

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF GENERAL SERVICES

800 Abel Wolman Municipal Building
200 N. Holliday Street
Baltimore, Maryland 21202

November 30, 2016

Mr. Henry Raymond
Director of Finance
City Hall, Room 454
100 N. Holliday Street
Baltimore, Maryland 21202

Dear Mr. Raymond:

The Department of General Services (DGS) has received a quadrennial performance audit report prepared by SB & Company, LLC (SBC). The DGS submits the attached comments in response to the audit findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Sharkey".

Steve Sharkey
Director of General Services

Fleet Management – Fuel Consumption and Fuel Inventory

2. Determine how high fuel consumption is investigated in order to detect & prevent pilferage and dispose of inefficient or old fleet.

Finding:

Although fuel consumption information is available for each vehicle, there is no specific process in place to monitor or review for unusual patterns, especially high consumption that could result from pilferage. For example, the Fire Department has over 370 vehicles, but we saw no evidence that fuel consumption is monitored, reported or reviewed.

In addition, we found that although there are limits on the quantity of fuel per transaction and the number of transactions per day, there are no limits on the quantity of fuel assigned a specific vehicle or equipment every month or quarter.

DGS Response:

The Department agrees with the first finding. However, in response to the second, we would like to point out that a control currently in place for managing fuel consumption per vehicle/equipment is the use of maximum transaction gallons, based on the individual asset's tank capacity. Additionally, vehicles are limited to only 3 fuel transactions per day. The exception to this rule are Fire Dept. and Police Dept. (unlimited transactions) and Solid Waste's refuse collection load packers (5 transactions).

3. Determine how information is used for disposal reporting and inventory tracking

Recommendation #1:

Ensure Miles per Gallon information is reported for each vehicle

We recommend that a process be put in place whereby actual MPG information is monitored for each vehicle in the fleet on a periodic basis. This information could be compared with the standards established by the manufacturer and with results achieved in previous periods. User agencies would have internal process to identify and investigate instances of unusually high or low fuel consumption and, where necessary, take corrective action. It could also be used in the process of identifying old/inefficient assets that could be replaced or disposed.

DGS Response:

The Department acknowledges that information can be gathered for the purposes of 1) identifying outliers needing further investigation and 2) and to be proactively provided to agencies for their individual analysis and operational use.

It should be noted that in this response we are, in following the direction of the Auditor, only addressing fuel consumed at the City fuel facilities. This means that fully excluded from the audit and this response is the procurement of fuel using Wright Express fuel cards at private fueling facilities. For these transactions, Fleet provides a monthly report to agencies identifying transaction details (driver, fuel station location, volume, date/time, etc.).

The Department agrees that indeed fuel consumption data should be a consideration in vehicle disposal (or reassignment) decisions. For that reason, data on fuel consumption is already utilized by Fleet Management in the analysis of asset utilization. Fleet Management performs a Utilization Study of vehicles and equipment, with fuel consumption being a key criteria used to determine if a vehicle is being utilized at rate similar to other vehicles in the same classification. Vehicles that are deemed to be underutilized are recommended for Fleet Reduction and removed from the fleet. Therefore, these underutilized vehicles are no longer in consideration when the Fleet Replacement Plan data is analyzed, which takes into account asset age, accumulated maintenance cost, recent major repairs, utilization, agency operational requirements when making fleet replacement decisions.

While the use of a comparative standard is a recommendation to which the Department gives merit, the use of manufacturer's fuel efficiency standards is not recommended for several reasons. The mpg numbers provided by manufacturers are based on tests performed under strict conditions such as flat surface, specific temperature, no cornering, no air conditioning running, etc. Comprehensive new data shows that of thousands of vehicle models tested, only two cars deliver their advertised fuel economy when on the road¹. Municipal fleet vehicles are not operated similarly to the general public. For example, a Police Patrol sedan is used 24 hours a day by each shift, and even while not in motion can have its engine idling the entire time. Heavy equipment outfitted with components required for work such as drilling or lifting will, while not in motion, have the engine running in order to power the requisite equipment. These are but two examples of why manufacturer mpg numbers will not be achievable in a municipal fleet.

