

AUDIT REPORT

Dutchess County Department of Public Works
Limited Scope Review

Handling of Selected Invoices for Tire Purchases, Recapping and Disposal

2015-2016

Comptroller’s Summary 3

 Background and Organization.....3

 Audit Scope, Objective and Methodology3

 Summary of Findings3

 Detailed Findings.....3

 Purchasing New Tires, Tubes and O-Rings3

 Observations:5

 Findings:5

 Tire recapping/retreading Services for Division of Public Transit Buses.....6

 Findings:6

 Disposal6

 Observations:6

 Findings:7

 Subsequent Bid for Tires7

Comptroller's Summary

Background and Organization

The Dutchess County Department of Public Works is responsible for overseeing several divisions which include Highway, Engineering, Aviation, Parks, Public Transit and the Auto Service Center.

Approximately 550 vehicles are maintained by these Divisions. The majority of the county fleet is assigned to various county departments but maintained by the Auto Service Center.

Public Transit purchases tires for their vehicles as they maintain a full-service department.

Parks purchases tires for their mowers, tractors and utility vehicles. They install these tires. Other vehicles, such as trucks are serviced by the Auto Service Center and tires for these vehicles are purchased by the Auto Service Center.

Aviation purchases tires for their mowers, tractors, utility vehicles and automobiles. They install all of their own tires.

Parks and Aviation dispose of their tires at the Public Works Auto Service Center.

Audit Scope, Objective and Methodology

An audit was performed to review the processes and procedures used by the Dutchess County Department of Public Works for the purchasing of tires and disposal of used tires for vehicles maintained by the respective divisions. A sample of 2015 and 2016 invoices paid for the purchase of tires and for the disposal of used tires was examined. Information was derived from financial documentation, receipts, contract pricing and staff interviews.

Summary of Findings

- ❖ The department's activities and procedures for purchasing tires were in compliance with the bid documents.
- ❖ The department's activities and procedures for payment of invoices was reviewed and found to be compliant. This included each of the department's divisions who were responsible for the ordering, receiving and invoice review.
- ❖ The department's documentation and records reviewed were generally in good order and readily available. This included each of the department's divisions who were responsible for specific documentation and records.
- ❖ Minor posting errors were noted in the line items used.

Detailed Findings

Purchasing New Tires, Tubes and O-Rings

Tires are to be purchased through authorized methods. The primary authorization is the tire bid which is put in place by the Department of Central Services. Information is gathered from the departments

which utilize the tires to prepare the bid specifications. The bid specifications are advertised through the established process. Provisions of this bid included:

Specifications for Purchase of New Automotive, Truck, Off-Road, Agricultural and Utility Tires, Tubes and O-Rings.

1.1. All items shall be new and unused. The material offered under this bid solicitation shall be of current design and production at the time bids are received.

1.3 The Bidder must be an authorized dealer, retailer or wholesaler for the products offered.

1.4 All materials, components, and hardware included within the materials specified herein shall be of the highest quality. Remanufactured, reprocessed, recycled, or reconstituted tires are not acceptable. No obsolete items shall be offered. If a tread design on a tire provided by the successful Bidder and held in the County's inventory for up to six (6) months becomes obsolete, the successful Bidder shall be required to exchange the obsolete tire design with a new current production model tire.

2.0 Technical Specification- New automotive, truck, off-road, agricultural and utility tires, tubes and O-rings.

2.4 Each ordering agency shall be billed directly. Each invoice shall include the Bidder's name and address, the order number or invoice number, the delivery date and an itemized list of each item ordered (including part number if applicable) with a unit price. The invoice shall include a total amount due.

2.5 For each product manufacturer or line being offered, Bidders shall submit a percent discount from the current manufacturer's suggested retail price and submit the current MSRP list for the full product line.

3.0 Delivery

The successful Bidder shall make delivery of all stocked materials and components furnished under this Bid to the County of Dutchess within one business day after receipt of written or verbal order. The successful Bidder shall make delivery of all non-stocked or special order materials and components furnished under this Bid to the County of Dutchess within 1 calendar week after receipt of written order.Pricing shall be FOB Destination Freight Prepaid. No additional charges will be paid for delivery, shipping or handling.

In the General instructions and Information it was also noted:

"All or any Dutchess County Department may participate in this contract. Each ordering agency shall be invoiced directly for their orders and shall receive shipments at their designated locations."

The awarded bid reviewed was for the time period March 17, 2015 to February 29, 2016 and had an option for two (2) one-year renewal options. Two vendors were chosen. The Bid award specified tire manufacturers for each of the Class items awarded:

- Class I- Passenger Vehicle Tires
- Class II- Pursuit Rated & Performance Tires
- Class III- Light Truck Tires
- Class IV- Medium/HD Commercial Tires
- Class V- Farm/Agricultural/Industrial Tires
- Class VI- Specialty Tires
- Class VII- O-rings
- Class VII – Tubes

In addition to the above bid, the county reserved the right to purchase items pursuant to General Municipal Law 103 from NYS contracts, other County, political subdivision or district contracts, or NYS Preferred Sources within its discretion. This was done only in rare instances where an item was not available.

