices with the practices of other governments, employee interviews and such other procedures as we considered necessary in the circumstances.

We found that the City Policy and Procedure regarding the use of ProCards was not violated as this policy does not specifically prohibit the use of ProCards for vehicle repairs or repairs to personal property that result from vehicle accidents. However, we found that the City Policy and Procedure regarding the reporting of damage to Risk Management was violated. We were informed that Solid Waste plans to rectify this situation. We also learned that while small private property damages are paid without the authorization of Risk Management and vehicle repairs are performed without authorization from Fleet Management, there is no policy requiring such authorizations. We believe that revising appropriate City Policies and Procedures is necessary to clarify that authorization is required and the process for obtaining such authorization. The ProCard may be an acceptable method to pay for these transactions after such authorization is obtained.

We would like to express our appreciation to the managers and employees of your departments for their courtesy and cooperation during this audit.

BHD/am

- c: Honorable Buddy Dyer, Mayor
- Cheryl J. Henry, Chief of Staff
- Joseph M. Robinson, Deputy Chief of Staff
- Byron W. Brooks, Interim Chief Administrative Officer
- Deborah D. Girard, Management, Budget and Accounting Director
- Martha L. "Lee" Lombardy, Assistant City Attorney
- David S. Sloan, Environmental Services Division Manager
- Richard M. Howard, City Engineer
- Jon Mead, C.P.M., Purchasing and Materials Management Director

SUMMARY OF RECOMMENDATIONS AND RESPONSES

RECOMMENDATIONS	RESPONSES
1. The Solid Waste Division Manager should institute practices that will ensure all incidents/accidents are properly reported to Risk Management through its electronic reporting system.	Concur with reservations
2. The Risk Manager should establish standards and develop City Policies and Procedures for making payments related to damages to personal property caused by City employees.	Concur
3. The Risk Manager should gather ideas for possible innovative solutions to pay private property owners for small repairs and consider including these in City Policies and Procedures.	Partially Concur
4. The Fleet Management Division Manager should establish standards and develop City Policies and Procedures to require that the Division: a) perform vehicle maintenance in-house or b) approve any vehicle maintenance performed by an outside vendor.	Concur

ISSUES AND RECOMMENDATIONS

Objective	The objective of the limited scope audit was to review the propriety of selected transactions to repair vehicles and private property caused by vehicle accidents.
Scope	The scope of this audit was limited to selected transactions of the Solid Waste Division for repairs to property and equipment that occurred between January 1 and May 30, 2005. In addition, we gathered information on the practices of other City divisions (Streets, Parks, Risk Management and Fleet Management) regarding repair expenditures.
Methodology	We reviewed City Policies and Procedures, interviewed key managers of several divisions to determine current practices and surveyed selected local governments regarding their practices in this area. We also reviewed the ProCard transactions of the individual in the Solid Waste Division who is assigned the task of paying for repairs to vehicles and personal property.
Introduction	Our review was initiated after two types of expenditures were deemed questionable by individuals who became aware of the transactions. These expenditures were: 1) payments to repair private property damaged by City employees/equipment and 2) payments to outside vendors to repair City vehicles. We reviewed the circumstances of these uses, inquired about the practices of the divisions involved (Solid Waste, Streets, Parks, Risk Management and Fleet Management) and reviewed the associated City Policies and Procedures related to the issues raised. The following sections summarize these issues and, overall, demonstrate a need for the affected divisions to resolve these issues and create formal guidance for employees.
Improve reporting of incidents to Risk Management	We learned that, periodically, the operators of the heavy equipment used by the Solid Waste Division cause both small and large damage to private property. When small damages are caused, it has been the practice of the Solid Waste Division to repair the damage or otherwise make the customer “whole.” The

supplies for these repairs, which in most cases are mailboxes, are sometimes paid for using a ProCard assigned to a supervisor in Solid Waste.

In order to determine the extent of these occurrences, we reviewed recent ProCard statements of the Solid Waste Division individual who is responsible for paying for repairs made to private property and have listed these transactions on Appendix A. We also compared these purchases to Incident/Accident Reports filed electronically with the Risk Management section. We learned that six of the nine incidents that caused these purchases were not properly reported to Risk Management as required by City Policy 401.6 Damage Assessment.