Our tests confirmed that there is rigorous monitoring of fuel at each station. Fuel is measured every day and consumption and fuel receipts are reconciled on a daily basis. We noted the daily inventory control sheets do not compare physical inventory of fuel as measured daily at each station with the ending inventory per the Ward system. The ending inventory per perpetual system is not included on the daily reconciled inventory control sheet.

We noted that all fuel measurements are performed by the respective station personnel. The fuel tanks measurements are taken during the delivery of fuel from the vendor, by the fuel truck driver. A record of this independently-collected measurement is affixed to the paperwork provided documenting the fuel delivery.

¹ <https://www.theguardian.com/environment/2016/sep/01/fuel-economy-just-two-cars-deliver-advertised-mileage-tests-show> and <http://www.consumerreports.org/cro/magazine/2013/08/the-mpg-gap/index.htm>

4. Determine if there are controls in place over fuel inventories at filling stations and determine whether they conform with best practices, for example:

- a. *periodic physical inventory taking*
- b. *restriction of access & security of premises*
- c. *reconciliation of physical inventory to perpetual records*

Finding:

Our tests confirmed that there is rigorous monitoring of fuel at each station. Fuel is measured every day and consumption and fuel receipts are reconciled on a daily basis. We noted that the daily inventory control sheets do not compare physical inventory of fuel as measured daily at each station with the ending inventory per the Ward system. The ending inventory per perpetual system is not included on the daily reconciled inventory control sheet.

We noted that all fuel measurements are performed by the respective station personnel. There is no process for periodic inventory taken by a third party not responsible for custody or recording of fuel.

DGS Response:

The Department agrees with the findings for the most part but would like to clarify that the daily inventory control data collected and used for reporting purposes by Fleet Management's Fuel Systems personnel includes information from manual dipping of the tanks, totalizer readings off the terminals and, where present, VeederRoot² tank inventory system readings. Therefore, while the inventory levels as tracked by Ward (based directly on transactions captured by the system) are not reflected on the Daily Inventory Sheets, that information is the basis for comparison against the other inventory information available and used to identify discrepancies that may need to be researched further.

Recommendation #2:

Include Physical Inventory Measurement on Daily Count Sheets

In order to enhance controls over inventories, the inventory volume per Ward at each station should be recorded on the daily count sheets and compared with the daily physical measurement. Consider including on the CitiStat report a comparison of the physical count compared to the perpetual inventory system, in addition to the inventory consumption comparisons.

DGS Response:

Currently, the daily sheets (which include daily physical measurements) completed at the sites are used as a comparison against the numbers reflected in Ward. Therefore, while the Department agrees with the need compare perpetual inventory level data to daily transactions, it does not acknowledge the value of amending the form to then transcribe Ward volume data back onto the daily sheet from which the comparative information was gathered. Additionally, the forms used to track daily and monthly inventory data were created in collaboration with (and approved by) or provided by the Maryland State Comptroller's Office. At this time the Department does not acknowledge the need to add additional

² <http://www.veeder.com/us/tls-fuel-tank-monitoring-systems>

data points to the records that currently reflect both manual (from the dipstick measurements) and automatic (based on the VeederRoot) readings.

The Office of CitiStat is a small performance-based management group responsible for continually improving the quality of services provided to the citizens of Baltimore City. The Division currently reports on “unaccounted fuel” data to CitiStat and agrees with the recommendation that certain data can be used by CitiStat. The information being shared currently allows that Office to track trends in the “lost” or unaccounted fuel that could be indicative of fraud or theft of fuel. It is the Department’s contention however that the level of reporting recommended above, of daily fuel inventory data, while needed for operational reporting purposes and to identify issues such as a faulty totalizer needing recalibration, would not assist CitiStat in evaluating the quality of service being provided to the citizens of Baltimore City.

Recommendation #3:

Third Party Measurement of Inventory

We recommend a process be put in place for fuel inventory to be measured and confirmed by either an outside party or City staff independent of the fuel management staff. This third party would enhance the strength of the physical inventory control. This process could be implemented on a cycle basis.

DGS Response:

The Department agrees with the recommendation and points out that currently the fuel tanks measurements are taken during the delivery of fuel from the vendor, by the fuel truck driver. A record of this independently-collected measurement is affixed to the paperwork provided documenting the fuel delivery.

