

**SEMINOLE COUNTY
HEAVY CONSTRUCTION EQUIPMENT
COUNTY-WIDE**

REVIEW OF UTILIZATION-HEAVY EQUIPMENT

REPORT NO. 083110

AUGUST 2010

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

August 31, 2010

The Honorable Bob Dallari,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached review of the utilization of heavy equipment.

Management's responses have been incorporated into the final report. It is our opinion that management has a corrective action plan that will satisfy the audit recommendations.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this audit. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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TABLE OF CONTENTS

Transmittal letter

Purpose	1
Background	1
Overall Evaluation	3

Findings and Recommendations

1. Seminole County may have some excess equipment.	
Recommendation	5
Management Response	5

**SEMINOLE COUNTY
HEAVY CONSTRUCTION EQUIPMENT
COUNTY-WIDE**

REVIEW OF UTILIZATION – HEAVY CONSTRUCTION EQUIPMENT

The Office of the Clerk of the Circuit Court has completed a review of the utilization of heavy equipment throughout Seminole County. This is a follow-on review (Part 2) of the fleet review published by the Clerk of the Circuit Court on May 31, 2010 (Audit Report No. 053110).

PURPOSE

The review was to ascertain if the administrative controls over heavy equipment are adequate and operating as intended in compliance with applicable laws, regulations, and other Seminole County policies and procedures. Also, to determine if the current fleet of heavy equipment requires new and replacement purchases or whether current resources are in excess (i.e. surplus) of what is needed.

BACKGROUND

For the purposes of this review, heavy equipment is defined as all trucks from the Ford F-550 series up (and equivalents), and other self-propelled equipment excluding tractors, mowers and other grounds maintenance equipment. As of April 30, 2010, County Finance reports 257 items with a cost of \$33,027,319 million in heavy equipment meeting this definition. The average cost of each piece of equipment is over \$128,000.

Heavy equipment is assigned to the following divisions:

<u>Division</u>	<u>Cost</u>	<u>Percent</u>
Public Works	\$10 million	30%
Environmental Services	\$ 6 million	18%
Public Safety	\$16 million	48%
Other	<u>\$ 1 million</u>	<u>4%</u>
Total	\$33 million	100%

Generally in February the various departments present to Fiscal Services a preliminary budget preparation form for any replacement of equipment or new acquisitions. This year due to budgetary pressures there are few requests for replacement equipment. Although there are very few requests for additional equipment, the results of this review indicate that there may be opportunities to

reduce the fleet of heavy equipment based on utilization records. Our comments and recommendations are included in the report that follows.

SCOPE

The scope of this review included the usage records between April 2009 and March 2010. During that period county records indicate that there were 257 pieces of heavy equipment with an estimated value of \$33 million. All source documents related to heavy equipment were subject to review.

The review included:

- Review of the County records for compliance with established policies and procedures, Florida State Statutes, and other applicable government regulations;
- Review of utilization records to ensure heavy equipment is properly justified and maintained;
- Interviews of key personnel; and,
- Other such review procedures considered necessary in the circumstances.

The audit was performed by the Office of the Clerk of the Circuit Court.

OVERALL EVALUATION

Certain pieces of heavy equipment are not being utilized on a regular recurring basis. This view point is based on our inspection of fixed asset records, fleet maintenance records, field inspection visits, and also discussions with County personnel. County staff does not always know what they own and where the assets are physically located. We made some very simple and direct requests for mileage and meter readings off of equipment and staff was not able to locate the equipment in a timely manner. It is critical to be able locate equipment expeditiously in case of an emergency or crisis.

Having a surplus promotes excess cost to the taxpayers. Staff should first justify the equipment required to conduct county business and then sell off equipment that is not needed. Selling excess equipment is a source of revenue and reduces future costs.

County Purchasing should also be consulted to determine if it is cost effective to lease equipment on a short term basis to meet current needs.

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Our detailed comments and recommendations are included in the report that follows:

