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Presented by Mrs. Harris

Communication from Michael Lamb, City Controller, submitting a Performance Audit of City Car Rental Rates and Usage dated October 2012

Performance Audit

CITY CAR RENTAL RATES and USAGE

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

Liz Dille, CPA

Dave Henderson, Performance Auditor

October 2012

October 25, 2012

To the Honorables: Mayor Luke Ravenstahl and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this Performance Audit of ***City Car Rental Rates and Usage*** conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter. This audit assesses the cost benefit to the City of its current car rental contract.

EXECUTIVE SUMMARY

Dollar Rent A Car is currently the City's preferred vendor for vehicle rental services. The original contract was established as of November, 2006 and was updated by Dollar in January, 2010 with rate modifications for each of the seven car-type categories.

Findings and Recommendations

City Car Rental Contract Rates

Finding: In 2010, Dollar Rent A Car rates decreased for seldom used vehicles but increased

significantly for Minivans, which comprise nearly half of the City's vehicle rentals.

Finding: The Dollar contract is a Type B contract which typically is more prone to automatic renewal. Piggybacking on County and State contracts often results in tangible savings. It is not clear that sufficient effort was made by the City to piggyback off of existing car rental contracts.

Finding: The City's withdrawal from participation in Allegheny County's original Request for Bid from car rental vendors clearly diminished opportunities to maximize overall rental options and thus potential savings. Defaulting to automatic renewal based on being a Type B contract can preclude potential rate savings.

Finding: Current rates quoted by the County's current car rental vendor (BBL) indicate significantly lower rate potentials for the City. For example, BBL's rates for a Dodge Minivan are 35% of what Parks & Recreation pays for seasonal rentals with Dollar. The current cost to Park & Recreation of a 4-month Minivan rental with Dollar would equate to 11.35 months of rental under the County's multi-year lease with BBL.

Recommendation: Serious effort should be directed toward researching further the benefits of leveraging existing contracts, specifically the County's contract with BBL Leasing Co. Detailed analysis of the rates offered by BBL should be conducted, and the potential for significant savings derived from longer-term leases should be investigated. At a minimum, the City should participate in the County's upcoming RFB issuance for their fleet rental, necessitated by the upcoming expiration of the current BBL contract on Dec 31, 2012.

Billing Issues/Administrative Review

Finding: Analysis of the invoices received from Dollar indicates a number of billing inconsistencies from year to year in terms of vehicle class charges.

For example, in 2011 the Ford Edge and the GMC Acadia are both charged as SUVs (classified as Full sized the year prior), the Ford Taurus was charged as a Luxury/Premium vehicle (classified as a Mid sized the year prior) and the Jeep Laredo was billed as a Minivan (the most premium rate).

Finding: Rental rates as submitted in actual invoices received from Dollar do not comply with terms of the contract. In addition, vehicle classification in Dollar's invoices is not consistent with known and accepted classification standards, nor is there consistency year to year. Vehicles billed as one type in one month are then billed as a completely different vehicle type in a subsequent month. Likewise, vehicles billed as a given type one year are then billed in a completely different type the following year.

Finding: Analysis of the actual invoices received from Dollar coupled with Departmental Invoices submitted by the user departments indicates minimal administrative review.

Recommendation: Effort should be made to thoroughly review car rental invoices and accompanying documentation/requests to ensure accuracy and compliance with contractual terms.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the City's rental car rates and usage was conducted pursuant to section 404(c) of the Pittsburgh Home Rule Charter. This is the Controller's first performance audit of rental car usage. This audit examines contractual obligations as per the City's current contract with Dollar Rent-A-Car in addition to all rentals incurred with Dollar Rent A Car from 2010 to present.

OVERVIEW

Dollar Rent A Car is currently the City's preferred vendor for vehicle rental services. The original contract was established as of November, 2006 and was updated by Dollar in January, 2010 with rate modifications for each of the seven car-type categories. These modifications constitute the current rental rates being charged to the City.

In 2008, Allegheny County had secured a vehicle leasing contract with BBL Fleet Co. which will be rebid shortly as it expires year end 2012. According to County Procurement staff, the City did not participate in reviewing the bid responses, electing rather to remain with Dollar. Specific rates charged through the County's BBL agreement are detailed in the Findings and Recommendation section.

In 2011, the City's contracts department asked Allegheny County to solicit new bids for vehicle rental contracts. There were no responses to the initial Request For Bid (RFB) issuance, therefore a second RFB was issued again later the same year. Only one company, Enterprise Rent A Car Co of Pittsburgh, responded to the second RFB, yet their bid rates were higher for each vehicle type than what was presently being paid through Dollar's contract. In addition, Dollar had a far more favorable method for calculating weekly and monthly rates than did Enterprise; hence, no award was made and Dollar remains the City's current vehicle rental preferred vendor.

