

Performance Audit

**EQUIPMENT LEASING AUTHORITY
(ELA)**

Report by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

Douglas W. Anderson, Deputy Controller

Anabell Kinney, Management Auditor

Gloria Novak, Assistant Management Auditor

August 2014

TABLE OF CONTENTS

PAGE

Executive Summary	i-v
Introduction and Overview	1
Scope	2
Objectives	3
Methodology	4
Findings and Recommendations:	
Vehicle Funding and ELA Costs	5
Certified Public Accountants and ELA Board Solicitor	6
City Vehicle/Equipment Purchase and Major Repair Approval Process	7
Equipment Acquisition Plans	7
Vehicle Estimated Useful Life/Life Cycle and Replacement Plan Life Cycles.....	8
Life Cycle Vehicle Replacement	8
First Vehicle Services (FVS) and the ELA and Vehicle Funding	9
Vehicle Purchases	16
Relevancy of the Equipment Leasing Authority	18
Tables:	
Table 1 - 2012 ELA Acquisition Plan by Department/Bureau & Funding Source.....	10-12
Table 2 - 2012 Vehicle Fund Allocations and Percentages	13
Table 3 - 2013 ELA Acquisition Plan by Department/Bureau & Funding Source.....	14-15
Table 4 - 2013 Vehicle Fund Allocations and Percentages	16
Table 5 - Vehicle Purchases in 2012 by Department	17
Table 6 - Vehicle Purchases in 2013 by Department	17



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

August 7, 2014

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this performance audit of the *Equipment Leasing Authority (ELA)* conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Equipment Leasing Authority was created in 1980 under the Municipality Authorities Act (MPA) of 1945, P.L. 382, as amended. The ELA was incorporated to serve as a financing vehicle by which equipment is leased by the Authority to the City. All ELA bonds were retired as of September 1, 1997. Since then, other sources of financing, including City capital and operating funds, have been used to purchase vehicles.

The ELA Board is comprised of five members: three are appointed by the Mayor and two by the City Council President. The current Board consists of the following City employees: Director of the Finance Department, Director of Public Works, a City Councilman, City Council Budget Director and the Director of Public Safety. Three other City employees from the Department of Finance, Bureau of Procurement, Fleet and Fixed Assets, assist the Board. All serve without additional compensation. This audit assesses the current role of the ELA in the City vehicle acquisition process.

Findings and Recommendations

Vehicle Funding

Finding: ELA has not provided funding for replacement of vehicles and equipment since its bonds were retired in 1997. The ELA acts as a conduit for City operating and capital funds and funds from other sources such as state Solid Waste Trust funds.

ELA Costs

Finding: The ELA Board is comprised of City employees and support persons who serve at no additional cost to the City. Work on behalf of the ELA is essentially part of their City position duties.

Finding: It is not known how much time City employees spend on ELA duties. However the time spent on ELA duties is time away from the City employees' City job.

Recommendation: City employees with ELA responsibilities should document the time and materials used for ELA activities. By not tracking employee time and material costs it is unknown how much of a drain the ELA is on City resources.

Finding: Because the ELA holds title to all City vehicles, it accrues the funds obtained from vehicle salvage or auction sale.

Finding: ELA salvage funds (money from the sale of City vehicles and associated equipment) are deposited into the ELA Fund account. This account is used to pay for all ELA related expenditures such as accounting, legal services, vehicles repairs etc.

Recommendation: ELA salvage funds should be used to reimburse the City for time and materials used in performing ELA operations.

Finding: The ELA staff meets monthly with a representative of every City department to discuss fleet needs.

Certified Public Accountants

Finding: The annual report prepared for the ELA is little more than an expenditure summary report.

Finding: Maher Duessel audits the annual report submitted by ELA accountants and audits the ELA as part of its annual City audit.

Recommendation: The ELA Board should review its accounting contract to determine whether the reports created could be done in house with Quickbooks or similar software.

ELA Board Solicitor

Finding: Invoices provided by ELA indicate that Attorney X was paid \$5,575.00 in 2012 and \$4,662.50 through September 2013 for a variety of activities such as reviewing documents, drafting cancellation agreements, listening to voice mail and reading emails about meeting changes and cancellations. Attorney X's hourly rate is \$125.00, regardless of activity.

Finding: Authority board minutes indicate that Attorney X attended three board meetings in 2012 and three meetings in 2013. Three of the meetings were over in less than a half hour. The three other meetings were one hour, 51 minutes and 45 minutes in length.

Finding: Hours billed for "prepare for and attend ELA meeting" range from 1.5 to 1.7 hours.

Recommendation: ELA should negotiate a lower hourly rate for activities that do not require legal expertise such as listening to voice mail and reading email about meeting changes.

City Vehicle/Equipment Purchase and Major Repair Approval Process

Finding: The ELA Board must approve all vehicle purchases for the City. Interim approval is often given for purchases prior to Board Meetings. Interim approvals are confirmed at the next Board Meeting.

Finding: Public Safety Department operating funds are used to purchase police cars, which have recently been declassified as a capital asset because of the vehicles short useful life.

Equipment Acquisition Plans

Finding: The departmental and bureau Equipment Acquisition Plans developed by ELA are based on available and anticipated funds, objective vehicle useful life, condition and repair and replacement cost criteria.