The Solid Waste Division Manager asserted that he instructs his employees to report all incidents of damage to equipment or property. The results of our comparison of ProCard transactions and damage reports to Risk Management indicates that when mailboxes or garbage cans were damaged, Solid Waste did not report these incidents to Risk Management. The Solid Waste Division Manager has stated that he plans to reiterate to Solid Waste employees the importance of reporting all accidents/incidents and has indicated that he would like the Risk Management section to assist this effort by informing him directly of any incidents that come to their attention that have not been properly documented on the Incident/Accident Form.

Recommendation 1. We recommend the Solid Waste Division Manager institute practices that will ensure all incidents/accidents are properly reported to Risk Management through its electronic reporting system.

Response We concur with reservations. It is the policy of the Solid Waste Management Division that all accident or incidents with damage (as well as injuries) be reported to Risk Management as required by City Policy. This would include mailboxes. If the damage is to a critical function, we want to make the affected party functional ASAP. This has resulted in our calling emergency repair services to reconnect the water, power, phone, or replace the front window of a business as well as replacing a

mailbox (to allow the continuation of mail service). We see this as important from both a customer service and public relations perspective. We need to create a feedback loop with Risk Management personnel to ensure the Solid Waste is notified when Risk Management learns of a claim that has not been reported as required by policy. This will allow the Solid Waste Management Division to take appropriate corrective action for violations of this Policy.

In addition, both Solid Waste and Risk Management should be charged with improving the reporting process. The creation of the electronic reporting system was a significant improvement; however, this application cannot be accessed by I-Notes users (field level supervisors). Solid Waste management directs reports be written and corrective action (discipline or training) occur when we learn about an incident that has not been reported. Communication of reporting errors has improved in the last several months. In addition, Solid Waste is interested in ideas for improving our compliance with accident report policy.

Solid Waste has not traditionally reported allegations of damage or loss of trashcans to Risk Management. In the Solid Waste business, trashcans are considered a consumable much like gloves. Basic trashcans cost about \$9.00 each and we try to utilize the cans carried by City Stores and replace about one or two per month. A few times per year the can damaged has wheels or is of an unusual size driving up the cost to as high as \$59.00.

We also have not reported instances when a customer claims our crews threw away other minor items the customers maintains they did not intend to discard. These items were left near the trash pile on garbage day and customer maintained that the crew mistook them for garbage.

Establish standards and policies to authorize payments for small repairs

As shown on Appendix A, the repairs paid directly by the Solid Waste Division between January and May 2005 indicate repairs ranging from \$13 for the purchase of a replacement mailbox to \$572 to replace a damaged window. When we discussed these instances with Risk Management, they expressed concern that, while one instance was reported to Risk Management on the Accident/Incident Form, all of these payments were made without obtaining Risk Management's authorization. Risk Management believes that some cases of paying directly for repairs may cause problems for the City. These problems include the possibility that the property owner affected will believe that the City is responsible for the repair and will call when the repair is not complete or needs further work to maintain. Also, in these cases, no action is taken to ensure that the property owner will release the City by acknowledging acceptance of the repair and will not make further damage claims.

We inquired with Risk Management about the regular practice of paying for repairs when damage to private property is caused by City employees. It was explained that after the incident/accident is reported to Risk Management, a claim is created and property owners are advised by a Claims Adjuster to make a repair. Then, receipts for such repairs are submitted to Risk Management, which processes a reimbursement check to the property owner. In some isolated cases, Risk Management may authorize an expedited repair to be performed by the affected division after it is informed about the circumstances and the need for immediate action. When this occurs, a post-repair "true up" of the repairs is made with Risk Management. While these practices are not codified in City Policies and Procedures, according to the Risk Manager, they are long-standing and followed in most cases.

By making direct payment for repairs, the Solid Waste Division is using funds from the Solid Waste Fund rather than the Risk Management Fund. The Risk Management Fund already

charges the Solid Waste Fund for its accident losses through its internal service charges. Therefore, by paying directly for repairs, the Solid Waste Division is, in effect, paying twice for the same transaction.

As a counterpoint to the above arguments, it should be noted that Solid Waste management stated they make these direct payments for repairs in order to maintain the goodwill established with their customers. The repairs expedite the process of making the customer “whole” and eliminate what some customers would consider unnecessary “red tape.” In addition, we learned that Orange County government allows some departments to perform repairs for damages. Therefore, the acceptability of the current practices of the Solid Waste Division is debatable and indicates that a solution that meets the expectations of Risk Management while acknowledging the importance of service to the customer is needed.

