



Carson City

Board of Supervisors Meeting
July 18, 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

AGENDA

- I. Introduction
- II. Fleet Efficiency Study
- III. FWA Program Design
- IV. FY 12-13 Audit Program Review
- V. FY 13-14 Audit Plan

I. INTRODUCTION

- The City retained Moss Adams LLP in January 2012 to serve as the designated City Auditor and conduct projects focusing on:
 - Efficiency and effectiveness
 - Management reviews
 - Best practices
 - Compliance
- Work is being completed under the standards from the Institute of Internal Auditors (IIA) and the AICPA's consultancy standards

II. FLEET EFFICIENCY STUDY - CHALLENGES

- Good service, but not sufficiently focused
- Inability of operational structure and staffing to support fleet needs
- Financial and management information system not configured to effectively manage costs or encourage efficiencies
- Lack of consistent and comparable fleet and equipment maintenance data and awareness of costs relative to the marketplace
- Lack of a comprehensive fleet transportation policy that applies to officials and employees
- Operating in a reactive mode

II. FLEET EFFICIENCY STUDY - SOLUTIONS

- Hire key personnel
- Reconfigure facility
- Develop preventive maintenance program
- Develop policies, procedures, and tools
- Reconfigure and bid parts and service contracts
- Improve management systems
- Introduce performance metrics
- Track and analyze data and report on performance
- Update service charges
- Streamline fleet

II. FLEET EFFICIENCY STUDY - FINANCIAL IMPACT

Cost Category	Fleet Services Annual Operating Resources / Costs					
	Current Fleet		Recommended Fleet		Change	
	FTEs	ANNUAL \$	FTEs	ANNUAL \$	FTEs	ANNUAL \$
Fleet Manager	.50	\$56,226	1.00	\$112,452	0.50	\$56,226
Fleet Service Supervisor	1.00	\$87,772	1.00	\$87,772	0.00	\$0
Mechanic III	5.00	\$384,312	5.00	\$384,312	0.00	\$0
Service Mechanic I	0.00	\$0	3.00	\$138,000	3.00	\$138,000
Storekeeper	0.00	\$0	1.00	\$40,000	1.00	\$40,000
PT Service Attendants	0.00	\$0	2.00	\$40,000	2.00	\$40,000
Sub-Total	6.5	\$528,310	13.0	\$802,536	6.5	\$274,226
Parts ¹		\$417,696		\$375,926		(\$41,770)
Commercial Repair Work ²		\$399,208		\$199,208		(\$200,000)
Shop Overhead		\$227,304		\$227,304		\$0
Utilization Study ³		\$30,000		(\$176,200)		(\$146,200)
Sub-Total		\$1,074,208		\$626,238		(\$447,970)
Net Impact	6.5	\$1,602,518	13.0	\$1,428,774		(\$173,744)

II. FLEET EFFICIENCY STUDY - ACTION PLAN

Action	Timing
1. Conduct Utilization Study	months 1-3
2. Hire Fleet Manager	months 3-5
3. Achieve parts and commercial work efficiency gains	months 6-8
4. Add storekeeper, mechanics, and service attendants	months 7-10
5. Bring select commercial work in-house	months 8-12

II. FLEET EFFICIENCY STUDY - KEY METRICS

Metric	Definition	Best Practice	Actual	Status
• Fleet Availability Rate	• Measures the degree to which fleet units are available to fleet customers	95% overall, 85-98% by unit		● ● ●
• Fleet Repair Time	• Measures how quickly vehicles are returned to service	70% in 24 hrs. 90% in 72 hrs.		● ● ●
• Return Rate	• Measures fleet customer returns to the shop for the same problem within a specific period of time	< 1%		● ● ●
• Billable Hour Percentage	• Measures productivity (wrenching hours) of technicians by the percentage of shop labor hours charged to work orders	70%		● ● ●
• Preventive Maintenance Performance Rate	• Measures the percentage of preventive maintenance activities performed on or before the scheduled date	95%		● ● ●

III. FWA PROGRAM - COMPONENTS

- **Definitions**
- Fraud categories
- Ethics
- **Roles and responsibilities**
- **Tracking and monitoring**
- **Hotline**
- Technology
- Program review
- Communication plan
- Triage escalation
- Investigating complaints
- **Reporting structure**
- Training

III. FWA PROGRAM - DEFINITIONS

- **Fraud** is defined as a dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which City employees or an official committing the action would not normally be entitled. Fraud also encompasses intentional misleading or deceitful conduct that deprives the City of its resources or rights.
- **Waste** is defined as the needless, careless, or extravagant expenditure of City funds, incurring of unnecessary expenses, or mismanagement of City resources or property.
- **Abuse** is defined as the intentional, wrongful, or improper use or destruction of City resources, or seriously improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee or an official's position in a manner other than its rightful or legal use.