FINDINGS AND RECOMMENDATIONS

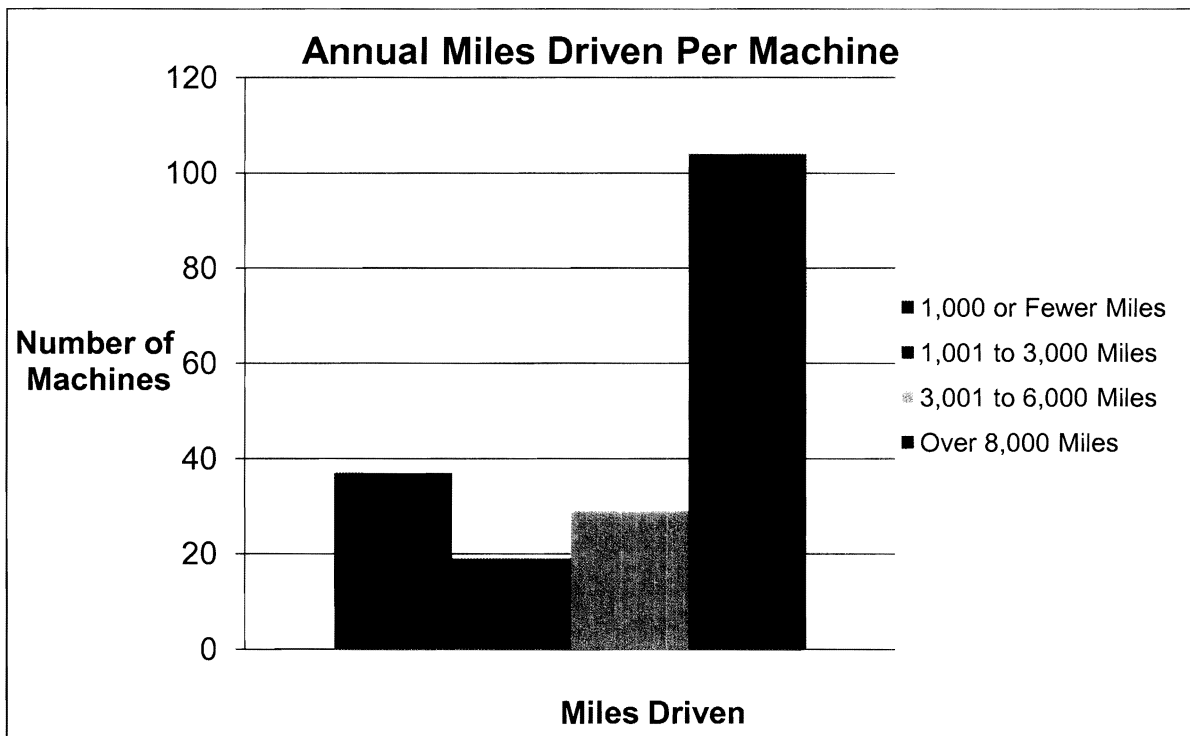
FINDING NO. 1

Seminole County may have some excess equipment.

Based on our inspection of fixed asset records, fleet maintenance records, field inspection visits, and also discussions with County personnel, we have concluded that some equipment may need to be reviewed by management to assess if the equipment may be declared surplus.

We have included two exhibits for illustration. The first exhibit (Exhibit 1) is heavy equipment that records a log of miles driven. The second exhibit (Exhibit 2) is heavy equipment that logs machine hours.

Exhibit 1

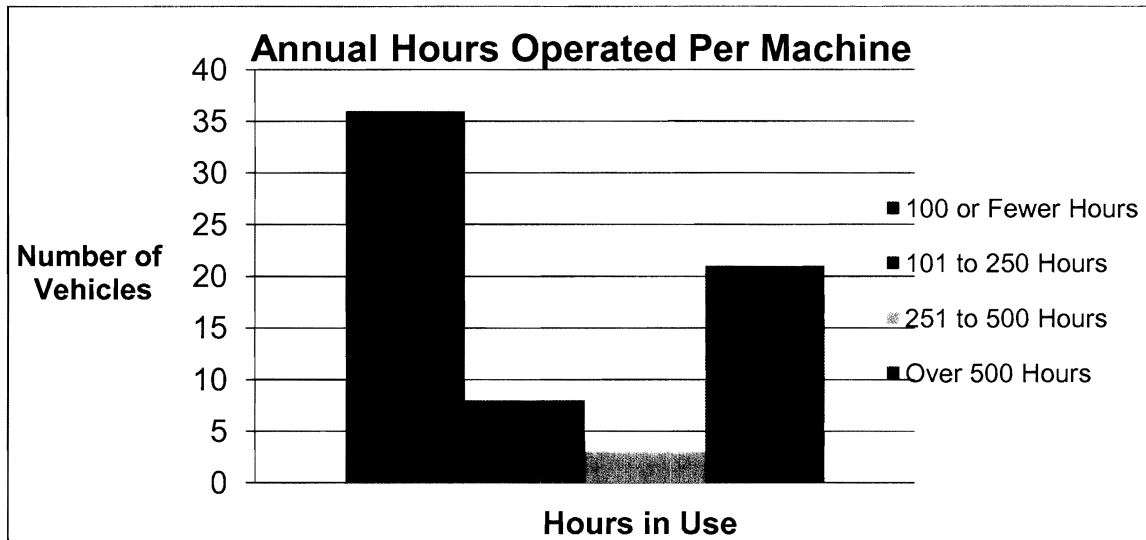


This chart shows that 30% of the heavy equipment whose use is measured in miles is driven less than 3,000 miles per year which is about twelve miles per

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work day. A total of 45% of this equipment is driven 6,000 miles or less per year or about 24 miles per work day.

