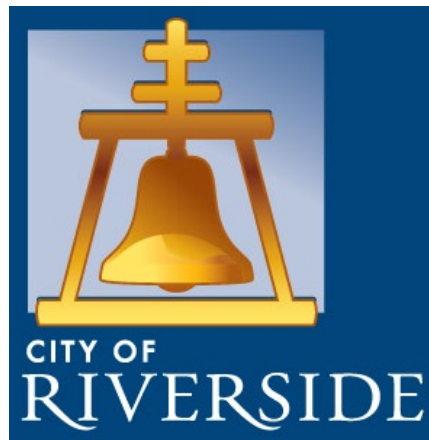


CITY OF RIVERSIDE

Fleet Asset Management Review

December 2024



Prepared by:

Internal Audit

Office of the City Manager

Background

The Fleet Management Services division, a key function of the City's General Services Department, is responsible for acquiring, maintaining, repairing, and disposing of the City's vehicles and equipment. The City's fleet comprises approximately 1,200 on-road vehicles and about 600 pieces of off-road equipment and trailers (some of which may no longer be in service). These totals include Police Department and Fire units, except for Police Department motorcycles, which are the only units the division does not service or maintain. Vehicles include paratransit buses, refuse and sewage trucks, utility trailers, medium- to heavy-duty utility vehicles, and passenger vehicles. Vehicle maintenance and repairs are primarily conducted at the Corporation Yard, located at 8095 Lincoln Ave, with additional support available for other General Services operations. The division also manages the refueling of vehicles that utilize various fuel types, including gasoline, compressed natural gas, flex-fuel, plug-in hybrids, electric, liquefied petroleum gas, and diesel. This is supported by the operation and maintenance of the City's two primary fueling locations and the slow-fill systems at the Corporation Yard. Operations are supported by approximately 42 full-time employees, working across two shifts within a traditional five-day workweek.

Objective and Scope

During 2024, City management began evaluating a transition plan to shift the City's fleet to zero-emission vehicles (ZEVs) in response to state-mandated regulations requiring all new medium- and heavy-duty vehicle purchases for state and local government fleets to be 100% ZEVs by 2027. Our review of the City's fleet management practices and procedures aimed to assess the effectiveness of current processes for evaluating fleet replacement needs, particularly in light of the planned transition to zero-emission vehicles, as the City currently operates a diverse range of vehicle types at various stages in their lifecycles.

As of January 15, 2025, there are reports that California's plan (Advanced Clean Fleets) to phase out heavy-duty diesel trucks and locomotives sales by 2036 appears to be sidelined. Early reports are that the EPA did not grant California waivers needed so that this regulation could move forward.

In addition, we focused on whether the City has adequate controls to monitor the condition and lifecycle of its vehicle assets, ensuring proactive replacements based on factors like cost-efficiency and future utility rather than reacting to immediate critical failures. This proactive strategy is crucial for maintaining reliable public services, such as refuse collection, sewage management, and public utilities.

Issues involving solid waste collection have highlighted the need for effective fleet management. In recent years, aging and unreliable refuse trucks have caused severe service disruptions, leaving the Solid Waste division frequently operating with a limited number of functional vehicles. This situation resulted in heavy use, frequent breakdowns, and extended repair times. To prevent similar challenges in other critical service areas, we evaluated whether enhanced oversight of fleet assets is necessary to ensure optimal maintenance and strategic replacements, supporting uninterrupted service delivery across all city departments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit 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 findings and conclusions based on our audit objectives.

Fleet Management

Fleet Management Services oversees vehicle acquisition and disposal, in close collaboration with the Finance, Accounting, and Purchasing departments. These departments ensure that vehicles are acquired, identified as surplus, disposed of, and documented in compliance with departmental and city-wide administrative policies. Our analysis evaluated current practices for monitoring and managing the City’s fleet, with a focus on internal procedures for vehicle replacement, if any, and areas for potential improvement. This included assessing how the city determines when a vehicle should be replaced, criteria for reallocating underutilized vehicles to other departments, and Fleet Management’s methods for vehicle management and anticipating future vehicle needs.