Finding: Departmental Equipment Acquisition Plans can be amended with Board approval.

Vehicle Estimated Useful Life/Life Cycle and Replacement Plan Life Cycles

Finding: ELA does not perform periodic vehicle useful life assessments. Personnel from the City Finance Department and First Vehicle Services, the City Fleet Maintenance contractor, utilize a "miles and hours" criteria/formula to determine vehicle life expectancy.

Life Cycle Vehicle Replacement

Finding: The Department of Public Safety has the most vehicles and the most vehicles with the expected shortest life cycles.

Finding: Police cruisers and EMS ambulances have the shortest life expectancy, at 3 and 7 years, respectively. As of November 20, 2013, the Bureau of Police had 143 cruisers and Bureau of Emergency Medicine had 32 ambulances.

First Vehicle Services (FVS) and the ELA

Finding: A representative from the ELA attends the monthly vehicle status meetings hosted by FVS at the City garage. These meetings keep the ELA, Finance Department and other stakeholders apprised of the City fleet condition and upcoming major repairs.

Vehicle Funding

Finding: ELA has the ability to issue its own bonds but has not done so since 1988. ELA uses a variety of funding sources, including City capital funds and operating funds, trust funds and third party grant funding, for vehicle purchases and repairs.

Finding: One staff person from the Finance Department and from the City Controller's Office transfer funds from various City accounts and trust funds into the ELA account. The ELA account accrues interest but uses it to offset bank fee charges.

Finding: During the audit scope, interest in the ELA bank account exceeded the fees. After fees were paid, ELA had a yearend balance of \$3,813.37 in 2012 and \$1,252.86 in 2013.

Finding: ELA sometimes will "front" City salvage funds for vehicle purchases then get reimbursed when trust or other outside funds targeted for those vehicles arrive.

Finding: In 2012 the ELA planned to purchase 155 vehicles for the City.

Finding: In 2012 Public Works vehicles were purchased with 6 different funding sources; the greatest number of funding sources spent for any Department.

Finding: Seventy-seven (77) vehicles were purchased in 2012 for the Police Bureau. This was the largest ELA expenditure. The second largest purchase was 50 vehicles for the Department of Public Works.

Finding: In 2012 the largest expenditure for City vehicles comes from ELA funds which are City of Pittsburgh Capital Funds.

Recommendation: ELA should be commended for maintaining the City fleet without issuing bonds. Current administration should continue this practice of not borrowing money to purchase vehicles.

Finding: In 2013 the ELA planned to purchase 107 vehicles for the City.

Finding: In 2013 Public Works vehicles were purchased with 5 different funding sources; the greatest number of funding sources spent in any Department. During the same year the Police Bureau vehicles were purchased with 4 different funding sources; the second highest number of funding sources spent.

Finding: Fifty-nine (59) vehicles were purchased in 2013 for the Police Bureau. This was the largest ELA expenditure. The second largest purchase was 23 vehicles for the Department of Public Works.

Finding: The 2013 vehicle acquisition plans largest funding for City vehicles comes from ELA funds (70%) which are City of Pittsburgh Capital Funds.

Vehicle Purchases

Finding: ELA purchases vehicles using existing City, State, or County contracts or issues its own bids.

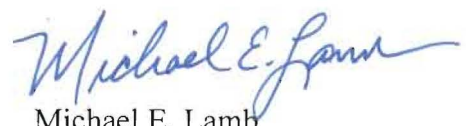
Finding: In 2012 and 2013, ELA spent \$10,610,242 and \$8,385,170 respectively, for vehicles. The majority of purchases were for the Departments of Public Safety and Public Works.

Finding: Monies allocated or approved in a given year are not always spent in that year.

Relevancy of the Equipment Leasing Authority

Recommendation: The Administration should consider transferring vehicle purchasing operations from the ELA to the City Finance Department. The Equipment Leasing Authority could be retained as a mechanism to issue bonds, although the likelihood of this need is slim.

Sincerely,


Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the Equipment Leasing Authority (ELA) was conducted pursuant to section 404(c) of the Pittsburgh Home Rule Charter. This audit assesses the current role of the ELA in the City vehicle acquisition process.

OVERVIEW

The Equipment Leasing Authority was created in 1980 under the Municipality Authorities Act (MPA) of 1945, P.L. 382, as amended. Authorities are governmental bodies created to finance and/or operate specific public works projects without tapping the general taxing powers of the municipality.

The MPA describes an authority as “a body corporate and politic” authorized to acquire, construct, finance, improve, maintain and operate projects, provide financing for insurance reserves, make loans, and to borrow money and issue bonds to finance them. An authority can be a financing agent for a capital project, an operating entity or both.

The MPA grants authorities broad powers to accomplish the purposes designated in the Act. One of the powers designated in Section 5607 (A) of the Act is “equipment to be leased by an authority to the municipality...that organized it”. The ELA was incorporated to serve as a financing vehicle by which equipment is leased by the Authority to the City.

Equipment Financing

Rental payments by the City made pursuant to such leases were used to pay the debt service on ELA bonds. All ELA bonds were retired as of September 1, 1997. Since then, other sources of financing, including City capital and operating funds, have been used to purchase vehicles.

