

# **AUDIT UPDATE REPORT**

## **CITY OF MANCHESTER**

### **NEW HAMPSHIRE**



**CENTRAL FLEET SERVICES 2015 AUDIT UPDATE**  
**JUNE 30, 2017**

**Prepared by**  
**City of Manchester, NH**  
**Office of the Independent City Auditor**

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CITY OF MANCHESTER, NEW HAMPSHIRE  
CENTRAL FLEET SERVICES 2015 AUDIT UPDATE  
JUNE 30, 2017  
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City of Manchester  
Office of the Independent City Auditor

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September 1, 2017

Committee on Accounts, Enrollment and Revenue Administration  
City of Manchester, New Hampshire  
Honorable Aldermen: Levasseur, Hirschmann, Ludwig, Sapienza and Katsiantonis

Dear Honorable Committee Members:

In fiscal year 2015 an audit was conducted of the City's Central Fleet Services Department. The audit produced four observations. This report is a review of the current status of the prior observations.

I have completed my review of the current status of the prior observations resulting from the 2015 Central Fleet Services Audit. My audit was conducted for the purpose of determining the current status of the four prior observations.

I believe that the evidence obtained during my review provides a reasonable basis for my findings and conclusions based on the review objectives.

### **Scope and Audit Objectives**

- This engagement was to be a review of the current status of the four prior observations resulting from the 2015 Central Fleet Services Audit.

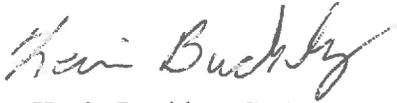
### **Procedures**

The engagement was limited to interviews of officials, surveys of customer departments and employees, and review of software documentation.

## **Conclusion**

Central Fleet Management has made great progress in resolving the issues from the prior audit. The new software system has been purchased and ready to go live in February of next year and employee morale, while still in need of some improvement, appears to be heading in a more positive direction.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Kevin Buckley".

Kevin Buckley, CPA  
Internal Audit Manager

## CENTRAL FLEET MANAGEMENT DEPARTMENT OVER VIEW

The Central Fleet Management Department as of June 30, 2017 consists of 26 employees:

- Director of Fleet Services
- Administrative Services Manager
- 3 Equipment Maintenance Supervisors
- 14 Equipment Mechanics
- 3 Equipment Service Technicians
- 2 Inventory Specialists
- 2 Fire Equipment Mechanics

The new fleet maintenance facility is located at 480 Hayward Street, Manchester NH.

Currently they operate two shifts, a day shift that operates from 6:00 AM until 2:30 PM and a night shift that operates from 2:00 PM until 10:30 PM Monday through Friday.

### MISSION STATEMENT

The mission statement of the Central Fleet Management Department as posted to their policies and procedures manual is:

Central Fleet Management Department maintains and repairs the City's vehicles ensuring maintenance and repairs are completed timely and cost effectively. The Department develops, obtains approval of and executes the City vehicle replacement plan.

### SERVICES PROVIDED

- Equipment Preventative Maintenance
- Equipment repair
- Onsite repairs when required
- Automated and manual vehicle wash system
- Fuel station operation
- Vehicle replacement planning and purchasing
- Bid specification development (in conjunction with the supported department)
- Manages City car pool program
- Disposal of excess/replaced vehicles

## **PRIOR OCTOBER 2015 AUDIT**

The audit was requested due to a large number of complaints from Fleet employees concerning the working environment in the garage. Four observations were generated during the audit.

### **Observation 1 Department Personnel Issues**

During discussions concerning the formation of Central Fleet Management the Board of Mayor and Aldermen (BMA) wanted to ensure that all existing employees retain all the rights and benefits that they had earned in their prior positions and departments including accrued salaries and benefits, retirement, and labor union affiliations. These rights and benefits would be maintained until the employees left service with the City and new employees were hired.