Tire and related tire expenses are paid from the General Ledger Account 4102 Part & Supplies – Auto, Equipment line. As shown below a total of \$117,372.67 and \$158,066.94 was expensed for tires from the main tire vendors in 2015 and 2016.

	2015		2016	
	GL 4102 Total Parts & Supplies - Auto, Equipment	GL 4102 Tire Related Expenses – actual audited amounts	GL 4102 Total Parts & Supplies - Auto, Equipment	GL 4102 Tire Related Expenses – actual audited amounts
Auto Center	\$203,198.11	\$46,505.51	\$226,537.04	\$63,386.98
DPW Road Machinery	\$360,960.01	\$45,763.79	\$317,004.74	\$52,403.49
DPW Airport	\$26,724.68	\$4,637.68	\$24,448.31	\$923.74
Public Transit*	\$227,911.93	\$20,354.34	\$233,338.75	\$40,704.59
DPW Parks	<u>\$14,372.75</u>	<u>\$111.35</u>	<u>\$15,885.96</u>	<u>\$648.14</u>
Total:	\$833,167.48	\$117,372.67	\$817,214.80	\$158,066.94

Note: The corrected charges for the tire related expenses are reflected above.

*Includes a contractual payment for tire recapping/retreading services for division of Public Transit Buses pursuant to Contract #14-0287.

Observations:

- Invoices related to the awarded vendors were reviewed and found to be in compliance with the authorizing documents: bid blanket and awarded RFB. Selected invoices were reviewed in accordance with bid provision 2.4 listed above and the established price listing for each tire.

Findings:

- Auto Center – Out of the fourteen 2016 invoices reviewed part of two invoices were incorrectly charged to GL.4102 line instead of GL.4611 (refuse removal) which overstated this expense by \$266.50.
- DPW Road Machinery – Out of the sixteen 2016 invoice reviewed parts of two invoices were incorrectly charged. One was charged to GL.4102 line instead of GL.4611 which overstated this expense by \$189.00 and the second was charged to GL.4611 instead of GL.4102 which understated this expense by \$205.96.
- DPW Airport – Out of the five 2015 invoices reviewed one invoice had the wrong tire prices totaling \$5,086.88 which was charged to GL.4102 and later refunded. The department discovered and corrected this error.
- DPW Parks – In 2015, a \$111.35 tire purchase was made on the P-Card. Upon investigation, the charge was warranted as the circumstances were for an emergency.

Tire recapping/retreading Services for Division of Public Transit Buses

A separate request for quote for the services of a qualified firm to provide all materials, labor and equipment necessary to perform tire recapping services was prepared and an agreement was entered into with the vendor who could meet these requirements. This contract was for a maximum payment of \$10,000 for the time period May 1, 2014 - October 31, 2015 with a one year extension for the time period November 1, 2015 – October 31, 2016 with an additional maximum consideration of \$10,000 a year appropriated. These services were paid out of the 4612 line item.

	2015		2016	
	GL 4612 Total Repairs/Alt to Equipment	GL 4612 Tire Recapping Related Expenses	GL 4612 Total Repairs/Alt to Equipment	GL 4612 Tire Recapping Related Expenses
Public Transit	\$131,151.87	\$5,127.69	\$141,052.92	\$5,438.76

Note: The corrected charges for the tire recapping related expenses are reflected above.

Findings:

- Out of the six 2015 invoices reviewed four were incorrectly charged to the GL.4102 line resulting in an undercharge to the GL.4612 for a total of \$3,248.39.
- Out of the seven 2016 invoices reviewed one was incorrectly charged to the GL.4102 line resulting in an undercharge to the GL.4612 for a total of \$786.11.

Disposal

Tires are disposed of by most divisions through the Dutchess County Auto Service Center or the Highway Division. The vendor who was used to dispose of tires was the same vendor that was used to purchase tires.

	2015		2016	
	GL 4611 Total Refuse Removal	GL 4611 Tire Related Expenses	GL 4611 Total Refuse Removal	GL 4611 Tire Related Expenses
Auto Center	\$3,995.30	\$1,196.00	\$4,043.59	\$1,634.00
DPW Road Machinery	\$3,321.10	\$702.50	\$4,333.74	\$2,237.50
DPW Airport	\$1,419.12	\$0.00	\$1,661.85	\$0.00
Public Transit	\$10,850.09	\$0.00	\$33,462.44	\$0.00
DPW Parks	\$9,561.69	\$0.00	\$9,035.98	\$0.00
Total:	\$29,147.30	\$1,898.50	\$52,537.60	\$3,871.50

Note: The corrected charges for the tire related expenses are reflected above.

