



Ricky D. Hatch, CPA
Clerk/Auditor

5 September 2020

Weber County Audit Committee
2380 Washington Blvd.
Ogden, UT 84401

Dear Committee Members:

I recently completed a performance audit of direct billing ratios and other related operational functions of the Weber County Garage. A performance audit is an objective and systematic evidence examination used to provide an independent performance assessment of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. I tested 2019 and 2020 data in my analysis.

Background:

Weber County Garage currently employs one Mechanic I and two Mechanic II personnel to maintain 532 equipment items costing \$20,690,312.10. One Administrative Assistant Office Manager maintains the FASTER computer system that controls work orders and maintenance history and costs. The Community Development Division oversees Garage management.

Management had not established performance indicators to gauge the effectiveness and efficiency of the vehicle and equipment maintenance program. Therefore, I researched best practices and industry standards from published fleet management materials and audit reports of similar programs for these baseline indicators.

My objective was to assess overall equipment maintenance efficiency at the single location at 1900 West, Ogden, Utah. The Executive Summary identifies five findings and recommendations. An additional recommendation follows the **Conclusion** section. The Appendix illustrates finding's details.

Executive Summary

Finding 1:

The Garage was not operating at peak efficiency. In 2019, 45.83 percent of hours paid (excluding vacation, sick, and holiday), were not charged to a specific job and, therefore, not billed. In 2020, second quarter, that rate dropped to 35.71 percent. Industry standards for undistributed labor range from 3 percent to 15 percent.

This condition occurred because of management's lack of oversight in establishing written expected standards, monitoring mechanic workhours, and inadequate administrative support. This resulted in lost production time and billings.

Recommendation 1:

Weber County Community Development Division management should:

1. Establish written standards for undistributed labor hours
2. Regularly monitor the performance of each of the Garage mechanics
3. Take immediate corrective action to lower undistributed labor hours to standard

Finding 2:

Management did not identify and track the cause of undistributed labor hours. Payroll time charges were not reconciled to production time charges. As a result, there was no data on what the 45.83 and 35.71 percent of undistributed time represented. Processes in both MUNIS time entry and FASTER were available to report undistributed labor hours to specific categories.

Recommendation 2:

Weber County Community Development Division management should:

1. Consult with Weber County Comptroller, Weber County Information Technology, and Garage Administrative Assistant Office Manager to establish a time and attendance system that will categorize direct and undistributed labor hours
2. Reconcile payroll time with production time regularly
3. Take action immediately to reduce undistributed labor

Finding 3:

Certain industry best practices for efficiency and effectiveness reviews were not implemented. I could not identify the queue time from equipment delivery to start of repair, nor the total time from delivery to completion. I could not identify a priority of work matrix to help in scheduling work orders.

Generally, in/out times and priority identification are critical functions for shop work orders. *In time* represents the date and time of delivery to the maintenance facility. *Out time* is when equipment is ready for pickup. Priorities are generally identified through a management prepared matrix. The Garage does not use a consistent system for recording either in/out times or priorities. Excessive queue times cannot be verified or managed, and scheduling cannot be optimized without this information.

Recommendation 3:

Weber County Garage should implement industry best practices for work orders and scheduling:

1. Initiate the work order Garage Repair Orders Form immediately upon delivery to the repair facility
2. Post the date and time received, and an initial priority assessment on the work order
3. Consider using pre-numbered forms
4. Record in FASTER the delivery date, priority class, production start date, and completion date immediately at time of event
5. Analyze FASTER standard reports regularly to identify open work orders for better scheduling and throughput

Finding 4:

Weber County Garage billing rates are considerably less than local and regional shops with similar functions. In 2019, the average Garage billing rate was \$58.99 per hour. In 2020 through August, the average Garage billing rate was \$75.83. Local and regional shop rates range from \$85.00 to \$145.00 per hour, with differential specialty rates approaching \$200.00 per hour. Low billing rates results in lost profitability.