ELA Composition

The ELA Board is comprised of five members: three are appointed by the Mayor and two by the City Council President. The current Board consists of the following City employees: Director of the Finance Department, Director of Public Works, a City Councilman, City Council Budget Director and the Director of Public Safety. Three other City employees from the Department of Finance, Bureau of Procurement, Fleet and Fixed Assets, assist the Board. All serve without additional compensation.

Board Meetings

The Board meets to approve or deny vehicle and related equipment purchase requests and major repair requests. Meetings are held quarterly or when a majority of Board Members are available to meet.

SCOPE

Audit scope is years 2012 and 2013.

OBJECTIVES

1. To assess the effectiveness of the ELA in City vehicle acquisition.
2. To assess the economy of the ELA in City vehicle acquisition.
3. To assess the relevancy of the ELA.
4. To make recommendations for improvement.

METHODOLOGY

Prior to the entrance conference with Finance Department ELA personnel, the auditors reviewed the following materials: ELA quarterly meeting minutes for 2011, 2012 and 2013 through August and 1980 incorporation documents. The ELA contact person provided written information about current City vehicle financing mechanisms, vehicle need determination and First Vehicle Services role in vehicle assessment and purchase.

The auditors met with the Deputy Director of Finance, City Fixed Asset Manager and City Procurement Services Coordinator to discuss the ELA's current role in vehicle acquisition and financing.

After the meeting the following information was requested: Government Finance Officers Association expected life for each vehicle in City fleet, list of vehicles purchased in 2011, 2012 and through September 30, 2013 by City department and source of funding.

The auditors compared the vehicle purchases approved in the Equipment Acquisition Plans to the purchase order listings provided by the Authority. Funding sources were used to determine the primary sources of money for categories of vehicle purchases.

The auditors requested copies of ELA's agreements with its solicitor and public accounting, copies of all invoices submitted by the two firms in 2012 and 2013 and a copy of the latest ELA audit report prepared by the accounting firm.

The auditors reviewed the City contract with Maher Duessel to determine the scope of its audit of ELA payments.

FINDINGS AND RECOMMENDATIONS

Vehicle Funding

According to the Deputy Director of Finance, ELA's goal is to maintain existing fleet levels in accordance with budgetary parameters. Fleet levels are maintained through purchase of new replacement vehicles and repair of existing vehicles. The 2013 Capital Budget states that ELA "provides funding for programmed replacement cycle of vehicles and equipment for the City".

Finding: ELA has not provided funding for replacement of vehicles and equipment since its bonds were retired in 1997. The ELA acts as a conduit for City operating and capital funds and funds from other sources such as state Solid Waste Trust funds.

ELA Costs

Finding: The ELA Board is comprised of City employees and support persons who serve at no additional cost to the City. Work on behalf of the ELA is essentially part of their City position duties.

Finding: It is not known how much time City employees spend on ELA duties.

Finding: Time spent on ELA duties is time away from the City employees' City job.

RECOMMENDATION NO. 1:

City employees with ELA responsibilities should document the time and materials used for ELA activities. By not tracking employee time and material costs it is unknown how much of a cost the ELA is to City resources.

Finding: Because the ELA holds title to all City vehicles, it accrues the funds obtained from vehicle salvage or auction sale.

Finding: ELA salvage funds (money from the sale of City vehicles and associated equipment) are deposited into the ELA Fund account. This account is used to pay for all ELA related expenditures such as accounting, legal services, vehicles repairs etc.

RECOMMENDATION NO. 2:

ELA funds should be used to reimburse the City for time and materials used in performing ELA operations.

Finding: The ELA staff meets monthly with a representative of every City Departments to discuss fleet needs.

Certified Public Accountants

Since 1996, the ELA has contracted with an accounting firm to “perform an accrual/encumbrance basis of accounting”. The firm is to “maintain monthly reports and account balances on all bond, equipment, investment and salvage accounts” and “produce an annual report under generally accepted accounting principles”.

To maintain these monthly account balances and issue an annual report, the firm is paid \$525.00 per month (\$6,300 annually).

Finding: The annual report prepared for the ELA is little more than an expenditure summary report.

Finding: Maher Duessel audits the annual report submitted by ELA accountants and audits the ELA as part of its annual City audit.

RECOMMENDATION NO. 3:

The ELA Board should review its accounting contract to determine whether the reports created could be done in house with Quickbooks or similar software.

ELA Board Solicitor

Attorney X has been the ELA Board solicitor since 2006. This attorney was hired pursuant to a nomination by a board member at the November 6, 2006 ELA meeting. Invoices indicate his hourly rate to be \$125 an hour.

The auditors requested copies of the ELA contract with Attorney X as well as all invoices submitted by Attorney X to the ELA in 2012 and 2013.

Finding: Invoices provided by ELA indicate that Attorney X was paid \$5,575.00 in 2012 and \$4,662.50 through September 2013 for a variety of activities.

Finding: Authority board minutes indicate that Attorney X attended three board meetings in 2012 and three meetings in 2013. Three of the meetings were over in less than a half hour. The three other meetings were one hour, 51 minutes and 45 minutes in length.

Finding: Hours billed for “prepare for and attend ELA meeting” range from 1.5 to 1.7 hours.