To understand how the city manages vehicle replacement, retirement, and the classification of vehicles for surplus/disposal, we conducted discussions with key employees in Fleet Management Services, Purchasing, and Finance/Accounting. These discussions focused on reviewing internal asset management policies and gathering details on current departmental practices related to vehicle acquisition, replacement, maintenance, usage monitoring, and disposal.

Based on information gathered from our discussions, we identified several key policies included in the City's administrative manual that are relevant to fleet vehicle management. A summary of these policies is noted below:

| Fleet Management Policies | | | |
|---------------------------------------|----------------------|------------------------------------|--|
| Policy | Policy Number | Responsible Party | Key Procedure Identified |
| Admin - Fleet Vehicle Acquisition | 07.009.00 | Fleet Management Purchasing | - Prior to development of the annual budget, generates a list of vehicles meeting replacement criteria based on vehicle age, mileage and cumulative maintenance costs. The list is distributed to department budget liaisons. - Coordinates with Fleet Management on disposition. |
| Admin - Equipment Replacement | 07.010.00 | Purchasing and Departments | - Ordering department will request purchase of the replacement vehicle from Fleet Management in compliance with the Vehicle Fleet Acquisition Policy (07.009.00). - Coordinates with fleet management on disposition of replaced vehicles. |
| Admin - Equipment and Asset Inventory | 06.005.00 | Finance | - Maintains inventory records of equipment and asset items. |

| | | | |
|--|-----------|-------------|--|
| | | | - Periodically distributes inventory listings to all departments. |
| Admin - Equipment and Asset Inventory | 06.005.00 | Departments | - Notifies Finance of all changes, including lost, stolen, transferred, traded, sold or junked inventory items by filling out a Form 1231-01R6. - Performs a periodic inventory of all assets when directed by Finance. |
| Admin - Disposition of Surplus or Obsolete Materials | 07.012.00 | Accounting | - Provides the Purchasing Manager with a listing of obsolete or surplus materials and equipment. - Updates inventory records. |

Vehicle Acquisition/Replacement

Currently, there is no formal process for identifying and monitoring the City’s fleet vehicles to assess future replacement needs. The responsibility for vehicle replacement is delegated to individual departments due to the diverse nature of operations. An annual asset inventory list is generated collaboratively by Fleet and City departments to enable Finance/Accounting to update inventory records. This process involves verifying and updating fleet vehicle information, including mileage, age, maintenance costs, and whether the vehicle is still in operation, replaced, or transferred. The responsibility for notifying Fleet Management of any changes in a vehicle's status is assigned to the department formally responsible for the vehicle. Changes related to vehicle replacement, disposition, or decommissioning are communicated to Fleet and Finance/Accounting through asset activity forms. These forms document essential asset details such as VIN, license plate, manufacturer information, and disposition/acquisition codes for internal tracking purposes.

Upon the acquisition or disposal of vehicles, Fleet, in coordination with the Purchasing department, manages vehicle title custody and updates the related asset activity forms. These forms provide detailed information about the vehicle's status, assigned department, mileage, and any designation for surplus. City-owned fleet vehicles are equipped with telematics that can monitor location using GPS-assisted hardware; however, this functionality is rarely used by departments to monitor active usage. Additionally, mileage is typically only recorded upon refueling by the vehicle user or noted by Fleet Management Services when service maintenance is performed on the vehicle.

Vehicle acquisitions are initiated through either the informal or formal procurement process overseen by the Purchasing department in accordance with the City’s Purchasing Resolution 24101. Informal procurement is used for purchases worth less than \$50,000 and requires the acquisition of three quotes, while formal procurement is required for purchases exceeding \$50,000, and must be posted on the City’s bidding portal, Planet Bids. The process is initiated by the requesting department providing vehicle specifications (“spec sheet”) to Purchasing, who then prepares and submits the bid for solicitation. The informal and formal solicitation process can take approximately two weeks to complete. The city then evaluates bids based on various criteria, including price and compliance with specifications. Generally, the contract is awarded to the lowest responsive and responsible bidder who meets all the City's requirements.

