



HARFORD COUNTY, MARYLAND

Office of the County Auditor

December 11, 2013

Ms. Deborah Henderson, Director of Procurement
220 S. Main St.
Bel Air, MD 21014

Dear Ms. Henderson:

At your request, we have performed a review of Harford County's payments to First Vehicle Services, Inc. (FVS) for the current Fleet Maintenance Contract (#10-190). The objective of the review was to determine if the amount repaid by FVS was the correct amount. We considered the payments that were made for service provided from October, 2010 through June, 2013. To provide additional background information, we also considered the payments for the prior contract. The results of the review are detailed below.

As you are aware, FVS renegotiates a maximum amount for Contract (Target) Costs each year. Non-Contract (Non-Target) Costs are charged at a flat rate for labor with no annual maximum. In prior years, the Target maximums were exceeded; when the overpayment was discovered the County and FVS agreed to an amount to be repaid.

FVS repaid \$300,646.41 plus a deposit refund of \$131,281.95. We calculated the total overpayment for the current contract as \$319,691.83, approximately \$19,000 more. The difference between the negotiated repayment amount and our calculation is primarily related to the period under review. Our calculation only includes the current contract period. However, the negotiated repayment amount considers all of FY2011, including the last three months of the prior contract. Payments for those months were below the maximum, offsetting the overpayments for the new contract. The details of this calculation are on the following page.

We assumed the annual maximum for Contract Costs was the lesser of 1) the Board of Estimates approval (or related CPI escalation), 2) the negotiated Contract amount or 3) the budget appropriation. We based our payment calculation on the dates when service was provided.

This review only addressed the payments that Harford County made to FVS; it did not consider whether the amounts invoiced by FVS were correct. However, proper oversight of such a large contract is important, so an audit related to the Fleet Maintenance Contract has been added to the FY2014 Audit Plan. The results of that audit will be reported to you at a later date.

I am available to respond to any questions you have regarding this summary.

Sincerely,

Chrystal Brooks, CPA, CGFM, CIA, CISA, CGAP, CRMA
County Auditor

~ Preserving Harford's past; promoting Harford's future ~



cc: Mr. David Craig, County Executive
 Members of the Harford County Council
 Ms. Mary Chance, Director of Administration

Summary of Payments to First Vehicle Services

Contract	Fiscal Year	Contract	BOE Approved	Budget	Maximum	Amounts Paid			Overpayment
		Operating Target	Target	Target	Target	Target	Savings, Bonus and Credits	Non-Target	Target
04-094	2005	\$ 1,855,204	\$ 1,855,204	\$ 2,100,000	\$ 1,855,204	\$ 1,533,808	\$ 195,251	\$ 989,289	\$ -
04-094	2006	1,907,150	1,929,289	2,250,000	1,907,150	1,816,590	79,204	1,156,990	-
04-094 Addendum 1	2007	1,983,436	2,017,264	2,385,000	1,983,436	1,827,774	114,228	1,221,657	-
04-094 Add. 2	2008	1,983,436	2,075,019	2,125,000	1,983,436	1,963,687	42,024	1,126,656	-
04-094 Add. 3	2009	2,062,773	2,192,675	2,125,000	2,062,773	2,056,747	43,719	912,437	-
04-094 Add. 4	2010	2,114,342	2,173,305	2,125,000	2,114,342	2,079,165	54,258	716,033	-
04-094 Add. 4.1 (July-Sept.)	2011	569,246	585,121	2,125,000	569,246	545,573	9,501	169,148	-
10-190 (Oct-June)	2011	\$ 1,873,770	\$ 1,873,769	\$ -	\$ 1,369,293	\$ 1,435,448	\$ -	\$ 636,551	\$ 66,154
10-190 Add. 1	2012	1,901,165	1,950,071	2,125,000	1,901,165	2,144,401	-	903,396	243,236
10-190 Add. 2	2013	1,959,903	1,977,669	2,125,000	1,959,903	1,970,204	-	959,374	10,301
10-190 Add. 3	2014	2,150,736	2,014,876	2,200,000	2,014,876	835,162	(1,358)	327,090	-
TOTALS		\$ 20,361,161	\$ 20,644,263	\$ 21,685,000	\$ 19,720,825	\$ 18,208,557	\$ 536,827	\$ 9,118,620	
Base for Annual Maximum									
									Overpayment for Current Contract \$ 319,691.83
									FVS Payment \$ 431,928.16
									Deposit - \$ 131,281.75
									Applied to Overpayment \$ 300,646.41
									Remaining Overpayment \$ 19,045.42

Report Number: 2013-S-03

MANAGEMENT RESPONSE

In response to your December 11, 2013 report in which you reviewed the repayment made by First Vehicle Services I offer the following:

The contract allows for a shared annual savings on target costs for each fiscal year. The \$19,000 difference represents the savings realized for contract period 2010-2011.

Should you have questions, please do not hesitate to contact me.

Sincerely,

Deborah L. Henderson

Director

Department of Procurement

Auditor Note: This report has been modified since its December 11, 2013 issuance to include the above management response, provided on January 23, 2014.