Recommendation 4:

Weber County Community Development Division should:

1. Establish competitive Garage billing rates, considering standard minimum and differential specialty hourly rates.
2. Develop and implement a differential pricing table defining the range of pricing from standard to specialty, by maintenance, repair, and replacement function.

Finding 5:

Work and overhead (undistributed) assignments did not always consider mechanic's skill set. Mechanic II personnel often picked up parts and performed standard Mechanic I services. Parts generally can be delivered same day, usually within a two hour turnaround. In addition, the Garage lost the benefit of Weber County Jail inmates that regularly performed various lower level repetitive functions prior to COVID restrictions. Garage personnel had to perform these functions in the inmates' absence. Working below mechanic's skill set reduces potential revenues from high skilled billings.

Recommendation 5:

Weber County Community Development Division should:

1. Evaluate options to relieve Mechanic II personnel from low-level Garage functions
2. Ensure that skilled Mechanic II personnel are available and scheduled for skilled requirements
3. Use parts delivery services whenever possible

Conclusion:

The Community Development Division needs to take a more active role in the management of the Weber County Garage in order to increase profitability:

- Reconcile payroll hours and production hours
- Identify and correct the cause of undistributed labor
- Implement industry best practices for work orders
- Apply competitive standard and differential specialty billing rates
- Schedule direct work and overhead functions to the lowest required skill level

I determined through my research that many fleet operations outsource standard work, e.g., tire management, vehicle preventive maintenance services, and brake service and replacement. I **recommend** that Weber County Community Development Division initiate an in-depth review of outsourcing standard services.

Sincerely,

Roger K Larsen
Weber County Internal Auditor

Appendix

Finding 1: Payroll to Production Billing Time Analysis 2019 YTD

<u>Classification</u>	Payroll		<u>Percent</u>
	<u>Regular & Overtime</u>	<u>Production Billable</u>	
Mechanic II-S	1,318.96	488.40	37.03
Mechanic II	1,442.00	1,006.40	69.79
Mechanic I	<u>1,413.50</u>	<u>766.35</u>	<u>54.22</u>
Totals	<u>4,174.46</u>	<u>2,261.15</u>	<u>54.17</u> = 45.83% Undistributed

2020 – Second Qtr.			
Mechanic II-S	462.10	170.00	36.79
Mechanic II	379.00	350.60	92.51
Mechanic I	<u>421.50</u>	<u>291.10</u>	<u>69.06</u>
Totals	<u>1,262.60</u>	<u>811.70</u>	<u>64.29</u> = 35.71% Undistributed

Finding 2: Undistributed Time Identification and Tracking

Interviews with Weber County Clerk Auditor personnel, Information Technology personnel, and Garage Administrative Assistant Office manager confirm that both MUNIS and FASTER have the capabilities of categorizing undistributed time by function. Standard reports are available for regular review. The MUNIS time and attendance system appears to be the preferred method because of less restrictive access.

Finding 3: Industry and Best Practices

Industry standards and best practices are published in a number of references. I used the following reference in my report. Others were read as part of my research:

1. Office of Inspector General’s Performance Audit of the United States Postal Service Vehicle Maintenance Facility Efficiency Nationwide – Capping Report – April 28, 2015
2. Search Autoparts articles: Developing and Maintaining Standard Operating Procedures, Part one, August 4, 2015, and Part Two, August 25, 2015
3. Metropolitan Government of Nashville and Davidson County internal audit report November 28, 2001
4. U.S. Bureau of Labor Statistics – Occupational Employment Statistics – Occupational Employment and Wages, May 2019 – 49-3023 Automotive Service Technicians and Mechanics

Finding 4: Billing Rates

I called and looked up rates for services provided by John Watson Service Center, Clinton Grease Monkey, Jiffy Lube website, Wheeler Machinery Co., Ogden Diesel Sales & Service, Kenworth Sales Ogden, and other local, privately owned shops. Internet references are general, specifying relevant ranges of charges for specific repairs.

Finding 5: Skill Set Evaluation

This information was provided through interviews with Garage and Weber County Community Development Division personnel. I verified parts delivery turn around using general circumstances with NAPA, Advance Auto, and O’Reilly parts stores.