While understanding the Auditor’s focus on the validity of daily inventory level information, the Department does not agree with the need to secure the services of a contracted vendor solely for the purposes of performing intermittent measurements. The use of “City staff independent of the fuel management staff” is not recommended by Fleet Management as the process of performing the manual (from the dipstick measurements) and automatic (based on the VeederRoot) readings requires training and repetitive familiarity. There are concerns that having these individuals perform these readings only on a “cycle basis” (not specified) could jeopardize their ability to provide accurate readings. It should be noted that the collection of both manual and automatic readings is not a requirement by State or Federal regular ions, but is performed by Fleet Management as a double-check control. It is the Department’s opinion that 1) use of multiple measurement sources, 2) the separation of duties between the individuals performing the measurements and submitting the daily reports and the individuals receiving, reviewing, verifying and comparing information provided, and 3) reporting requirements by the State Comptroller’s Office (and their related audits) and the Maryland Department of the Environment all work together to create a system of checks and balances that may be an acceptable alternative that address the concerns behind the Auditor’s recommendation.

Fleet Management – Preventive Maintenance

2. Determine how preventive maintenance compliance is reported

Finding:

Of the 160 items selected for testing during the performance period, we found the following instances where equipment was overdue by more than three months:

Year	Items Tested	Instances of Vehicles overdue by more than 3 months	Instances of Equipment overdue by more than 3 months
FY 2011	40	2	4
FY 2012	40	2	3
FY 2013	40	3	2
FY 2014	40	8	2

The overdue vehicles were included in the bi-weekly CitiStat reports but the overdue equipment was not. The Agency informed us that equipment is excluded from CitiStat.

The CitiStat reports for May and June 2012 were missing.

Recommendation #4:

Report Equipment Over-Due for Preventive Maintenance

We recommend that the Agency put in place procedures for reporting equipment overdue for PM by more than three months.

DGS Response:

The Department acknowledges that the archives of CitiStat reports from Fiscal Year 2011 to Fiscal Year 2014 are indeed missing reports for the last two months of Fiscal Year 2012.

The Department concurs with the recommendation being made to report to agencies on Overdue PMs and would like to advise that this is already taking place. While the report to CitiStat only contains vehicles, the reports that are emailed at regularly-scheduled intervals to agency representatives contain both vehicles and equipment.

3. Determine how recurring incidents of non-compliance are corrected or resolved

Finding:

There do not seem to be actions in place to incentivize or penalize the agencies to bring overdue vehicles or other assets for PM.

Recommendation #5:

Implement Penalties for Overdue Preventive Maintenance

We recommend ensuring all overdue preventive maintenance is properly reported to agencies to ensure that they can schedule the PM as soon as possible. We also recommend implementing penalties to drivers/agencies that do not come in for PM. Consider cancelling or limiting use of fuel cards for vehicles that exceed PM maintenance by a set parameter.

DGS Response:

The Department agrees with the finding and recommendation made to provide the Division the authority to sanction PM non-compliance. The department will work with the Mayor's Office to develop a plan to explore options for implementing the recommendation.

Additionally, the Department concurs with the recommendation being made to report to agencies on Overdue PMs and would like to advise that this is already taking place. Reports on assets that are overdue on their PMs are provided to both agency personnel and CitiStat in regularly scheduled emails or submitted reports.

Facilities Management – Building Management

- 1. Determine how records are maintained of all buildings that DGS has responsibility for.**
- 2. Determine the process in place to track and maintain un-occupied buildings under DGS and ensure that they are inspected in accordance with City Policy.**

Finding:

For the 15 buildings selected for our test, we found the following instances where the buildings were occupied but there were no lease agreements in place:

For fiscal 2014

Building Name/address	Number of Tenants	Number of Tenants without Lease Agreements
601 E. Fayette Street	1	1
500 E Baltimore Street	1	1
5710 Eastern Avenue	1	1
10901 Notchcliff Avenue (Gunpowder Range)	1	1
Head Start, 5001 Park Heights Avenue	1	1

For fiscal 2013

Building Name/address	Number of Tenants	Number of Tenants without Lease Agreements
1515 W. North Ave. (Druid Health Center)	1	1
1000 Cathedral Street	1	1
601 E. Fayette Street	1	1
500 E Baltimore Street	1	1
5710 Eastern Avenue	1	1
5225 York (Govans Multi-Purpose Center)	3	1
10901 Notchcliff Avenue (Gunpowder Range)	1	1
Head Start, 5001 Park Heights Avenue	1	1

Recommendation #6:

Ensure Lease are in Place for all Tenants

Ensure lease agreements are in place for all tenants occupying buildings managed by the Agency.