For most employees this did not present much of an issue with the exception of the two Fire Department employees. The duties associated with the Fire Department employees are unique. It has been a long standing standard operating procedure to have a mechanic on call 24 hours a day. The Fire Department also requires that they have a mechanic on the fire scene for all major (3 alarm or higher) fires. They are there to handle emergency repairs to equipment and other assigned duties. In order to operate on a fire requires firefighter certifications according to the Fire Chief. Both of these mechanics hold FFII level certifications. They are also required to perform other duties at the fire station on a regular basis. Because of this they are both in the State of NH Retirement System and not the City of Manchester Retirement System. They also get paid at one labor grade higher than their counterparts that came from other departments. In order to maintain all rights and benefits as required by the BMA and to function in their duties as Fire Department personnel it was necessary to keep them in the firefighter's union and budget their salaries and benefits in the Fire Department's budget. They also, at various times, are under the direct supervision of the Fire Department and other times Central Fleet Management. This has caused many of the personnel issues that are affecting the atmosphere at Central Fleet Management.

The Fire Department's Equipment Maintenance Supervisor II-Fire that came over as part of the merger to Central Fleet Management resulted in resentment in all of the former Highway Department garage employees many of whom had years more experience with the heavy equipment commonly worked on in the facility. The anger felt by these employees has made the working environment very challenging. They do not seem to respect this supervisor and feel that he has no right to be supervising and disciplining them.

The disparity in pay scale has also been a major issue. The lower paid mechanics felt that if they were working on fire equipment they should get a plus rate to make up for the difference. The City disagreed and the grievance went to arbitration where the City lost and the plus rate is now paid. The practice of getting stand by pay that is only available to the fire mechanics as well as the overtime when they are called out on a fire is also a thorny issue for the other mechanics.

At various times during any given week the fire mechanics are also called to the Fire Department for breakdowns, training and other duties such as snow removal during snow storms that are not available to the other mechanics.

The labor issue caused by this unequal treatment between mechanics is poisoning the atmosphere in the department and should be stopped.

*Recommendation:*

The status quo at the department clearly isn't working and needs to be changed in order for the department to move forward and for management to gain the trust and respect of its employees. Matrix consulting has done similar studies with other municipalities and recommended that the fire mechanics work out of a separate sub-organization within the central fleet structure. This may be a workable solution temporarily until a more permanent solution can be put in place.

Having the former Fire Department employee supervising the other mechanics is not working and should be stopped. If a sub-organization is created he should work there and function as a working supervisor much as he did prior to the merger into one department. If this is the way they choose to go they should have a detailed customer service agreement between the Fire Department and Central Fleet Management that is developed by both parties detailing what is required and expected by the Fire Department and how Central Fleet plans on accomplishing the terms of the agreement.

Another option would be to have the fire equipment mechanics go back to the fire department as it was prior to the merger into a central fleet structure.

**Observation 2 Communication Issues**

During interviews with department personnel it was brought to my attention several times that the communication between management and labor as well as between the day and the night shift was minimal at best. Personality issues seem to have strained the relationship between all parties involved to the point that they will not talk to or listen to each other.

Several people have commented that management only talks at them and is not interested in what they have to say. They feel that their opinions do not matter.

The night shift supervisor makes a detailed accounting for all work done on their shift and emails it to the day shift supervisor at the end of the shift. The day shift supervisor does not provide the night shift supervisor a similar document and it was reported that the relationship between the two is strained to the point that they do not talk to each other. From conversations with day shift personnel they feel that either the day shift supervisor does not open it or chooses to ignore it. This causes instances where a vehicle will be sitting in a bay waiting for work to be done on it but no one knows what was done and what is to be done. It was also reported that on occasion a vehicle will be pulled in to be worked on and either the work has been completed but the work order has not been closed or the work has been partially completed but they have no idea what has already been done.

*Recommendation:*

The day shift should be reporting daily to the night shift the status of all jobs worked on during the day and any problems encountered.

You don't have to like a co-worker in order to work with them. The shift supervisors should meet on a regular basis to discuss problems encountered and plan work to be done in the coming days.

Management has got to work on its interpersonal skills in order to make the work environment more professional and congenial. The Director should seek the advice of the Human Resources Department in order to build a positive working relationship within the department.