In addition to billings for attending ELA meetings, reviewing documents, drafting cancellation agreements and other legal work, the ELA was billed for Attorney X listening to voice mail and reading emails about meeting changes and cancellations. Attorney X's hourly rate is \$125.00, regardless of activity.

RECOMMENDATION NO. 4:

ELA should negotiate a lower hourly rate for activities that do not require legal expertise such as listening to voice mail and reading email about meeting changes.

City Vehicle/Equipment Purchase and Major Repair Approval Process

Finding: The ELA Board must approve all vehicle purchases for the City. Interim approval is often given for purchases prior to Board Meetings. Interim approvals are confirmed at the next Board Meeting.

After the Capital and Operating budgets are approved at the end of December, the Budget Office (CBO) informs ELA of the total amount of money budgeted for vehicle and equipment replacement in the upcoming year. City capital and Public Safety operating funds are used for vehicle acquisition.

Finding: Public Safety Department operating funds are used to purchase police cars, which have recently been declassified as a capital asset because of the vehicles short useful life.

The amount of capital funds allocated to ELA is usually a percentage of the capital budget: approximately 15-20 percent. Department specific trust funds and grants can also be used for vehicle and related equipment purchase. For example, monies from the Solid Waste Trust Fund are used to purchase blue recycle trucks.

Equipment Acquisition Plans

City departments are asked to submit vehicle 'wish list' requests for the upcoming year. Two ELA support persons develop departmental Equipment Acquisition Plans in conjunction with department Directors, the Public Safety Director, Mayor's Office and Bureau chiefs. Acquisition plans are based on funding projections and vehicle request priority. Factors used to prioritize vehicle requests include how near the vehicle is to its expected useful life and the replacement cost of new vehicle(s). After approval by the ELA board at its first meeting of the year, the Equipment Acquisition Plans are submitted to City Council for review and the transfer of funds into the ELA Fund account.

An ELA representative attends monthly fleet status meetings at the City Garage, which is operated by First Vehicle Services (FVS), and keeps the Board apprised of anticipated major repairs that are non-target repairs.

Non-target repairs such as repairing vehicles involved in accidents require additional payment. Non-target or ‘non-contract’ costs are generally unpredictable vehicle repairs. ELA pays the additional, non-target repair costs.

Target services are defined in the contract as “generally routine vehicle maintenance and repair activities that are reasonably predictable and, therefore, lend themselves to projection and estimation”. Target repairs such as preventive maintenance are covered by the monthly fee paid to FVS by the City.

Finding: The departmental and bureau Equipment Acquisition Plans developed by ELA are based on available and anticipated funds, objective vehicle useful life, condition and repair and replacement cost criteria.

Finding: Departmental Equipment Acquisition Plans can be amended with Board approval.

Acquisition Plans can be amended for various reasons such as needing funds for emergency purchases and making extra purchases if other funding sources become available.

Vehicle Estimated Useful Life/Life Cycle and Replacement Plan Life Cycles

The Government Finance Officers Association (GFOA) defines capital assets as assets that are used in operations and have an initial useful life in excess of one year. For City purposes, capital assets are valued at \$5000 or more. The GFOA recommends that governments establish a system for assessing their assets and appropriately plan and budget for any capital maintenance and replacement needs.

The best source for determining the estimated useful life of a capital asset is the government’s experience with similar assets. According to the GFOA, estimated useful lives for vehicles and other capital assets should be periodically compared with the government’s actual experience and appropriate adjustments made to reflect that experience.

Finding: ELA does not perform periodic vehicle useful life assessments. Personnel from the City Finance Department and First Vehicle Services, the City Fleet Maintenance contractor, utilize a “miles and hours” criteria/formula to determine vehicle life expectancy.

Finding: Life cycle replacement for specific vehicles or vehicle categories is restricted by budgetary constraints. Vehicles are sometimes repaired or maintained beyond their estimated useful life cycle until funds are available for replacement.

Life Cycle Vehicle Replacement

Finding: The Department of Public Safety has the most vehicles and the most vehicles with the expected shortest life cycles.

Information supplied by First Vehicle Services, the City Fleet Maintenance contractor, indicates that the Departments of Public Works and Public Safety have the most vehicles. As of November 20, 2013, the City fleet consisted of 975 vehicles. DPW had 366 vehicles (37.5% of the fleet) and Public Safety had 558 vehicles (57% of the fleet).

Finding: Police cruisers and EMS ambulances have the shortest life expectancy, at 3 and 7 years, respectively. As of November 20, 2013, the Bureau of Police had 143 cruisers and Bureau of Emergency Medicine had 32 ambulances. (Every 4 door and “full sized marked hotseat” vehicle was counted by the auditors as a cruiser.)

First Vehicle Services (FVS) and the ELA

Finding: A representative from the ELA attends the monthly vehicle status meetings hosted by FVS at the City Garage. These meetings keep the ELA, Finance Department and other stakeholders apprised of the City fleet condition and upcoming major repairs.

First Vehicle Services also provides information, support and services to the ELA on an “as needed” basis in three categories: new equipment, current inventory and decommissioned equipment. As needed services include performing a detailed Quality Control Inspection on all new equipment, managing any warranty or call back issues with equipment manufacturers and helping organize and stage decommissioned vehicles at auction.