Exhibit 2



Again, this chart illustrates that much of the equipment is rarely used, or that records of use are not accurately kept. 53% of this equipment is used 100 hours or fewer per year. Another 12% is operated less than 250 hours per year, which is about 1 hour per work day.

Although, it is not always the case that a piece of equipment with low usage is excess, it is our opinion that on an annual basis a review be performed to assess the needs for the upcoming year and to sell off those items that are not being used.

There are no controls over heavy equipment usage such as logs and/or other monitoring devices; staff is not able to locate equipment in a timely manner. For instance, Public Works was asked by Internal Audit to obtain the mileage or hour readings off of 19 pieces of equipment; it took three weeks for staff to provide a location to us of where the equipment was being stored. By not knowing the whereabouts of heavy equipment in a timely manner may indicate that some are seldom used and possible candidates for surplus. Selling off excess equipment provides additional cash that can be used for future purchases of equipment in later years. In addition, the county would be saving money by not having to maintain the equipment or insuring the equipment.

Recommendation

1. On an annual basis, review all equipment with low usage logged and determine the items that can be sold at auction. Also, consider adding equipment hour meters for the equipment used in confined areas.
2. Consult with manager of purchasing to assess the feasibility of renting or leasing equipment on a short term basis.
3. Conduct a feasibility study to ascertain if it would be cost effective to purchase a tracking system such as GPS for equipment to control the location of the equipment.

MANAGEMENT RESPONSE***(Management provided an overall comment and then addressed each individual audit recommendations)*****Overall - Management Comments to the Audit Report**

The heavy construction equipment audit has highlighted areas of concern regarding equipment underutilization and/or the perception of underutilization (due to inadequacy of records). We agree with these concerns.

The determination of accurate usage data is critical to the ability to efficiently manage the County's heavy construction equipment, including decisions regarding fleet size and composition. This audit has pointed out that usage data is not as accurate as it should be and steps are being taken to correct this situation. More easily understood reports will be provided to supervision and management of the various user departments to allow for more energetic policing of the information being input regarding odometers and hour meter readings. In some cases mileage or hours used do not give a clear picture of whether or not the equipment is utilized appropriately. For example, equipment confined to specific sites may not show high mileage as it is only driven in a fairly tight area. The equipment at the landfill or at water treatment facilities would be good examples. Other highly specialized equipment, especially in Fire/Rescue, is potentially and hopefully used infrequently, but availability is critical.

All that being said, we also must consider the impact of staffing / user reductions from the County's right-sizing initiatives and that the decline of private construction has reduced the County's needs for infrastructure development. The result of course is some equipment is not being utilized as it once was.

Management Response**(Response to Recommendation #1)**

1. The first step in this process is to ensure accurate recordkeeping of usage logs.
 - a. Reports that clearly indicate current utilization will be provided to the supervision/management of all user departments.

- b. User Department Directors/ Division Managers must review monthly usage reports and bring equipment assignment and apparent usage data discrepancies to Fleet Manager's attention for correction. This is an integral part of the record-keeping and internal control processes.
2. The second step is to review equipment inventory and usage in an effort to minimize County-wide duplication and underutilization. The Fleet Program Manager will provide recommendations to the User Departments' Division Managers and Directors at the same time providing these recommendations to the CM Office. Although the final decision will remain the CM's, protocols will be established to ensure accountability for instances of retention that goes against the Fleet Program Manager's recommendations.

(Response to Recommendation #2)

Equipment candidates will be identified by the Fleet Program Manager in coordination with the User Departments and a list provided to Purchasing for further cost research.

(Response to Recommendation #3)

- a. The tracking of equipment will be enhanced through the improvement in recordkeeping and more aggressive oversight.
- b. The GPS system alluded to by the draft will produce information as to the equipment's whereabouts, which is primarily a management tool for the operating Department that is using the equipment. Fleet Services has researched the costs of such systems (i.e., GPS location devices that are attached to the individual equipment, derive electrical power from that equipment via the equipment's electrical system(s), and report back to one or more PC's that have the software to provide real time location monitoring and archiving), and found these costs to be prohibitive in the past. In reaction to this comment, Fleet Services will research these systems, again, and provide fresh costs to the CM and operating Departments to allow for a determination as to whether the ROI is sufficient to suggest purchase. Note that Fleet Services has, and provides on request, a limited number of GPS mobile devices, battery powered and magnetically applied, that provide one to two weeks archived information. These devices are used primarily for surreptitious monitoring and, as such, the presence of which are not advertised.

The effects of the decline in the economy have greatly exacerbated both the reality and the appearance of over-fleeting by the County. We believe with improvements in record accuracy and accountability, regular review by user

departments, and the formation of a Fleet Advisory Committee, we can minimize the potential accumulation of excess equipment.

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