***Current Status of Observation 1 and Observation 2***

I developed a series of 40 questions from other audit surveys I found on-line to test the Fleet Department's satisfaction with working conditions. The questions were designed to test three different areas:

1. Department Management Satisfaction
2. Supervisory satisfaction
3. General employee satisfaction.

23 employees responded to the survey out of 24 employees surveyed. The responses are noted on the following pages.

## DEPARTMENT MANAGEMENT SATISFACTION

	# of responses					Average
	Strongly Agree		Neutral		Strongly Disagree	
	1	2	3	4	5	
Department Management consistently demonstrates delivering quality customer service is a high priority	9	6	5	1	2	2.17
Department management shows respect for employees	12	5	3	1	2	1.96
I trust Department management to make decisions that are in the best interest of the organization	6	9	1	2	5	2.61
Department management is open, honest and transparent	7	10	1	1	4	2.35
My opinion matters to department management	7	5	6	2	3	2.52
Department management encourages me to come up with new better ways of doing things	10	5	5	3	0	2.04
Department management effectively addresses concerns regarding behavior inconsistent with City ethics policy	8	7	4	0	4	2.35
Department management does a good job of communicating and keeping us informed	4	9	5	2	3	2.61
Department management recognizes strong job performance	8	10	1	1	3	2.17
I feel that I can question a policy or practice without fear of being penalized	6	8	4	3	2	2.43
Department management treats everyone fairly	7	5	5	3	3	2.57
Average Score	7.64	7.18	3.64	1.73	2.82	2.34
Percent of responses	33.20%	31.23%	15.81%	7.51%	12.25%	

Two thirds of the respondents had favorable responses to questions concerning the Department Director and Management in general. Most notably when asked if management shows respect for employees more than half strongly agree. The lowest scores were on communications issues and trust in making decisions in the best interest of the organization. Even those questions were on average neutral. The prior audit had many negative comments on top management of the Department and many of the employees felt a need for a change in top management. Since then a new Fleet Manager was hired which seems to have reduced the negative feelings towards the Department by its employees.

## SUPERVISORY SATISFACTION

	# of responses					Average
	Strongly Agree		Neutral		Strongly Disagree	
	1	2	3	4	5	
My direct supervisor consistently demonstrates a commitment to quality work	9	7	4	1	2	2.13
My direct supervisor provides me flexibility and choice in how I do my work	16	6	0	1	0	1.39
My direct supervisor helps me to solve problems at work	11	8	2	1	1	1.83
My direct supervisor communicates changes that will affect my work	10	5	5	2	1	2.09
My direct supervisor shows appreciation when I put in extra time and effort	11	8	2	2	0	1.78
My direct supervisor provides guidance to me so I can improve my performance	9	7	5	1	1	2.04
My direct supervisor follows through by implementing recommendations and feedback from employees	7	8	4	2	2	2.30
<b>Average Score</b>	10.43	7.00	3.14	1.43	1.00	1.94
<b>Percent of responses</b>	45.34%	30.43%	13.66%	6.21%	4.35%	

Three quarters of the respondents had favorable responses to questions concerning their direct supervisors. This is a big improvement over the prior audit where one of the most often cited issues were communication with supervisory personnel. Flexibility in how the workers were allowed to work on vehicle problems was an issue in the prior audit but the current survey shows 70 % of respondent strongly agree with the statement “My direct supervisor provides me flexibility and choice in how I do my work”.