DGS Response:

DGS acknowledges and concurs with the findings and recommendations for the measure to “ensure lease agreements are in place for all tenants occupying buildings managed by the Agency.”

At this time, there is inter-agency collaboration between DGS and the Department of Real Estate to address any leasing, acquisition, and disposition of city-owned buildings in the jurisdiction of DGS. DGS & Real Estate will continue rectifying any real estate matters in our monthly meetings and by regular correspondence.

Finding:

On November 23, 2016, we performed site visits to three locations, 3939 Reisterstown Road, 1400 Federal Street, and 5225 York Road. We performed a walkthrough at each of the three locations, inquiring about and noting the tenants occupying the buildings and then compared what we observed with the records provided to us by the Agency.

Our observations were as follows:

3939 Reisterstown Road

These are the tenants in the building;

- Northwest Community Action Center (Suite 105, no lease agreement)
- ABA Health Services (Suite 204, lease agreement in file)
- New Vision Youth Service (Suite 204, lease agreement in file)
- Housing Inspections Suite (Suite 206, lease agreement in file)
- The Park Heights Renaissance (Suite 268, lease agreement in file)

1400 Federal Street

These are the tenants in the building;

- Mayor Office of Human Services (lease agreement in file)
- Oliver Community Association (lease agreement in file)
- Recreations and Park (No lease agreement)
- Dawson Center (No lease agreement)

SBC noted that two tenants without lease agreements are not on the list provided by DGS and these tenants do not have lease agreements. Also, the building is in need of repairs in the stairwell and on the 2nd floor.

5225 York Road

These are the tenants in the building;

- Community Action Center (lease agreement in file)
- Council Man Henry (lease agreement in file)
- People's Health Center (lease agreement in file)
- Mayor Office of Human Services (No lease agreement in file)

SBC noted that MOHS is not on the list provided DGS.

Recommendation #7

Updated List of Tenants

We recommend a process be implemented to ensure that the list of tenants in each of the 63 buildings managed by the Agency is kept updated and complete.

DGS Response:

DGS recognizes and concurs with the findings and recommendations for the measure “to implement a process that would ensure that the list of tenants in each of the 63 buildings managed by the Agency is kept updated and complete”.

DGS has taken steps to develop a proficient system to manage its buildings effectively. By the spring of 2017, DGS/ Municipal Facilities Administration will be utilizing the ARCHIBUS Facilities Management Software for its operations. By using this software, it will centralize and automate lease administration processes to increase efficiency and reduce errors.

The benefits of the system will allow DGS to 1) Automate processing for lease tracking and management; 2) Improving access of lease information to facilitate easy analysis and reporting 3) Streamline tracking of landlord and tenant responsibilities to avoid unnecessary charges; and, 4) Minimizes errors and speeds data entry through intuitive prompts, reducing administrative costs.

During 2011 through 2014, lease agreements were not finalized between DGS and the Police Department located at 601 E. Fayette Street because Landlord/Tenant responsibilities were being negotiated which allowed for an increase of cleaning services at each district. Since the terms of the additional cleaning have been resolved, the lease agreements were signed in 2015.

5001 Park Heights Avenue lease will be going out for signature to Saint Vincent DePaul (SVDP) in December of 2016. The agreement has been hindered because a Purchase Option had to be included in the agreement.

For the period of 2011 through 2014 at 1400 Federal Street, BCRP wasn't included in the internal service fund until FY15. There is a lease agreement for the second floor between the City of Baltimore and the Oliver Community Association, which is the Dawson Center area, which is managed by HCD.

At 5225 York Road between 2011 through 2014, DGS wasn't responsible for MOHS until FY15. Prior to FY15, if MOHS had a maintenance and repair issue, they would provide remuneration for work provided. The lease was signed in FY15.