III. FWA PROGRAM - ROLES/RESPONSIBILITIES

- City Manager and Board of Supervisors – set the tone for the program and provide a message on the City’s intranet page promoting ethical behavior with appropriate links for reporting.
- District Attorney – reviews reports to determine if there are civil matters to be addressed and takes appropriate actions.
- Sherriff – review reports to determine if there are criminal matters to be addressed and takes appropriate actions.
- Human Resources – receives complaints and works with management and union labor representatives to take appropriate action as a result of substantiated complaints.
- Risk Management – for substantiated complaints, works with management to determine if financial loss can be recovered through insurance coverage.

III. FWA PROGRAM - ROLES/RESPONSIBILITIES

- City employees – responsible for reporting suspected inappropriate activity.
- FWA Program Coordinator – the City’s Internal Auditor will be responsible for coordinating the FWA Program, monitoring, triaging complaints, and conducting investigations.
- Audit Committee – provides recommendations to the Board of Supervisors but does not participate in conducting investigations.

III. FWA PROGRAM - TRACKING/MONITORING

- Complaints received by category and sub-categories
- Complaint triage / action taken
- Final disposition or conclusion – reported based on Generally Accepted Government Auditing Standards (GAGAS) requirements
- Reporting

III. FWA PROGRAM - HOTLINE

- The hotline will be available 24 hours a day/7 days a week.
- Persons receiving calls are professionals, trained in how to obtain information needed to determine proper course of action.
- Hotline companies have the ability to receive documents and forward them to the City as evidence for the complaint.
- Hotline companies allow for the ability to communicate back and forth with the caller without revealing caller identity.
- Hotline companies provide notification to a designated City employee for issues that are time sensitive, credible, and warrant immediate attention.
- Hotline companies provide case management of calls received, including archiving and data retention.
- Reports are provided summarizing or detailing the calls received, including call type, disposition, and supporting documents, etc.

III. FWA PROGRAM - REPORTING STRUCTURE

- District Attorney's office – potential civil activity
- Sheriff – potential criminal activity
- Human Resources Department – employee disciplinary action
- Audit Committee – consideration of audits performed, status of investigations
- Board of Supervisors – periodic reporting of activity

III. FWA PROGRAM - COSTS

- Hotline \$2,000 to \$4,000/year, \$2,500 setup
 - Program Coordination \$20,000/year
 - Training \$5,000 to \$10,000/year
- Total \$27,000 to \$34,000/year

IV. FY 12-13 AUDIT PROGRAM - REVIEW

Project	Fees	Potential Savings	Potential ROI
Risk Assessment/ Meetings	\$40,000		
Public Defender Study	\$20,000	\$95,000 - \$369,000	5/1 to 18/1
Eagle Valley Golf Study	\$20,000	\$50,000 - \$100,000	3/1 to 5/1
Community Facilities Study	\$15,000	\$30,000 - \$60,000	2/1 to 4/1
Fleet Efficiency Study	\$25,000	\$174,000 - \$381,000	7/1 to 15/1
FWA Program Development	\$20,000		
Total	\$140,000	\$349,000 - \$910,000	2.5/1 to 6.5/1

V. FY 13-14 AUDIT PLAN - AUDIT COMM. ROLE



V. FY 13-14 AUDIT PLAN - COMPONENTS

- Basic Internal Auditor Services \$10,000¹
- FWA Program Coordination \$25,000²
- Fleet Utilization Study \$30,000¹
- Performance Metrics Development \$30,000¹
- Utility Billing Study \$25,000
- Wastewater Capital Program Study \$30,000
- Affordable Care Act Risk Assessment \$25,000

¹ Audit Committee Recommendations for Internal Audit budget

² Audit Committee Recommendations for other City budget

V. FY 13-14 AUDIT PLAN - COMPONENTS

- Basic Internal Auditor Services: Attend Audit Committee and Board of Supervisors (BOS) meetings; perform implementation performance monitoring and review (52 weeks, \$10,000, plus expenses)
- Fraud, Waste, and Abuse (FWA) Program Coordination: Review calls to the hotline and other sources, oversee the distribution of response activities, coordinate with staff, provide training, and report FWA activities to the Audit Committee and BOS (52 weeks, \$25,000, plus expenses)
- Fleet Utilization Study: Evaluate the composition of the City's light and heavy-duty fleet inventory and associated policies to identify opportunities to reduce overall fleet operations and inventory expenses (10-12 weeks, \$30,000, plus expenses)
- Performance Metrics Development: Work with Department Heads to develop key performance metrics that align with GASB Concept Statement #5 (10-12 weeks, \$30,000, plus expenses)

V. FY 13-14 AUDIT PLAN - COMPONENTS

- Utility Billing Study: Assess opportunities for enhancing operational efficiency, service effectiveness, and internal controls (10-12 weeks, \$25,000, plus expenses)
- Wastewater Capital Program Study: Review the City's wastewater capital program related to project procurement, contract management, and future maintenance and operations (12-16 weeks, \$30,000, plus expenses)
- Affordable Care Act Risk Assessment: Assess the privacy and security elements affected by the 2013 Omnibus update to the HITECH Act, including identification of gaps between the requirements of HITECH and current policies, procedures, and training (10-12 weeks, \$25,000, plus expenses)