## GENERAL SATISFACTION

	# of responses					Average
	Strongly Agree		Neutral		Strongly Disagree	
	1	2	3	4	5	
I receive the materials, equipment and technology I need to do my job well	8	4	5	3	3	2.52
I rarely think about looking for a new job outside of the department.	12	3	2	3	3	2.22
I am willing to put in a great deal of effort beyond what is normally expected of me	15	7	0	1	0	1.43
I understand what is expected of me at work	17	6	0	0	0	1.26
My job is challenging and interesting	4	6	6	3	4	2.87
My job makes good use of my skills and abilities	4	5	5	4	5	3.04
I feel empowered to make decisions to perform my job effectively	3	4	4	5	7	3.39
I receive proper and sufficient training to do my job properly	6	13	1	3	0	2.04
I understand how my work contributes to the departments strategic plan	13	8	2	0	0	1.52
I receive clear instructions and information I need to perform my job well	8	7	3	4	1	2.26
I have sufficient opportunities for professional development	5	3	4	5	6	3.17
I have opportunities to advance within the organization	2	9	7	2	3	2.78
My pay is proportional to the contributions that I make.	7	8	3	2	3	2.39
My pay and benefits compares favorably with similar private sector jobs	11	10	0	0	2	1.78
My team members communicate effectively with each other	8	8	2	2	3	2.30
Communication between shifts is sufficient to provide the following shift with the information needed to finish jobs that are in process	4	4	4	3	8	3.30
My team members deliver quality work and put forth extra effort to help the organization to succeed	3	3	8	3	6	3.26
When there are problems or issues in the organization my team members discuss them without blaming others	1	5	5	6	6	3.48
I feel that I work in a safe environment	10	9	2	2	0	1.83
The amount of work expected of me is reasonable	6	5	6	1	5	2.74
It is easy to get along with my co-workers	6	4	6	4	3	2.74
The morale in the department is high	8	10	2	1	2	2.09

Average Score	7.32	6.41	3.50	2.59	3.18	2.47
Percent of responses	31.82%	27.87%	15.22%	11.26%	13.83%	

Sixty percent of the respondents had favorable responses to questions concerning their interactions with each other and general job satisfaction. This was an area of concern in the prior audit and remains an issue still. While generally favorable views are noted in relation to pay and benefits interaction with fellow employees and communication with other employees still seems to be an issue as noted with higher scores in the 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> statements of 3.3, 3.26 and 3.48 respectively.

Both observations appear to be partially unresolved but much improved since the initial audit.

**Observation 3 Written Customer Service Agreements**

One of the recommendations of the Matrix study was that the Central Fleet Management should have formal Customer Service Level Agreements (SLA) with its user departments that establishes the service and service level commitments of the Central Fleet and the user department. The study mentions several elements that should be in the SLA and provided a template that could be used. The SLA should also be customized for some departments such as the Fire Department who has very specific needs. The SLA should be a formalized document agreed to and signed by both parties. Periodically it should be revised to reflect changes in current conditions.

*Recommendation:*

Central Fleet should develop Customer Service Level Agreements for all user departments and have signed copies on file.

***Current Status***

In order to determine the satisfaction of user departments a survey was sent to all department heads that regularly use the services of the Fleet Department. Nine out of twelve departments sent surveys responded. The results are noted below:

	# of Responses						Average Score
	Strongly Agree		Neutral		Strongly Disagree	No opinion	
	1	2	3	4	5		
Maintenance Services are being performed timely and efficiently	5	4					1.44
General repair work is being done timely and the quality of work is satisfactory	5	4					1.44
Emergency Repairs are done timely and the quality of the repairs are satisfactory	6	1	2				1.56
The vehicle fueling and billing process is easy and efficient	3	4	2				1.89
CFS has an effective vehicle maintenance program that takes in the needs of the vehicle and the user department	4	4				1	1.50
CFS appears to be committed to the user department's customer service needs	7	2					1.22
CFS has an effective and efficient vehicle replacement program	3	3	1	1		1	2.00
My Department has an overall favorable opinion of the central fleet organization.	6	2	1				1.44
Compared to having separate repair facilities for the large user departments the current structure is an improvement	3	2	3			1	2.00
I am confident that CFS fixes the problem the first time	5	2	1			1	1.50
CFS estimated dates of completion of repairs are timely and reliable	5	2	2				1.67
Fleet communicates problems found with my departments vehicles in a timely manner	6	3					1.33
Information about vehicle repairs is detailed enough to be helpful for management purposes	3	4	2				1.89
Vehicle down time is not excessive	6	2	1				1.44
<b>Average Response</b>	4.79	2.79	1.07	0.07	0.00	0.29	1.59
<b>Percent of responses</b>	54.90%	31.98%	12.30%	0.82%	0.00%		

Eighty-six percent of respondents agreed with the favorable questions concerning the fleet department. The only weak points noted were in vehicle replacement program and if the new structure was an improvement over the former separate garage structure.