Public Safety and Parks & Recreation constitute the primary departments which utilize the vehicles rented by the City. Public Safety (Police Dept.), generally rents SUV class vehicles whose rental times span over the entire year (Jan - Dec). Parks & Recreation rents exclusively minivans for the summer, namely the June through September/October timeframe. Four groups comprise the Parks & Recreation rental car users: 1.) Pools/Aquatics which rents four minivans to haul equipment, supplies, and personnel; 2.) Community Enrichment Program (CEP) with two vans to facilitate the wide array of recreational events throughout the city such as the 32 Roving Art Cart events; 3.) Seniors, with generally one van; and 4.) Special Events/Great Race which has at least one dedicated van.

Vehicle usage under the contract peaks in the summer months. For Parks & Recreation, June-Sept is the typical time span involved, with a span of four to nine vehicles in use simultaneously. Public Safety generally averages 28 to 30 distinctive rentals throughout the year, with an average of three to four vehicles in use at the

same time. (see Fig.2)

METHODOLOGY

The auditors reviewed the current contract with Dollar Rent A Car and examined all respective rental transactions incurred since January, 2010.

Discussions with staff from Police and Parks & Recreation departments, (who comprise the primary users of vehicle rentals), were held regarding their vehicular needs and associated timeframes. In addition, discussions with Procurement regarding the process of negotiating and finalizing the contract, efforts including leveraging existing Contracts with the County were conducted, followed by discussions with Allegheny County personnel from Procurement and from Public Works Purchasing. In addition, discussion with the County's vehicle leaser, BBL Leasing Inc, was held.

Vehicle usage charts detailing each department's vehicular demand were constructed from invoices. In addition, a breakdown and analysis of rentals by vehicle type by year along with a breakdown by department by year was compiled.

SCOPE

The auditors examined the City's current contract with Dollar Rent a Car and resulting transactions from January 1st, 2010 through July 31st, 2012.

OBJECTIVES

1. To examine the contract with Dollar Rent A Car, Inc and the resulting charges incurred thereby.
2. To assess the credibility of charges vis-à-vis the contract specs.
3. To evaluate contract compliance and overall oversight by the user departments.
4. To make recommendations for improvement.

FINDINGS AND RECOMMENDATIONS

Dollar Rent A Car Contract

In 2010, Dollar Rent A Car had updated its contract with revised rates for each of the vehicle categories. In addition, the methodology for calculating weekly rates (and thus monthly rates) was revised. Prior to 2010, the weekly rate was calculated as 6 times the daily rate, with monthly rates calculated as 4 times the weekly rate, or 24 times the daily rate. The revised rate calculated a weekly rate as 5.5 times the daily rate and monthly rates as 4 times the weekly rate or 22 times the daily rate. As a result of these revisions, five of the vehicle categories actually incurred a reduction in weekly and monthly rental rates, while one category (Minivans) incurred a significant rate increase of 22.5% for its daily rate and 12% for both its weekly and monthly rates. (see Fig.1)

Finding: In 2010, Dollar Rent A Car rates increased significantly for Minivans, which comprise nearly half of the City's vehicle rentals.

Thus, despite the aforementioned rate reductions, total rental costs for subsequent years were materially negatively impacted based on usage trends. Actual rentals by vehicle type is highly skewed toward the Minivan and SUV categories; thus the rate revisions increased total rental costs due to the City's very specific vehicular needs. Parks & Recreation rents Minivans exclusively, and constitutes 55% and 45% of the City's total rentals for 2010 and 2011, respectively. (see Fig.2). Vehicles rented by Police since 2010 are primarily SUV's, which constitute the second highest cost vehicle category. Thus, practically all vehicles rented by the city under this contract incur a premium rental rate.

Finding: The Dollar contract is a Type B contract which typically is more prone to automatic renewal. Piggybacking on County and State contracts often results in tangible savings. It is not clear that sufficient effort was made by the City to piggyback off of existing contracts.

Allegheny County maintains its vehicle fleet through BBL Fleet Company. In 2008, the City had the opportunity to join the County its Request for Bid (RFB) issuance, but declined. The County's current 3-year contract commenced in 2009 and is presently on a one year extension which expires Dec. 31, 2012. The leasing arrangements therein are multi-year and include similar vehicles to what the City rents.

Finding: The City's withdrawal from participation in the original RFB issuance clearly diminished opportunities to maximize overall rental options and thus potential savings. Defaulting to automatic renewal based on being a Type B contract can preclude potential rate savings.

Finding: Current rates quoted by BBL under this contract with the County indicate significantly lower rate potentials for the City. For example, BBL's rates for a Dodge Minivan are 35% of what Parks & Recreation pays for seasonal rentals with Dollar. The current cost to Park & Recreation of a 4-month Minivan rental with Dollar would equate to 11.35 months of rental under the County's multi-year lease with BBL.

RECOMMENDATION No. 1:

Serious effort should be directed toward researching further the benefits of leveraging existing contracts, specifically the County's contract with BBL Leasing Co. Detailed analysis of the rates offered by BBL should be conducted, and the potential for significant savings derived from longer-term leases should be investigated. At a minimum, the City should participate in the County's upcoming RFB issuance for their fleet rental, necessitated by the upcoming expiration of the current BBL contract on Dec 31, 2012.

Billing Issues/Administrative Review

Finding: Analysis of the invoices received from Dollar indicates a number of billing inconsistencies from year to year in terms of vehicle class charges.

