

Fleet/Procurement Review Committee

Composition:

The committee was comprised of nine members:

Beverley W. Armstrong	Vice Chairman, CCA Industries, Inc
Ernest T. Brown	Chairman, The Bank of Richmond
Michael DiIanni	Director Supply Chain Management, Dominion Va. Power
Roy Grier	Vice President, Shared Services (Procurement) Dominion Va. Power
William E. Harrell	Chief Administrative Officer, City of Richmond
Richard D. Kelly	Vice President, Purchasing, Philip Morris USA
Melvin D. Law	Former Chairman, Richmond School Board
Wilmer L. Odom	Director of Marketing Purchasing and Fleet, Philip Morris USA
Theodore A. Robertson	President, AutoRent Inc.

Methodology

The committee met on nine occasions.

Among the tasks undertaken:

- Review of current procurement policy
- Review of procurement work flows
- Review of a limited sampling of limited data pertaining to 900 procurements
- Limited review of systems currently utilized, and the State's EVA procurement system
- Review of fleet including mileage traveled, fuel consumed, maintenance costs, vehicle costs, vehicle type, vehicle age. 'Vehicle needs' assessment by employee, was provided by departments.
- Obtain written input from all departments regarding complaints, and suggestions for both fleet and procurements
- Obtain input from both the fleet and procurement management for improvements
- Identify impediments to making improvements to fleet and procurement operations

The committee did not:

- Perform an audit
- Examine original files or documents, rather the committee made limited requests of staff to provide information
- Ascertain in each case if documents provided were authentic or complete
- Review any procurements made pursuant to grants
- Evaluate the use of consultants or the appropriateness thereof

The committee evaluated contract and procurement data as described above for the calendar years of 1999 through 2004. Findings and recommendations reflect a review of activities and processes in effect during that timeframe.

The committee gratefully acknowledges the assistance of staff members Patrick Roberts and Valerie Salaam, along with countless others who assisted in the process.

Executive Summary

- The style of management oversight the committee has observed, could be best described as limited. Effective procurement has been almost nonexistent, with some exceptions. Interference in the procurement process by departments has been a major factor. Procurements have often been made by individual departments without the knowledge of procurement staff - in violation of city policy. The various departments have been, in many cases, 'in effect' approving disbursement of funds, whereas the Finance department should have been exercising additional oversight.

Support of the procurement function by upper management has been lacking in many cases. Inadequate numbers of bids have been obtained in many cases. Competition has been woefully lacking in many procurements. Competition has been eliminated through the often unnecessary use by staff of 'the only practical source' procurement. Management oversight has been frequently avoided through the guise of procurements being made for \$99,999.99 - thus evading review by the CAO and the Mayor. The committee observes that where you have limited competition and oversight, one will frequently find excess costs.

- Cooperation and communication within and between departments have been sorely lacking in many cases. Often it appears to have been 'every employee for him or herself', or in many cases, 'every department for itself'.
- Management or financial controls appear to have been lacking in many cases. There is widespread evidence of past non-compliance with policies and procedures when it comes to overview and supervision, and the manner in which departments have been expending approximately \$500 million per year in non-personnel expenditures.
- The committee is confident that following recommended changes in policy, procedure, accountability, HR reforms, and added technology in fleet/procurement; potential annual savings are estimated to be \$50-75 million annually.
- Respect for authority and fear of consequences appear to have been low, citywide.
- The 20 plus departments appear to have functioned as each its own 'silo'.
- The desire to be efficient appears to have been almost nonexistent among much of staff.
- Evidence of holding employees accountable for spending appears to have been limited. There is little or no evidence that the previous administration either sought or encouraged cost savings or efficiency.
- There is evidence that some departments have not spent in accord with specific budget line items, but instead have seen that their departmental budget could be spent in any way they saw fit.

Impediments to Movement Toward High Performance Government

Implementation and Compliance With Policies, Procedures, and Financial Controls

The committee finds that the city's anachronistic employment classification system may be the greatest single stumbling block to achieving a high performance government in Richmond. The committee believes this (apparently charter established) system impedes respect for procurement policies and procedures as well as respect for authority in general. The only two department heads providing in-person input on impediments, described the foot dragging, resistance, and recalcitrance of many employees as extreme. Employees who believe they can't be fired often ruin the environment for others, and often thwart the best efforts of management. Management cannot manage when its hands are tied.

Technology is sorely lacking in the procurement area. Today the system is largely 'paper' driven. Immediate steps should be taken to update the city's financial software and procurement software, including the wide use of the State of Virginia's Eva system. Until such time as these changes are made, major progress in the areas described will not be possible.

Immediate Action Recommended

- Centralize all purchasing functions and personnel
- Recruit a highly skilled, seasoned, Chief Procurement Official who has a demonstrated track record of imparting dynamic change in an organization. Allow this official to report directly to the Mayor or the CAO
- Upon hiring a new Procurement Official, move the Fleet under Procurement
- Select and purchase new or updated information systems covering the financial and procurement areas
- Establish or update a "Business Conduct" or "Ethics" policy for all city employees. Policy should be developed with collaboration from Purchasing, Finance, and HR, and should be issued by the Mayor's office
- Modify the implementation of purchasing policy and the supervision of those carrying out the purchasing function to insure vigorous, competitive, procurements
- Implement Fleet recommendations - reducing total fleet size
- Evaluate the opportunity to move away from the employment classification system to help insure that employees will be accountable
- Consider hiring a Chief Financial Officer who would be charged with establishing and maintaining financial controls and management reporting

In Conclusion

There are great opportunities. With new hires, the implementation of best management practices, better financial controls, improved accountability, and added technology, the committee feels that there are tremendous opportunities for lowering non-personnel costs citywide. Improvements in procurement are not likely to occur unless there is a major concerted effort to change the culture of the entire organization to one of high expectations, high technology, and high accountability.

A plan which outlines one potential approach to a substantial reduction in the city's fleet has not been incorporated into this report. Members of the committee who have been working on that plan are prepared to finalize that portion of the report as soon as verified expense figures can be obtained from the city administration.

Going forward, various members of the committee have indicated their willingness to assist the Mayor and the city administration, in the event that either finds the need for assistance in developing, or implementing a plan to address the issues and recommendations outlined in this report.

The current city administration which came into office in January 2005, proactively saw and acted upon the need for this review. This committee acknowledges that efforts are currently underway to establish a new culture of accountability, and to move toward high performance government.