



THE CITY OF SAN DIEGO

DATE: May 10, 2011

TO: Jay Goldstone, Chief Operating Officer
Jan Goldsmith, City Attorney

FROM: Eduardo Luna, City Auditor

SUBJECT: **Take-Home Vehicles Audit – SDMSE Cost-Recovery Issue**

In accordance with the Office of the City Auditor's Fiscal Year 2011 Annual Audit Work Plan, we are auditing the City's take-home vehicle practices. The audit scope includes issues related to the assignment and oversight of take-home vehicles by Fleet Services and customer departments, including the San Diego Fire-Rescue Department (Fire-Rescue). The audit objective is to evaluate the cost-effectiveness of the City's take-home vehicle practices and identify internal control and oversight weaknesses. The audit has initially focused on issues relating to the maintenance and fueling costs associated with take-home vehicles.

During the course of this audit, we identified a cost-recovery issue related to our recent audit of Fire-Rescue's Emergency Medical Services that requires immediate attention. We found that the City has not been reimbursed at least \$212,026 for maintaining, fueling, and insuring vehicles owned or operated by Rural/Metro Inc. or San Diego Medical Services Enterprise. The purpose of this memorandum is to inform the City Administration and City Attorney of this issue, so that they may seek reimbursement expeditiously.

City Maintained, Fueled, and Insured 15 Vehicles Used for Non-City Business

We found that at least 14 vehicles that are owned by a non-City entity, Rural/Metro Inc. (Rural/Metro), and operated by another non-City entity, San Diego Medical Services Enterprise (SDMSE),¹ have received maintenance and fuel at City facilities. We identified one additional City-owned vehicle that has obtained maintenance and fuel at City facilities while being used to perform SDMSE business activities. Many of these vehicles also received fuel using City-issued fuel cards. Additionally, at least one of these vehicles was involved in an at-fault accident for which the City settled a claim with a third party.

¹ In 1997, the City of San Diego's (City) Fire-Rescue Department partnered with Rural/Metro of San Diego (Rural/Metro) to form San Diego Medical Services Enterprise (SDMSE), a limited liability corporation joint venture between the City and Rural/Metro. SDMSE currently operates as San Diego Medical Services (SDMS).

On February 24, 2011, Alyssa Ross, EMS Program Manager for the City, issued a memorandum regarding 33 vehicles the City purchased on behalf of SDMSE. This memorandum stated that the 33 vehicles had initially been maintained by the City's Fleet Services Division. We found that the City had provided maintenance and fuel for 12 of the 33 vehicles listed in the memorandum. We identified two additional vehicles SDMSE owned and operated that received maintenance and fuel at City facilities using information obtained from Fire-Rescue staff. We also identified a City-owned vehicle that obtained maintenance and fuel from the City while being used to perform SDMSE business. City-incurred maintenance costs include:

- \$1,528.00 to make repairs to the electrical system of a 2009 Ford Escape SUV;
- \$3,033.45 to install emergency response lighting on a 2006 Chevrolet Suburban;
- \$823.76 to install a hands-free fueling unit on a 2001 Ford Explorer

In total, 15 vehicles received maintenance and fuel at City facilities or using City resources from 2001 to date. Total maintenance costs, which include outfitting, repairs, and preventive maintenance, total \$145,190.75.

In addition, between April 2009 and the present, these vehicles received fuel valued at \$44,349.50 from City-owned fueling sites and also purchased \$21,327.59 in fuel using City-issued fuel cards. The City only maintains fuel records for two years, and it is likely that these costs represent only a portion of the total fueling expenses incurred by the City on behalf of SDMSE.

We also found evidence showing that a City-owned vehicle was involved in an accident while being driven on SDMSE business. The City paid out at an insurance claim to a third party as a result of this accident. The cost of the claim to the City was \$1,157.91.

City Entitled To Expense Reimbursement

Under the terms of the contract between SDMSE and the City, the City is entitled to reimbursement for all of these expenses from SDMSE. The City has not billed for or received reimbursement for these costs to date. Article V, Section 5.1 of the EMS Agreement between SDMSE and the City states in part:

“SDMSE shall, at no cost to the City, acquire and maintain all ambulances, support vehicles, on-board medical supplies/equipment, and office equipment, to be used by SDMSE in performing services under this EMS Agreement. SDMSE shall be responsible for all maintenance costs, including the cost of: parts, supplies, spare parts, and extended maintenance agreements.”

In addition to maintenance, fueling, and insurance costs, we believe that the contract with SDMSE entitles the City to reimbursement for the acquisition costs of any vehicle purchased by the City and used for SDMSE business. We have identified one such

vehicle and are working to identify others. We will inform you immediately once we determine any unreimbursed acquisition costs related to these vehicles.

We have identified a total of \$212,026 in maintenance, fuel, and insurance costs incurred by the City on behalf of SDMSE. The Fire-Rescue Department has not produced any evidence that the City was reimbursed for those costs. We recommend that the City Administration and City Attorney's Office immediately seek reimbursement for all of these expenses from SDMSE.

If you have any questions, please call Chris Constantin at (619) 533-3007.

Respectfully submitted,

A handwritten signature in cursive script that reads "Eduardo Luna".

Eduardo Luna
City Auditor

EL/ah

cc: Honorable Members of the Audit Committee
Honorable Members of the City Council
Criss Brainard, Deputy Chief, Emergency Medical Services
Daniel Saner, Battalion Chief
Roger Fisher, Administrative Manager
Alyssa Ross, EMS Program Manager