In order to provide effective customer service while also meeting the standards for controlled payments for losses caused by the City, it is important for the affected managers to meet to discuss acceptable alternatives. After these meetings, we suggest that the Risk Management staff codify formal City Policies and Procedures regarding making payments for repairs to personal property and that such policies ensure the claims control requirements of the Risk Management section are met and effective customer service is maximized. This policy should also address actions to be taken in emergency situations including the need for approvals by Risk Management after-the-fact.

Recommendation 2. We recommend that the Risk Manager establish standards and develop City Policies and Procedures for making payments related to damages to personal property caused by City employees.

Response We concur. Current policy lacks clear direction and only provides an overview of Risk Management functions. A fully outlined policy that provides specific instructions about payment of claims and other Risk Management functions should be developed. Implementation of this recommendation

should be complete within 180 days.

Investigate innovative solutions to pay property owners for small repairs

During our review of the ProCard transactions for repairs made to private property, we inquired of other governments whether they had programs that expedited payments for small damage claims. We also inquired of one express delivery company whether they allow drivers to settle similar small claims.

We learned that some governments use an “express check” process where releases of liability are obtained and checks processed for immediate settlement. We also learned of one government that has pre-qualified contractors perform certain recurring repair services and has obtained pre-approved rates for these services. The services are performed in an expedited manner and bills forwarded directly to Risk Management for payment.

We also discussed the possibility of using a home improvement store gift certificate of a pre-determined amount to “pay” property owners for small damages. In this case, the gift certificates could be purchased in advance in certain denominations, issued to property owners after an expedited approval process and supervisors could be trained to obtain appropriate releases prior to “paying” the claim.

The time and cost to process damage claims, the need to control payments for repairs, along with the need to effectively and efficiently serve the public indicate that a possible creative solution to the settlement of minor claims against the City is warranted. We encourage the Solid Waste Division to discuss methods to innovate the current process of small repairs with Risk Management and Legal Affairs.

Recommendation 3. We recommend that the Risk Manager, with the assistance of Legal Affairs and others, gather ideas for possible innovative solutions to pay for small repairs and evaluate whether such solutions can be instituted by the City.

Response

We partially concur. Risk Management is committed to providing same-day service to the offended party and, in most cases, full resolution within twenty-four hours of the loss being reported. Only in cases where stop-gap emergency temporary measures are required should staff, other than Risk Management, make a decision about mitigating the loss immediately. This process should be made part of the policy mentioned in the response to recommendation number two. Implementation of this recommendation should be complete within 180 days.

Establish standards and policies to authorize vehicle repairs

For several years, the Solid Waste Division has been paying a vendor to make repairs to the hydraulic hoses that operate the lifting equipment associated with its garbage trucks. We have listed the ProCard transactions made by the individual responsible for paying for these services in the months of January through May 2005 in Appendix B. We inquired with the Solid Waste Division Manager why these repairs are not performed by the Fleet Management Division. We learned that these services are caused by hydraulic hose failures while the vehicles are active on garbage collection routes. The division utilizes the services of a private mobile repair service to quickly repair the vehicles so that service interruptions are minimized.

The Solid Waste Division Manager explained that not all hydraulic hoses are repaired in this way. He stated that if the hose failure is to a system that is not in use, the vehicle operator will ensure that the vehicle can be operated safely, complete the route and return the vehicle for an overnight repair by Fleet Management. In addition, if the hose failure occurs relatively close to Fleet Management, the vehicle will be returned for a quick repair on site at Fleet, prior to returning to complete the route. The Solid Waste Division Manager also noted that Fleet had granted prior approval to directly contact vendors for repairs needed after Fleet operating hours and Solid Waste chose to use a ProCard to pay for these transactions.

We discussed these repairs with representatives of the Fleet Management Division. We learned that there is no City policy that requires all vehicle repairs to be performed by Fleet Management and that Fleet Management does not have a mobile repair unit dedicated to hydraulic hose repair. We were also informed that Fleet Management mechanics have discovered faulty repairs to Solid Waste vehicles caused by the wrong size of hydraulic hose being used by the mobile repair vendor. We were informed that using the wrong hose could cause a safety concern, as these hoses carry heated hydraulic fluid and a hose failure could cause a fluid spill or possibly fluid to be sprayed on persons or property.

During our discussion with Fleet Management we also inquired whether any other divisions repair vehicles outside the Fleet Management “system.” We were told about Parks, which has mechanics on its staff to make small repairs to mowers (e.g., blade sharpening, oil changes, etc.). We learned that these employees receive training in proper mower repair. Also, we learned that the street sweeper operators in the Streets and Stormwater Management Division replace the worn gutter brooms of their sweepers. We investigated how Orange County performs this type of repair and consulted with the street sweeper manufacturer and learned that having the street sweeper operator replace gutter brooms is an acceptable industry practice.