When a vehicle is determined to have exceeded its useful life and cannot be repurposed for other departmental use, it must be designated as surplus before being offered for sale to a salvage yard. This process is time-consuming, as Fleet must first inspect the vehicle, identify any material issues, remove identifying decals, and complete an asset activity report to submit to Finance/Accounting. Fleet coordinates with Purchasing to list the vehicle for surplus in accordance with the City's Purchasing Resolution. The City utilizes GovDeals, an online auction platform specializing in selling surplus assets from government agencies, educational institutions, and related entities to the public. To sell the vehicle, Finance/Accounting and Fleet must coordinate in obtaining the appropriate title documents, which may be problematic if the title has been lost during the chain of custody from the vehicle's initial acquisition.

Once the vehicle is identified as surplus and required to be sold to the public, Fleet must comply with the required timeline for listing the vehicle for a designated number of days, typically two weeks. If a buyer is found, they have 10 days to pick up the vehicle. However, if the vehicle was purchased out of state, this can occasionally cause delays in pickup. If the purchase falls through, the process must start over, which may result in significant delays.

Key Challenges

A key challenge in the City's fleet management is aging hybrid vehicles, many of which have batteries that have surpassed their useful lives and are too costly to replace. As a result, these vehicles are often considered too expensive to repair and are marked for sale, impacting their resale value as potential buyers may not find the cost of repairs justified for purchase.

The decision transitioning to hybrid vehicles has contributed to some challenges Fleet faces today. Current management must now navigate the rapid evolution of vehicle technology, including the transition to zero-emission (fully electric) vehicles, which were not widely available 10 to 15 years ago. This creates significant challenges in forecasting the City's future vehicle needs, as they must consider market uncertainties, vehicle and parts availability, legislation, and the condition of the existing fleet when replacement becomes necessary.

During our discussions with Accounting, we obtained a backlog list of vehicles identified as ready for surplus or disposal as of December 2024. Upon further review, we noted that some vehicles had been marked for disposal as far back as 2017. For additional context, the City's surplus listings on the GovDeals website as of the date of our report included only a few office equipment items, highlighting the lack of progress in addressing vehicle disposal.

Field Visit

Internal Audit conducted site visits to the Corporation Yard at 8095 Lincoln Ave to gain a better understanding of the scope of vehicles identified as ready for disposal but not yet processed. Using the listing obtained from Accounting, we reviewed the condition of vehicles stored at the yard to assess whether the records could be matched to the vehicles observed. During our inspection, we noted a wide variety of vehicles, many of which appeared to be inoperable. These included passenger vehicles, police patrol vehicles, heavy-duty trucks, and utility trucks. Some vehicles had been dismantled to remove parts, likely for use in repairing or maintaining older operational vehicles.

Notably, it appears that many of these vehicles have been parked in the yard for an extended period. According to our review of the listing, some vehicles were marked as ready for disposal as far back as 2017. While we were unable to match all the vehicles on the backlog listing to those currently in the yard, it is highly likely that some are still awaiting assessment and consideration for surplus disposal at another location as of the date of our report. However, we did identify specific vehicles from the backlog, including totaled patrol vehicles, old electric utility carts, and dismantled SUVs previously used by RPU.

Attached are exhibits that highlight the condition of these vehicles, including images taken during our visit. These visuals are provided to offer additional context and help illustrate the current state of the vehicles identified.

Management hopes that with the addition of personnel, such as an Inventory Specialist to handle other necessary day-to-day maintenance operations, they will be able to accurately assess which vehicles can be disposed of from the corporation yard. However, management acknowledges that even with extra personnel, additional resources will still be needed to address existing challenges related to the proper disposal of vehicles.

Lack of Physical Controls

During our field visit, we observed a lack of physical security controls over vehicles parked at the Corporation Yard. The yard is easily accessible, with no formal processes in place for monitoring or restricting entry, allowing unauthorized individuals to enter unnoticed. Additionally, we found that City vehicles, including inoperable units, were not properly secured. These vehicles are parked in the same area as employee vehicles, with no clear separation between City-owned and personal vehicles. We also noticed a personal truck and trailer (5th wheel/toy hauler) parked in the employee parking lot. The proximity of inoperable vehicles to employee vehicles increases the likelihood of vandalism, theft, or potential injury.