Observations:

During the time period reviewed, the tire disposal was not included as a contracted item despite it being a service. This service is now included with the most recent contract.

Tires for county vehicles are primarily disposed of from the Dutchess County Auto Service Center. However, since the DPW- Highway Division collects discarded tires along county roadways; this Division also periodically arranges for the removal of tires.

Findings:

- Auto Center – Out of the fourteen 2016 invoices reviewed part of two invoices were incorrectly charged to GL.4102 line instead of GL.4611 (refuse removal) which understated this expense by \$266.50.
- DPW Road Machinery – Out of the sixteen 2016 invoices reviewed part of one invoice was incorrectly charged to GL.4102 line instead of GL.4611 which understated this expense by \$189.00.

Subsequent Bid for Tires

The Department of Public Works requested the bid be separated between Public Transit and the other DPW Divisions. This allowed for the following:

- Public Transit’s submission requirements require several Federal Transit Administration clauses which may prevent potential vendors from bidding. In addition, Public Transit listed the individual tire sizes with an estimated quantity for different tire types (industrial, etc.). Public Transit was able to secure pricing on the types of tires they utilized.
- DPW Divisions were not subject to the Federal clauses and were able to secure a new tire contract that allowed them to purchase from different manufacturers. This bid document included a list of several classes of tires to accommodate the different vehicle types in the county fleet. Requested bidders could list the manufacturer and the percent discount from list price. The end result was there were more vendors awarded the bid.

Exhibit I
Tire Related Expenses

4102	Total Parts & Supplies - Auto, Equipment	2015	-	2016	
	Auto Center	\$46,505.51	Amt Charged to GL Line	\$63,653.48	Amt Charged to GL Line
		-		-\$182.50	Line should be 4611
		-		-\$84.00	Line should be 4611
	Total Expenses	\$46,505.51		\$63,386.98	
	DPW Road Machinery	\$45,763.79	Amt Charged to GL Line	\$52,386.53	Amt Charged to GL Line
		-		-\$189.00	Line should be 4611
		-		\$205.96	Tires incorrectly charged to line 4105
	Total Expenses	\$45,763.79		\$52,403.49	
	DPW Airport	\$4,637.68	Amt Charged to GL Line	\$923.74	
	Total Expenses	\$4,637.68		\$923.74	
	Public Transit	\$23,602.73	Amt Charged to GL Line	\$41,490.70	Amt Charged to GL Line
		-\$270.11	Line should be 4612	-\$786.11	Line should be 4612
		-\$1,255.11	Line should be 4612	-	
		-\$964.68	Line should be 4612	-	
		-\$758.49	Line should be 4612	-	
	Total Expenses	\$20,354.34		\$40,704.59	
	DPW Parks	\$111.35	Amt Charged to GL Line	\$648.14	Amt Charged to GL Line
	Total Expenses	\$111.35		\$648.14	

**Exhibit II
Recapping**

4612	Repairs/Alt to Equip	<u>2015</u>	-	<u>2016</u>	
	Public Transit	\$1,879.30	Amount Charged to GL Line	\$4,652.65	Amount Charged to GL Line
		\$270.11	Incorrectly charged to line 4102	\$786.11	Incorrectly charged to line 4102
		\$1,255.11	Incorrectly charged to line 4102	-	
		\$964.68	Incorrectly charged to line 4102	-	
		\$758.49	Incorrectly charged to line 4102	-	
	Total Expenses	\$5,127.69		\$5,438.76	

**Exhibit III
Refuse Removal**

4611	Refuse Removal	2015		2016	
	Auto Center	\$1,196.00	Amt Charged to GL Line	\$1,367.50	Amt Charged to GL Line
		-		\$182.50	Incorrectly charged to line 4102
		-		\$84.00	Incorrectly charged to line 4102
	Total Expenses	\$1,196.00		\$1,634.00	
	DPW Road Machinery	\$702.50	Amt Charged to GL Line	\$2,048.50	Amt Charged to GL Line
		-		\$189.00	Incorrectly charged to line 4102
	Total Expenses	\$702.50		\$2,237.50	
	DPW Airport	\$0.00	Amt Charged to GL Line	\$0.00	Amt Charged to GL Line
	Total Expenses	\$0.00		\$0.00	
	Public Transit	\$0.00	Amt Charged to GL Line	\$0.00	Amt Charged to GL Line
	Total Expenses	\$0.00		\$0.00	
	DPW Parks	\$0.00	Amt Charged to GL Line	\$0.00	Amt Charged to GL Line
	Total Expenses	\$0.00		\$0.00	