Much like the repairs to private property performed by Solid Waste, the circumstances above indicate a need for clarification of City policy in this area. We assert that it is important to have the Fleet Management Division involved in all decisions affecting the repair of City vehicles. This is important for several reasons, most chiefly to ensure that all repairs are made with acceptable parts and that all repairs are reflected in maintenance histories so that mechanics do not replace parts that have been recently installed. Furthermore, in those cases when the repairs cannot be performed by Fleet Management in an effective or efficient manner, or when executive management has determined that it is allowable for mechanics/operators to

make minor repairs, we believe that Fleet Management representatives should be consulted regarding the repair solution to ensure that any outside contractors selected for such repairs are reputable and acceptable and that any internal staff making repairs are properly trained in such repairs. This is similar to decision making that occurs regarding current repairs (e.g., body work) that the Fleet Management Division contracts out for repair.

It is important for Solid Waste to consult with Fleet Management regarding the acceptability of using outside contractors for vehicle repairs, including the use of a mobile hydraulic hose repair company. Furthermore, Fleet Management should initiate a change to current City policy to require all vehicle maintenance to be performed by Fleet Management, or when Fleet Management cannot perform such repair in an effective and efficient manner, what repair solutions are acceptable.

Recommendation 4. We recommend that the Fleet Management Division Manager establish standards and develop City Policies and Procedures to require that the Division: a) perform vehicle maintenance in-house or b) approve any vehicle maintenance performed by an outside vendor.

Response We concur. The General Administration Director met with managers from Solid Waste and Fleet Management to start a change of procedure for vendors. When a vendor is needed in the field to repair a problem on a piece of equipment, Solid Waste will contact Fleet and Fleet will then contact the vendor who will respond the fastest, and give them authorization to make the repair and bill Fleet for all charges. The Solid Waste Division Manager said he would notify his staff not to use Pro Cards any longer for payment to a vendor. The Fleet Management Superintendent also met with vendors and discussed this and they all accepted.

In addition, Fleet will proceed with a change to policy. A change will be made to Fleet Policy 900.2 or a new policy section will be

created. This process usually takes a couple of months.

APPENDIX A

SOLID WASTE MANAGEMENT PROCARD PURCHASES – PRIVATE PROPERTY REPAIRS JANUARY TO MAY 2005

<u>Invoice Date</u>	<u>Type of Repair</u>	<u>Cost</u>
2/26/2005	Mailbox Replacement	\$ 12.87
3/17/2005	Mailbox Replacement	15.83
3/30/2005	Mailbox Replacement	24.97
4/4/2005	Mailbox and Garbage Can Replacement	58.76
4/11/2005	Water Meter Repair (see NOTE)	281.00
5/2/2005	Window Replacement (see NOTE)	572.00
5/3/2005	Mailbox Replacement	43.94
5/16/2005	Garbage Can Replacement	59.99
5/18/2005	Repair Tribrach - a tripod used by Surveyors (see NOTE)	<u>62.41</u>
	TOTAL	<u><u>\$1,131.77</u></u>

Source: ProCard Statements of Kevin Hoolihan, Solid Waste Division.

NOTE: From review of available records, this repair was properly reported to Risk Management on the City of Orlando Accident/Incident Report in the period reviewed.

APPENDIX B

SOLID WASTE MANAGEMENT PROCARD PURCHASES – VEHICLE REPAIRS JANUARY TO MAY 2005

<u>Invoice Date</u>	<u>Type of Repair</u>	<u>Cost</u>
1/17/2005	Hose Repair – Claw Truck	\$ 118.11
2/14/2005	Hose Repair – Garbage Truck	165.95
3/21/2005	Hose Repair – Front Loader	217.07
4/1/2005	Hose Repair – Front Loader	292.63
4/5/2005	Hose Repair – Unknown	257.46
4/8/2005	Hose Repair – Front Loader	329.98
4/11/2005	Hose Repair – Front Loader	426.36
5/12/2005	Hose Repair – Front Loader	127.97
5/23/2005	Hose Repair – Rear Loader	434.16
5/26/2005	Hose Repair – Front Loader	<u>508.18</u>
	TOTAL	<u>\$2,877.87</u>

Source: ProCard Statements of Kevin Hoolihan, Solid Waste Division.