It is important to note that, based on our discussions with management, some vehicles stored at the yard were previously utilized by the police department and may need to be stored at the yard due to their involvement in police investigations. Therefore, we recommend implementing additional security measures to preserve the chain of custody for these vehicles and to mitigate the risks associated with unauthorized access.

We also observed instances where vehicles stored for delivery or awaiting maintenance had ignition keys left inside their cabs, making them easily accessible. This practice significantly increases the risk of misuse or unauthorized removal of vehicles, whether they are inoperable or operational. During discussions with management, they acknowledged these issues and indicated they are actively exploring solutions to enhance security measures. Proposed solutions include securing entrance to the yard and potentially assigning an active security employee to monitor visitors and vehicles on the premises.

Fleet Management Practices

Currently, management has started developing an informal internal Excel tracking file to assess the City's fleet vehicles. This file tracks repair costs against each vehicle's original acquisition cost, along with the availability of replacement funds. Fleet collects a mileage fee from the respective

departments on some vehicles, typically ranging between \$0.50 and \$1.00 per mile, which is used to cover fuel, maintenance, and repair costs (no additional charges are applied to departments in these cases). However, costs related to at-fault accidents or department-requested upgrades, such as adding lights, are generally covered by the departments since these are not considered normal wear and tear. The amounts collected are reduced by fleet expenses for fuel, maintenance, and repairs. The tracking file also factors in the purchase price, total maintenance costs, years of service, mileage, and available replacement funds to assess vehicle replacement needs. However, some limitations are evident, such as not capturing the full fleet costs and being unable to reflect the total funds added to the replacement fund account related to each specific vehicle. According to the Fleet Services Manager, this initiative is part of a broader effort to internally review and identify which vehicles are due for replacement.

Based on our discussions with Fleet Services management, we noted that this will allow for a more detailed analysis of each vehicle's performance, maintenance history, and overall cost-effectiveness. By comparing repair costs to the vehicle's initial value and factoring in the availability of replacement funds, management will be better positioned to make informed decisions about which vehicles should be retired from the fleet and when they should be considered for replacement.

Inadequate Fleet Monitoring

Currently, there is no formal process for monitoring the underutilization of vehicles. While departments may have access to telematic data for their assigned vehicles, most do not fully utilize this service for their own purposes. Departments are responsible for notifying Fleet of any changes, including the transfer of vehicles between departments and other modifications, who would then notify Finance/Accounting for updates in department transfer or if the vehicle is to be replaced. To date, management is not aware of any significant discrepancies in the inventory of fleet vehicles.

Fleet Management has negotiated a renewed contract with Verizon to upgrade the City's telematics equipment. This upgrade will enhance vehicle monitoring capabilities and provide the option to retrofit vehicles with cameras in the future, allowing for more active monitoring of vehicle usage. According to management, approximately 700 vehicles will receive these upgrades, which are expected to be completed by the end of December 2024. Additionally, the upgraded telematics will enable management to generate more accurate reports on vehicle data, supporting efforts to establish or update an accurate inventory of the City's fleet.

Key Findings & Recommendations

1. **Lack of a Formal Vehicle Replacement Policy:** The City currently lacks a standardized policy to determine when vehicles should be replaced, leading to inconsistencies in fleet management and budget planning.
 - a. We recommend that Fleet Management Services develop a structured vehicle replacement policy with clear criteria such as age, mileage, and maintenance costs. This policy should include a review process for identifying vehicles that are due for replacement, allowing for better budget forecasting and asset management.

