
***VECTOR FLEET CONTRACT FOLLOW-UP
(A2020-04F)***

April 2024





OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

Internal Audit Director

Rose Rasmussen, CIA

Senior Internal Auditor

Christina Zimmerman, CFE

Internal Auditor

Vacant

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ORIGINAL REPORT HIGHLIGHTS

Vector Fleet Contract (A2020-04)

Original Report Issued:
November 2021

Objective: To determine if the system of internal controls was adequate and appropriate for effective contract compliance with selected provisions of the executed contract as it related to payments.

Scope: Limited to contract payment provisions and included 817 repair orders from July 1, 2019 through February 29, 2020.

Background

- Effective July 1, 2019, the City entered into a ten year contract with Vector Fleet Management, LLC (Contractor) to provide fleet management and maintenance services.
- Fleet services consisted of scheduled preventative maintenance, remedial repairs, warranty and recall work, overhaul, mobile service, towing, tire service and replacement, motor pool operations, fleet management, unit acquisition and disposal, parts inventory acquisition and maintenance.
- The contract established a target and non-target cost model that provided the basis for invoicing.

Highlights:

This audit highlighted vague contract terms that made it difficult to understand the contract requirements, ultimately impacting the success of the fleet function. Significant areas noted include:

- Actual incurred costs for target work invoiced and paid were not an accurate representation impacting the implementation of the annual savings to be considered.
- Contract was executed with an incomplete fleet inventory and the contract terms were vague related to the process to amend unit classification based on Life Cycle Guidelines and the vehicle replacement plan resulting in increased non-target costs.
- Contract terms were inconsistent and vague related to costs for directed work, standard daytime operational hours, subcontracted towing services, road calls and mobile service units allowing these services to be charged at increased non-target costs for target and non-target units.
- Penalties associated with performance standards to reduce downtime were not implemented due to contract terms in calculating penalty and the City's lack of establishing a method for tracking.
- Internal Audit completed the Vector Fleet Contract Audit in September 2020 while still under contract with the vendor.
- Due to the uncertainty around potentially transitioning from fleet services through the contractor to a city-operated fleet services division, the report was not issued until November 2021.

WHY THIS MATTERS

This was a high dollar contract which included a:

- Target Cost Commitment for the first three years of \$7.3 million for target units, and
- Additional costs for non-target units at an hourly rate of \$44.85, a 5% part mark-up cost and a 1.5% subcontracted service markup cost.

Action Since Original Audit Report

Vector Fleet Contract Audit Follow-Up (A2020-04F)



The Office of Internal Audit has completed follow-up on the Vector Fleet Contract Audit approved by the Audit Committee on November 18, 2021.

Objective and Scope

Determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit.

The scope of the follow-up audit was limited to the findings and accepted recommendations in the original audit of the Vector Fleet Contract. This included a review of the Centralized Fleet Maintenance Policy # 107 and records related to the issuance of the policy to City employees.

Background

The original audit report, dated November 2021, had three agreed upon recommendations. The audit provided management with recommendations to:

- Establish a Fleet Maintenance Committee;
- Publish, communicate, and implement written policies and procedures; and
- Provide training on contract policies and procedures for compliance and monitoring.

Summary Results

3 recommendations proposed in November of 2021

Testing included an evaluation of the agreed upon recommendations to determine if corrective actions were implemented as reported. Based on Internal Audit inquiry for the January 25, 2024 Audit Committee Meeting, management stated the recommendation to establish a Fleet Maintenance Committee would not be implemented.

The Department implemented one recommendation by updating the City's Centralized Fleet Maintenance Policy #107 and issuing the policy to City employees in December 2022 through PowerDMS, a document management system.

The remaining recommendation specifically addressed providing training on contract policies and procedures. However, the Vector Fleet contract had been dissolved making this recommendation no longer applicable.

The Fiscal Year 2024 Audit Plan includes a Fleet Management Audit.



**FULLY
IMPLEMENTED
OR NO LONGER
APPLICABLE**

2



**PARTIALLY
IMPLEMENTED**

0



**NO
LONGER
CONCUR**

1

Finding 1 - Limited City verification of work performed and repair costs invoiced resulted in overpayments to the Contractor.

Recommendation 1.3	Establish a Fleet Maintenance Committee comprised of representatives from various City departments that utilize fleet services. A Committee chair, preferably a manager from the City Manager’s Office, should lead the group. The Committee’s purpose should be to address fleet-related issues, such as developing fleet policies and procedures, and resolving fleet service-related issues. The Fleet Manager’s role should be to staff the Committee and bring topics and analysis to the Committee for discussion.
SUMMARY OF ORIGINAL FINDING	
CURRENT OBSERVATION	Based on Internal Audit inquiry, management stated that establishing a fleet committee is not planned but may be reconsidered in the future if deemed appropriate.
DETERMINED STATUS	NO LONGER CONCUR

Finding 3 – Fleet management processes were not established.

Recommendation 3.2	Publish, communicate and implement written policies and procedures City-wide, to include but not limited to personnel who utilize fleet services.
SUMMARY OF ORIGINAL FINDING	
CURRENT OBSERVATION	The City's Centralized Fleet Maintenance Policy # 107 was revised on 12/22/2022 and issued to City employees through PowerDMS, a document management system, in December 2022.
DETERMINED STATUS	IMPLEMENTED

Recommendation 3.3	Provide training on contract policies and procedures for compliance and monitoring.
SUMMARY OF ORIGINAL FINDING	
CURRENT OBSERVATION	The recommendation refers to contract policies and procedures. However, the Vector Fleet contract has been dissolved.
DETERMINED STATUS	NO LONGER APPLICABLE