Vehicle Funding

Finding: ELA has the ability to issue its own bonds but has not done so since 1988. ELA uses a variety of funding sources, including City capital funds and operating funds, trust funds and third party grant funding, for vehicle purchases and repairs.

Finding: One staff person from the Finance Department and from the City Controller transfer funds from various City accounts and trust funds into the ELA account. The ELA account accrues interest but uses it to offset bank fee charges.

Finding: During the audit scope, interest in the ELA bank account exceeded the fees. After fees were paid, ELA had a yearend balance of \$3,813.37 in 2012 and \$1,252.86 in 2013.

Finding: ELA sometimes will “front” City salvage funds for vehicle purchases then get reimbursed when trust or other outside funds targeted for those vehicles arrive.

This usually occurs when state Solid Waste Trust Funds (SWTF) are used to purchase the City blue recycle trucks. According to ELA staff, the trucks “take so long to build” and the purchases must be initiated before the funding is available.

The following is a list of funding sources used by the ELA to purchase vehicles for the City fleet.

- Equipment Leasing Authority
- Public Safety Operating Funds
- Solid Waste Trust Funds
- Confiscated Narcotics Proceeds Trust Funds
- Shade Tree Trust Fund
- Regional Asset District
- DCED Green Up Grant
- Police Invest Insurance Grant
- DPW Parks Maintenance Trust Fund
- Justice Assistance Grant
- Shade Tree Commission Grant
- Federal Stimulus Grant
- EMS Reimbursement Trust Funds
- DPW Parks Maintenance Capital Funds

Tables 1 and 3 show the 2012 and 2013 Acquisition Plans passed by the ELA Board in each year. Also shown is the corresponding funding source by the type of vehicle and department.

TABLE 1

2012 ELA ACQUISITION PLAN by DEPARTMENT or BUREAU and FUNDING SOURCE			
DEPARTMENT OR BUREAU	# UNITS	TOTAL APPROVED	FUNDING SOURCE
POLICE BUREAU:			
Marked Cruiser	43	\$1,200,000.00	PS Operating Funds
Marked Cruiser	*	\$482,000.00	ELA Funds
Marked Cruiser	*	\$124,000.00	ELA Emergency Funds (Replacement)
Unmarked Sedan	10	\$261,650.00	ELA Emergency Funds
Motorcycle	10	\$180,000.00	Police Operating Funds
Refurbished M/C Side Cars	1	\$30,000.00	Police Trust Funds
Prisoner Van	3	\$159,000.00	ELA Funds
Supervisor SUV	6	\$270,000.00	ELA Funds
K-9 SUV	3	\$117,000.00	ELA Funds
Accident Inv. Vehicle	1	\$26,200.00	ELA Funds
TOTAL POLICE BUREAU	77	\$2,849,850.00	-----
<i>*units included above</i>			

TABLE 1 (CONTINUED)

2012 ELA ACQUISITION PLAN by DEPARTMENT or BUREAU and FUNDING SOURCE			
DEPARTMENT OR BUREAU	# UNITS	TOTAL APPROVED	FUNDING SOURCE
EMER MED SVCS:			
Ambulance-Type III	7	\$1,610,000.00	ELA
Van Ambulance	1	\$111,483.00	EMS Reimbursement Trust Fund
TOTAL EMS	8	\$1,721,483.00	-----
FIRE BUREAU:			
Fire Pumper	3	\$1,305,000.00	ELA Funds
Medium SUV	4	\$160,000.00	ELA Funds
Refurbished Foam Truck	1	\$250,000.00	ELA Funds
Refurbished Pumpers	1	\$40,245.00	ELA Funds
15 Passenger Van	1	\$34,265.00	ELA Funds
TOTAL FIRE BUREAU	10	\$1,789,510.00	ELA Funds
EMERGENCY MANAGEMENT:			
Large SUV	1	\$48,000.00	ELA Funds
PS/ANIMAL CONTROL :	2	\$140,000.00	ELA Funds
MAYOR-C.I.S.:			
Delivery Van	1	\$35,000.00	ELA Funds
PUBLIC WORKS:			
Backhoe	1	\$85,000.00	ELA Funds
Heavy Duty Pick Up/Plow	12	\$466,800.00	ELA Funds
Platform/Bucket Truck	1	\$173,350.00	ELA Funds
Tandem Dump W/ Plow	2	\$381,500.00	ELA Funds
Street Sweeper	2	\$360,000.00	ELA Funds
Large Trailer	5	\$50,000.00	ELA Funds
Front Loader	2	\$200,210.00	ELA Funds
3/4 Ton Van Chassis/ HVAC	2	\$50,600.00	ELA Funds
1 Ton Pick Up Extended Cab	2	\$78,146.00	ELA Funds
Mini Skid Steer	1	\$34,971.00	Shade Tree Trust Fund

TABLE 1 (CONTINUED)