2. **Underutilization of Telematics:** Although telematics capabilities are available, they are not fully utilized for monitoring vehicle usage and performance, resulting in missed opportunities for optimizing fleet operations.
 - a. Enhance the use of telematics data to actively monitor vehicle usage, optimize routing, and track maintenance needs. Departments should be encouraged to utilize telematics for better asset management, reducing downtime and repair costs.
3. **Prioritize Backlog of Vehicles Identified as Surplus:** Surplus vehicle disposal process is lengthy and resource-intensive, often delayed due to staffing limitations and procedural inefficiencies.
 - a. To address delays in vehicle disposal, we recommend implementing a standardized checklist and digital forms for asset activity. This will improve efficiency and reduce the backlog of vehicles awaiting surplus status, thus freeing up yard space and improving asset turnover.
4. **Comprehensive Inventory Assessment:** We recommend management conduct a comprehensive inventory of all fleet vehicles, as our discussions with department heads indicate that a formal inventory assessment has not been performed. Completing this inventory will provide management with an accurate understanding of vehicle conditions, allowing fleet management to identify vehicles that can be disposed, transferred or utilized more effectively to support the city's operational needs.
5. **Implement Security Controls for Fleet Operations:** We recommend that management implement enhanced security controls at the corporation yard to mitigate the risk of unauthorized access to fleet vehicles stored or undergoing maintenance. Strengthening these controls will help reduce the potential for damage or loss, thereby protecting City assets and minimizing liability.

Management Comments & Response Plan

Management Comments:

Management agrees with conclusions of the audit regarding the need for a formal and standardized vehicle replacement program, particularly for medium and heavy-duty vehicles. Over the past two decades, financial constraints have hindered the establishment of such programs. However, with the support of Measure Z, the City was able to initiate replacement programs for Police Department (PD) vehicles with a life span of 3-5 years and Fire Department (FD) vehicles, which require careful selection based on warranty, service, and parts availability to ensure daily operational efficiency.

Since 2017/2018, when Fleet Management assumed responsibility for PD vehicles, significant strides have been made to enhance vehicle maintenance and repair records. All new PD vehicles now have a comprehensive record of maintenance and repairs, a capability that was previously

unavailable. For refuse trucks, the lack of a standardized replacement plan has resulted in excessive repairs and resource allocation challenges. The recent purchase of 14+ refuse trucks is a positive step, but a formal replacement plan is urgently required to address ongoing issues.

Management acknowledges that current replacement thresholds (100,000 miles or 15 years of age) need further refinement and alignment with industry best practices. Repurposing replaced vehicles for short-term departmental needs without adequate funding is a practical interim measure. Additionally, the challenges in managing vehicle auctions have been exacerbated by limited administrative and floor staff resources, further stressing the need for increased staffing levels and efficient processes.

The phased improvement plan for Corporation Yard security aligns with audit recommendations, and management emphasizes the need for improved administrative support and enhanced maintenance staffing to address long-standing challenges in recruitment and retention.

Lastly, General Services is actively pursuing the retention of an external consultant through an open RFP, as of the date of this report, to conduct a comprehensive evaluation of fleet management operations. The proposed scope includes reviewing cost allocation methods, fuel program management, and the organizational structure to identify cost-saving opportunities and recommend improvements. It also includes evaluating fleet management software, to enhance reporting capabilities and fuel management. The consultant will assess the City’s current vehicle replacement program, establish performance metrics, refine preventative maintenance practices, and address issues such as underutilized vehicles and inventory management. Staffing needs, including administrative and technical roles, will also be analyzed, with recommendations for improving recruitment, scheduling, and certifications.

Action Plan Summary:

| Recommendation | Management Response | Responsible Parties | Target Completion Date |
|---|---|------------------------------------|-------------------------------|
| Lack of a Formal Vehicle Replacement Policy | Develop a structured vehicle replacement policy with clear criteria such as age, mileage, and maintenance costs to improve budget forecasting and asset management. | Fleet Management | Q2 2025 |
| Underutilization of Telematics | Enhance telematics usage to monitor vehicle usage, optimize routing, and track maintenance needs for better asset management and reduced repair costs. | Fleet Management, IT | Q1 2025 – Ongoing |
| Prioritize Backlog of Surplus Vehicles | Implement a standardized checklist and digital forms for asset activity to streamline vehicle disposal and reduce backlog. | Fleet Management, General Services | Q2 2025 |

| | | | |
|------------------------------------|--|----------------------|-----------------------|
| Comprehensive Inventory Assessment | Conduct a full inventory of all fleet vehicles to assess conditions, identify vehicles for disposal, transfer, or optimized utilization. | Fleet Management | 2025 |
| Implement Security Controls | Enhance security controls at the Corporation Yard to mitigate unauthorized access and protect City assets. | Fleet Management | Q1 2025 – Ongoing |
| Consultant Engagement | Retain and collaborate with an external consultant to evaluate fleet operations and recommend actionable improvements. | General Services | Q2 2025 – Ongoing RFP |
| Optimize Fleet Management Software | Review and optimize M5 Assetworks and Fuel Master Plus software for improved asset management and alignment with Finance records. | Fleet Management, IT | Q2 2025 – Ongoing RFP |