In 2010, Public Safety's rentals included primarily Mid and Full Sized sedans. Closer inspection indicates the following inconsistencies:

- In 2010 the Ford Edge and the GMC Acadia were billed as Full sized vehicles while the Ford Taurus and Chevy Suburban were charged as Mid sized;
- In 2011 the Ford Edge and the GMC Acadia are both charged as an SUV (classified as Full sized the year prior), while the Ford Taurus was charged as a Luxury/Premium vehicle (classified as a Mid sized the year prior)
- In 2011 the Jeep Laredo was billed as a Minivan (the most premium rate);
- In 2012 the Nissan Altima was charged in May with a rate between Mid and Full sized (previously unpublished) and then again as a Luxury/Premium vehicle in June; and
- In 2012 the Chevy Impala was charged an identical mid-range rate between Mid and Full sized.

Although the majority of the questionable classifications cited above resulted in a favorable financial impact to the City, there still appears to be little rationale for them.

In addition to these vehicle class and billing inconsistencies, oversight by City personnel of these invoices appears minimal. Public Safety comprises roughly half of the City's rental vehicle charges, involving primarily SUV's since 2011. Departmental Invoices (DI's) from Public Safety state 'Vehicle Rental - Mid sized Type' yet the accompanying invoices are for SUV's exclusively. Discussions with personnel reference rentals of only Nissan Altima's and Jeep Laredo's, yet actual rentals involve primarily SUVs.

Finding: Rental rates as submitted in actual invoices received from Dollar do not comply with terms of the contract. In addition, vehicle classification in Dollar's invoices is not consistent with known and accepted classification standards, nor is there consistency year to year. Vehicles billed as one type in one month are then billed as a completely different vehicle type in a subsequent month. Likewise, vehicles billed as a given type one year are then billed in a completely different type the following year.

Finding: Analysis of the actual invoices received from Dollar coupled with DI's submitted by the user departments indicates minimal administrative review.

RECOMMENDATION No. 2:

Effort should be made to thoroughly review car rental invoices and accompanying documentation/requests to ensure accuracy and compliance with contractual terms.

	<u>Pre-2010 Rates</u>			<u>Post 1/1/2010 Rates</u>			<u>% Rate Δ</u>		
	<u>Daily</u>	<u>Weekly*</u>	<u>Monthly</u>	<u>Daily</u>	<u>Weekly**</u>	<u>Monthly</u>	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>
Economy	-	-		\$37.00	\$203.50	\$814.00	-	-	-
Compact	\$38.00	\$228.00	\$912.00	\$38.00	\$209.00	\$836.00	0.0%	-8.3%	-8.3%
Mid Size	\$40.00	\$240.00	\$960.00	\$40.00	\$220.00	\$880.00	0.0%	-8.3%	-8.3%
Full Size	\$42.00	\$252.00	\$1,008.00	\$42.00	\$231.00	\$924.00	0.0%	-8.3%	-8.3%
Luxury/Premium	\$57.00	\$342.00	\$1,368.00	\$58.00	\$319.00	\$1,276.00	1.8%	-6.7%	-6.7%
SUV	\$57.00	\$342.00	\$1,368.00	\$58.00	\$319.00	\$1,276.00	1.8%	-6.7%	-6.7%
Minivan	\$49.00	\$294.00	\$1,176.00	\$60.00	\$330.00	\$1,320.00	22.45%	12.2%	12.2%

* Pre-2010 Weekly Rate Based on 6 times daily rate as per cont

** Based on 5.5 times daily rate as per contract

Monthly rate based on 4 times weekly rate

Breakdown by Dept:

	<u>2010</u>		<u>2011</u>		<u>2012 YTD</u>	
Police	\$26,932.89	44.6%	\$34,758.70	52.2%	\$27,755.75	58.8%
Parks	\$33,393.40	55.4%	\$29,943.35	44.9%	\$15,647.52	33.2%
OMI	\$0.00		\$1,941.97	2.9%	\$3,794.86	8.0%
Yearly Total	\$60,326.29	100.0%	\$66,644.02	100.0%	\$47,198.13	100.0%

Breakdown by Model:

	<u>2010</u>		<u>2011</u>		<u>2012 YTD</u>	
Economy	-		-		-	
Compact	-		-		-	
Mid Sized	\$20,611.54	34.2%	\$1,333.16	2.0%	-	
Full Sized	\$5,933.65	9.8%	\$0.00	-	\$2,056.42	4.4%
Luxury/Pren	\$0.00	-	\$1,443.76	2.2%	\$1,508.21	3.2%
SUV	\$1,463.23	2.4%	\$30,489.13	45.7%	\$26,247.54	55.6%

Minivan	\$32,317.87	53.6%	\$31,436.00	47.2%	\$15,647.52	33.2%
Unspecified	<u>\$0.00</u>		<u>\$1,941.97</u>	<u>2.9%</u>	<u>\$1,738.44</u>	<u>3.7%</u>
Yearly Total	<u>\$60,326.29</u>	<u>100.0%</u>	<u>\$66,644.02</u>	<u>100.0%</u>	<u>\$47,198.13</u>	<u>100.1%</u>