2012 ELA ACQUISITION PLAN by DEPARTMENT or BUREAU and FUNDING SOURCE			
DEPARTMENT OR BUREAU	# UNITS	TOTAL APPROVED	FUNDING SOURCE
PUBLIC WORKS cont.:			
Tow Trailer	1	\$5,696.00	ELA Funds
Heavy Duty Tractor	4	\$324,472.00	ARAD Trust Fund
Rec. Refuse/Tipper/Radio	2	\$571,773.00	Solid Waste Trust Fund
Full Size Pick Up/Radio	3	\$79,560.00	Solid Waste Trust Fund
PAR-KAN Attachment	3	\$66,000.00	Solid Waste Trust Fund
Mid-Size Pick Up	1	\$32,450.00	DCED Green-Up Grant
Skid Steer/Plow/Tractor	2	\$146,068.00	Public Works Trust Fund
Reg Cab Pick Up Truck	1	\$26,880.00	ELA Funds
Ext. Cab Pick Up	2	\$68,400.00	ELA Funds
Cng Ext. Cab Pick-Up Truck	1	\$45,333.00	ELA Funds
TOTAL PUBLIC WORKS	50	\$3,247,209.00	-----
CITIPARKS:			
3/4 Ton Pick Up	1	\$30,000.00	ELA Funds
Dual Wheel Bus/Lift	1	\$90,000.00	ELA Funds
Stake Body Truck	1	\$45,000.00	ELA Funds
1-Ton Dual Axle Box Truck	1	\$60,000.00	ELA Funds
Small Sedan	1	\$20,000.00	ELA Funds
TOTAL PARKS DEPT.	5	\$245,000.00	ELA Funds
FLEET MOTOR POOL:			
Sedan (Hybrid)	2	\$80,000.00	ELA Funds
TOTAL APPROVED	155	\$10,156,052.00	

Source: ELA's 2012 vehicles acquisition plan

Finding: In 2012 the ELA planned to purchase 155 vehicles for the City.

Finding: In 2012 Public Works vehicles were purchased with 6 different funding sources; the greatest number of funding sources spent for any Department.

Finding: Table 1 shows that 77 vehicles were purchased in 2012 for the Police Bureau. This was the largest ELA expenditure. The second largest purchase was 50 vehicles for the Department of Public Works.

Table 2 lists all the funding sources used in 2012, the amount of designated money for each funding source and its percentage of total funds.

TABLE 2

2012 VEHICLE FUND ALLOCATIONS and PERCENTAGES		
FUND SOURCE	AMOUNT	PERCENTAGE
ELA Funds	\$6,415,729.00	63.17%
P.S Operation Funds	\$1,200,000.00	11.82%
ELA Emergency Funds	\$987,650.00	9.72%
Replacement of ELA Emergency	\$124,000.00	1.22%
Police Operating Funds	\$30,000.00	0.30%
ARAD Trust Funds	\$324,472.00	3.19%
Shade Tree/Green Up Grants	\$73,117.00	0.72%
Public Works Trust Funds	\$146,068.00	1.44%
Police Trust	\$26,200.00	0.26%
EMS Reimbursement	\$111,483.00	1.10%
Solid Waste Trust Fund	\$717,333.00	7.06%
TOTAL ALL FUNDING SOURCES	\$10,156,052.00	100.00%

Source: ELA's 2012 vehicle acquisition plan

Finding: Table 2 shows that the largest expenditure for City vehicles comes from ELA funds which are City of Pittsburgh Capital Funds.

RECOMMENDATION NO. 5:

ELA should be commended for utilizing a variety of funding sources and outside grants in order to maintain the City fleet without issuing bonds. Current administration should continue this practice of not borrowing money to purchase vehicles.

Table 3 is the ELA 2013 acquisition plan. Table 4 is the 2013 acquisition plan by funding source.

TABLE 3

2013 ELA ACQUISITION PLAN by DEPARTMENT or BUREAU and FUNDING SOURCE			
DEPARTMENT OR BUREAU	# UNITS	TOTAL APPROVED	FUNDING SOURCE
POLICE BUREAU:			
Marked Utility SUV	19	\$817,000	ELA Funds
Unmarked Utility SUV	9	\$270,000	Public Safety Operating Funds
Motorcycle	12	\$228,000	Justice Assistance Grant
Supervisor Utility SUV	12	\$526,000	Contingency Fund Transfers
K-9 SUV	4	\$185,000	Police Bureau Operating Funds
Night Felony Utility	1	\$40,000	ELA Funds
Wheelchair Van	1	\$52,000	ELA Funds
Flood Response Unit	1	\$60,000	ELA Funds
TOTAL POLICE BUREAU	59	\$2,178,000	-----
EMER MED SVCS:			
Ambulance -Type III	6	\$1,338,000	ELA Funds
Emergency Motorcycle	4	\$87,516	EMS Reimbursement Trust Funds
TOTAL EMS	10	\$1,425,516	-----
FIRE BUREAU:			
Fire Pumper	3	\$1,494,600	ELA Funds
Aerial Truck	1	\$385,400	ELA Funds
Emergency Vehicle Repair		\$100,000	ELA Funds
TOTAL FIRE BUREAU	4	\$1,980,000	ELA Funds
BUILDING INSPECTION:			
Inspection Sedan	3	\$51,000	ELA Funds
PS/ANIMAL CONTROL:			
Animal Rescue Truck	1	\$70,000	ELA Funds
MAYOR-C.I.S.:			
Delivery Van	1	\$35,000	ELA Funds
CITY PLANNING:			
Hybrid Sedan	1	\$40,000	ELA Funds

TABLE 3 (Continued)