In general customer satisfaction appears adequate and the need for customer service agreements does not seem necessary at this time.

#### **Observation 4 Fleet Management Software**

In 1998 a study conducted by DMG Maximus noted that record keeping and performance reporting was severely limited by the lack of a functional fleet management information system and recommended that one be purchased at the time of central fleet organization.

In April of 2004 the Office of the Independent City Auditor prepared an update of the DMG Maximus report and found that little improvement had been done to the fleet management information system. The data was still for the most part unusable for any meaningful analysis due to a combination of user input errors and unworkable software.

In 2011 the Matrix Consulting Group study once again found that the fleet management information system was not very useful as a management tool with which to make business decisions that include the development and reporting of key performance metrics to guide the management of the department.

As of this report date the City has still not provided Central Fleet Management with a reliable fleet management information system. Central fleet is forced to report and evaluate its operations using a series of HTE modules, spread sheets and other software packages to get the bare minimal information needed to run its operations. At present they lack the functionality to easily report even the simplest of performance metrics or develop preventative maintenance schedules and ensure that all vehicles are being serviced at the proper time.

Even the system used to dispense fuel to vehicles is plagued by bad data entry from the users making it difficult to get reliable information about all vehicles in a timely manner. Users override the code, entering incorrect data or fill multiple vehicles off of one fuel card.

#### *Recommendation:*

The City should immediately work to purchase a fleet management information system that has the functionality to produce reporting on performance metrics, vehicle usage, maintenance scheduling and cost reports in a timely manner.

Users have got to start taking seriously the need to enter vehicle information into the fuel delivery system accurately.

### ***Current Status***

Since the DMG Maximus audit conducted in 1998 4 separate studies have commented on the need for workable comprehensive fleet management software. As of this audit Fleet has purchased FleetFocus Maintenance Management Software from AssetWorks. The Department is currently in the implementation phase and expects to go live sometime in February. From a review of the software it appears that the new software will aid the Department in implementing recommendations of the past audits and studies. The software features include:

- Complete vehicle life cycle management including budgeting, acquisition, capital improvement and disposal management.
- Work order functionality
- Shop scheduling
- Warranty and claims tracking
- Preventative maintenance scheduling
- Purchasing and parts inventory management

The software also includes a myriad of reports that will enable the Department to make informed and timely decisions on repair versus replace questions.

Once the software is fully operational this observation should be resolved.

### **CONCLUSION:**

Central Fleet Management has made great progress in resolving the issues from the prior audit. The new software system has been purchased and ready to go live in February of next year and employee morale, while still in need of some improvement, appears to be heading in a more positive direction.

*Kevin J. O'Maley, P.E.*  
*Central Fleet Services Director*



**CITY OF MANCHESTER**  
*Central Fleet Management Department*

September 15, 2017

From: Kevin O'Maley

To: Kevin Buckley

Subject: Audit Update Report – Central Fleet Services

Thank you for taking the time to reevaluate the progress made on some serious issues in the Fleet Services Department since your last audit. I am anxious to share the report with all members in the department once it is completed.

Overall I would state my intuitive assessment of progress made in the fleet services department is consistent with your overall evaluation. Basically, although progress has been made, we still have a lot to work ahead of us. The effort required for the software implementation alone is significant. However, this singular program will have a dramatic and positive impact on service delivery to other departments and overall morale internally. The benefit to the fleet team is better organization and efficiency. This will add to the momentum already established and is additional improvement layered on top of progress to date.

Not to be contradictory, but I do believe there is better improvement in culture and morale than your data shows. However, it is not materially different than noted in your report. I make this point because that is where we are concentrating a significant effort. It is unfortunate there continues to be a minority in the department that limits our progress. My sense is that a bulk of the fleet team would prefer faster paced progress, but this minority is an impediment. Rather than getting on board this small group laments the past and is an obstacle to the future. The good news is this minority continues to shrink, even today. And, we have found a cadre of new employees that sincerely appreciate the opportunity they have working in the city of Manchester. All this collectively bodes well for continued improvement in fleet services future.

Again, thank you for your effort in this audit. I am certain most of the department will find it welcomes news once it is finally published.