(ATTACHED EXHIBITS)

Exhibit A

2007 Ford Ranger – Date Asset Form Signed: 9/23/2022.

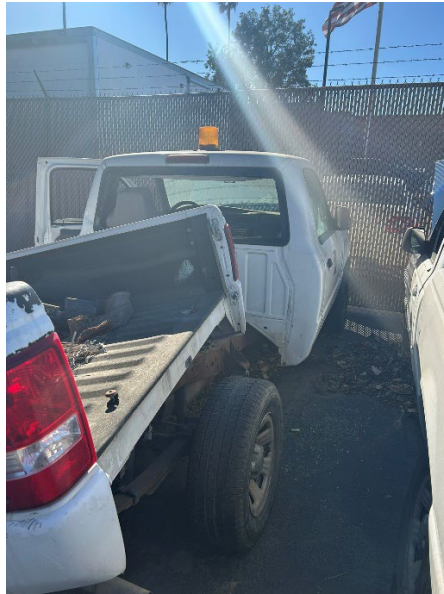


Exhibit B

2017 Ford Explorer – (Vehicle designated as active inventory as of December 2024)



(ATTACHED EXHIBITS) Continued

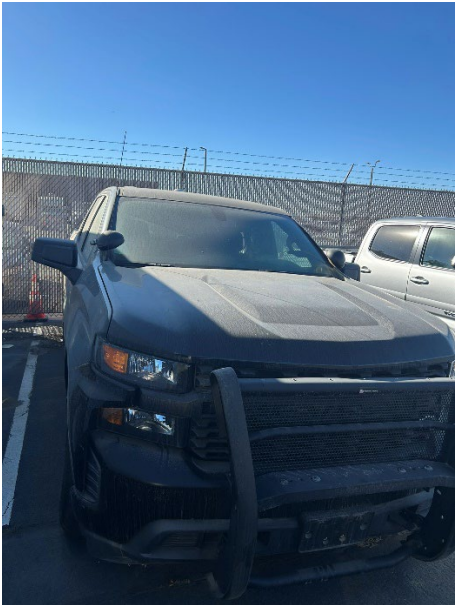
Exhibit C

2009 Zap XL - Date Asset Form Signed: 2/7/2023.



Exhibit D

2020 Chevrolet Silverado 1500 – (Vehicle designated as active inventory as of December 2024)



(ATTACHED EXHIBITS) Continued

Exhibit E

2007 Sterling Acterra Street Sweeper - Date Asset Form Signed: 3/4/2021

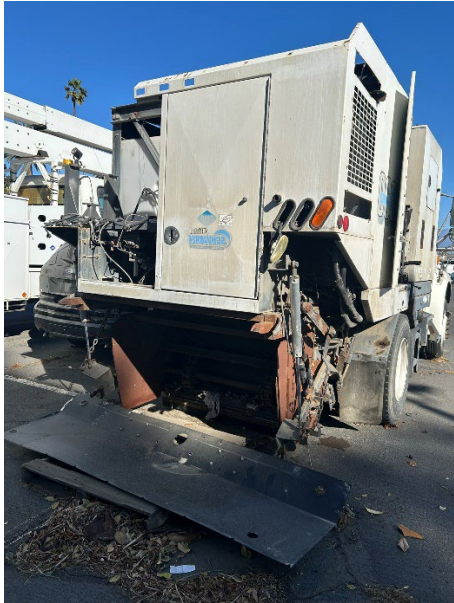


Exhibit F

Ignition Keys – Ford Escape



(ATTACHED EXHIBITS) Continued

Exhibit G

1994 Ford F700 47 Ft. Boom 10 Ton CAP – Date Asset Form Signed: 5/8/2023