2013 ELA ACQUISITION PLAN by DEPARTMENT or BUREAU and FUNDING SOURCE			
DEPARTMENT OR BUREAU	# UNITS	TOTAL APPROVED	FUNDING SOURCE
PUBLIC WORKS:			
Refuse Packer	2	\$570,000	ELA Funds
Platform/Bucket Truck	2	\$270,652	ELA Funds
10 Ton Dump Truck	3	\$325,257	ELA Funds
Bucket Truck/Traffic	1	\$91,651	Public Works Trust Fund
Express Cargo Van	1	\$25,177	ELA Funds
3/4 Ton Ext Cab Pickup	1	\$30,578	ELA Funds
1 Ton Dump Trucks	5	\$231,907	Regional Asset District Funds
Recycle Packer	1	\$270,000	Solid Waste Trust Funds
Stake Truck With Crane	1	\$150,000	ELA Funds
Pickup Truck Wrap Kan	1	\$45,000	ELA Funds
Large Pickup W/ Chipper	1	\$69,096	DPW Tree Maintenance Bond Funds
Reg. Cab 4wd Pick Up Truck	1	\$30,010	ELA Funds
4x4 Truck With Lift Gate	1	\$30,136	ELA Funds
Stake Truck W Lift Gate	1	\$36,479	ELA Funds
4x4 Truck WI Tool Boxes	1	\$31,711	ELA Funds
TOTAL PUBLIC WORKS	23	\$2,207,654	-----
CITIPARKS:			
Small Cargo Van	2	\$45,000	ELA Funds
6 Passenger Van	2	\$40,000	ELA Funds
14 Passenger Van	1	\$40,000	ELA Funds
TOTAL CITY PARKS	5	\$125,000	ELA Funds
TOTAL APPROVED	107	\$8,112,170	

Source: ELA's 2013 vehicles acquisition plan

Finding: In 2013 the ELA planned to purchase 107 vehicles for the City.

Finding: In 2013 Public Works vehicles were purchased with 5 different funding sources; the greatest number of funding sources spent in any Department. During the same year the Police Bureau vehicles were purchased with 4 different funding sources; the second highest number of funding sources spent.

Finding: Table 3 shows that 59 vehicles were purchased in 2013 for the Police Bureau. This was the largest ELA expenditure. The second largest purchase was 23 vehicles for the Department of Public Works.

TABLE 4

2013 VEHICLE FUND ALLOCATIONS and PERCENTAGES		
FUND SOURCE	AMOUNT	PERCENT
ELA Funds	\$5,717,000	70.47%
PS Operation Funds	\$1,200,000	14.79%
Justice Assistance Grant	\$180,000	2.22%
Ems Reimbursement Trust Funds	\$87,516	1.08%
Solid Waste Trust Funds	\$465,000	5.73%
Regional Asset District Funds	\$231,907	2.86%
Public Work Trust Funds	\$91,651	1.13%
Police Bureau Operating Funds	\$70,000	0.86%
DPW Maintenance Bond Funds	\$69,096	0.85%
TOTAL ALL FUNDING SOURCES	\$8,112,170	100.00%

Source: ELA's 2013 vehicles acquisition plan

Finding: The 2013 vehicle acquisition plans largest funding for City vehicles comes from ELA funds (70%) which are City of Pittsburgh Capital Funds.

Vehicle Purchases

Finding: ELA purchases vehicles using existing City, State, or County contracts or issues its own bids.

Finding: In 2012 and 2013, ELA spent \$10,610,242 and \$8,385,170 respectively, for vehicles. The majority of purchases were for the Departments of Public Safety and Public Works.

Finding: Monies allocated or approved in a given year are not always spent in that year.

Approved funds are not always available funds. Some of the grant monies take time to receive especially since the ELA operates on a June to May fiscal year. Also vehicles etc. ordered in one year might not be delivered until the next year when ELA records the final payment.

Tables 5 and 6 show the quantity and cost of vehicles purchased in 2012 and 2013 by Department. This information was taken directly from ELA purchase orders.

TABLE 5

VEHICLE PURCHASES in 2012 by DEPARTMENT			
DEPARTMENT	QUANTITY	TOTAL COST	PERCENT
Public Works	53	\$2,496,340.43	24.09%
Department Public Works Environmental Services	2	\$511,786.00	4.94%
EMA Total	1	\$47,813.00	0.46%
EMS Total	8	\$1,646,569.00	15.89%
FIRE Total	15	\$2,787,558.60	26.90%
Parks	3	\$112,954.00	1.09%
Police	76	\$2,666,072.46	25.73%
Public Safety/Animal Control	2	\$93,862.00	0.91%
TOTALS	160	\$10,362,955.49	100.00%

Source: ELA's 2012 Purchase Orders

TABLE 6

VEHICLE PURCHASES in 2013 by DEPARTMENT			
DEPARTMENT	QUANTITY	TOTAL COST	PERCENT
City Planning	1	\$24,900.50	0.38%
Public Works	9	\$774,361.89	11.79%
Department Public Works Environmental Services	3	\$763,702.00	11.62%
EMS	10	\$1,393,121.36	21.21%
Fire	3	\$1,484,577.00	22.60%
Police	82	\$2,129,093.32	32.41%
TOTALS	108	\$6,569,756.07	100.00%

Source: ELA's 2013 Purchase Orders

Relevancy of the Equipment Leasing Authority

It has been 17 years since the ELA paid off its bonds. Since then, the ELA has been using City funds and other 3rd party revenues to purchase vehicles for the City. ELA board members and support staff are City employees who do ELA work on City time in addition to their regular job duties. Because the ELA holds title to all City vehicles, it accrues the funds obtained from vehicle salvage or auction sale. City salvage funds are used to pay for accounting services and legal work that could easily be done in house.

RECOMMENDATION NO. 6:

The Administration should consider transferring vehicle purchasing operations from the ELA to the City Finance Department. The Equipment Leasing Authority could be retained as a mechanism to issue bonds, although the likelihood of this need is slim.



CITY OF PITTSBURGH

EQUIPMENT LEASING AUTHORITY

JENNIFER SAMPLE
Chair

GUY COSTA
Vice Chairman

WILLIAM URBANIC
Treasurer

BRUCE KRAUS
Assistant Treasurer

MICHAEL HUSS
Secretary

June 27, 2014

The Honorable, Michael E. Lamb
Pittsburgh City Controller
First Floor, City County Building
414 Grant Street
Pittsburgh, PA 15219

2014 JUL -2 PM 2:32
FRI JUL 11 2014

RE: RESPONSE TO 2014 ELA PERFORMANCE AUDIT

Dear Controller Lamb:

Thank you for the opportunity to participate in this performance review. We found it to be a helpful management tool. Controller Office staff assigned to this project conducted their work in a cooperative and professional manner. We have given thoughtful attention to their findings and recommendations and respond as follows.

RECOMMENDATION NO. 1

City employees with ELA responsibilities should document the time and materials used for ELA activities. By not tracking employee time and material cost it is unknown how much of a cost the ELA is to City resources.

Response:

On page 5, under the second finding, the Audit states: *“Work on behalf of the ELA is essentially part of their City position duties.”*

On that same page 5, under the fourth finding, the Audit states: *“Time spent on ELA duties is time away from the City employees’ City job.”*

We believe one of these sentences must be correct to the exclusion of the other. We agree with the first sentence, *i.e.* work done on ELA business by City employees is *“part of their City position duties”* and as such it is not *“time away”* from their *“City job(s).”*

We do agree with the general practice of documenting *“time and materials”* not only for ELA activities but for all City activities performed by employees when possible.

RECOMMENDATION NO. 2

ELA salvage funds should be used to reimburse the City for time and materials used in performing ELA operations.

Response:

Based on our response to **RECOMMENDATION NO. 1**, we do not plan to pursue this type of reimbursement.

RECOMMENDATION NO. 3

The ELA Board should review its accounting contract to determine whether the reports created could be done in house with Quickbooks or similar software.

Response:

We have reviewed the work performed for the ELA by the outside accountant and have begun to consider moving all or a portion of this work “in house” as the Auditors suggest. We have initiated discussions with J. D. Edwards in regard to the creation and implementation of an independent ELA “module” within the framework of the larger JDE City-County accounting software suite of applications.

RECOMMENDATION NO. 4

ELA should negotiate a lower hourly rate for activities that do not require legal expertise such as listening to voice mail and reading email about meeting changes.

Response:

We agree in general that reading an email about a meeting change would probably not require the exercise of legal expertise (absent considerations such as Sunshine Act compliance, legal advertisement and notice requirements, quorum issues, etc.). But whether or not “listening to voice mail” requires legal expertise depends upon the contents of the voice mail message. We view the majority of billed activities of the ELA Solicitor, listed on pages 6 and 7 of the Audit, to be squarely within the scope of his charge and competitively priced. We note that charges in connection with reading email about meeting changes and listening to voice mail messages involve fractions of hours. We do not feel this warrants the negotiation of the lower hourly rate suggested by the Auditors. We will continue to monitor all invoices submitted by the Solicitor and perhaps consider such a bifurcated approach in the future if such a lower rate could be fairly and reasonably applied to an extensive, recurring, clearly defined, agreed-upon body of “non-legal” work.

RECOMMENDATION NO. 5

ELA should be commended for utilizing a variety of funding sources and outside grants to maintain the City fleet without issuing bonds. Current administration should continue this practice of not borrowing money to purchase vehicles.

Response:

We agree in general, but refer to our Response to **RECOMMENDATION NO. 6** below.


RECOMMENDATION NO. 6

The Administration should consider transferring vehicle purchasing operations from the ELA to the City Finance Department. The Equipment Leasing Authority could be retained as a mechanism to issue bonds, although the likelihood of this need is slim.

Response:

We agree that the ELA's bond issuing powers are a valuable fiscal option and should be retained. It may be that at some future time the City's continued progress in its finances could intersect with favorable conditions in the bond market and the timing of the economic cycle to produce a window of opportunity in which an ELA bond issue would make excellent sense both fiscally and operationally. In the interim we respectfully decline the suggestion to transfer the ELA's vehicle purchase operations to the Finance Department. Rather, our goal will be to harness the resources, flexibility, and heightened priority of the authority structure and bring them to bear creatively in the mission-critical area of municipal vehicle acquisition.

Sincerely,



Jennifer Sample
Chair

Cc: ELA Board Members