



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

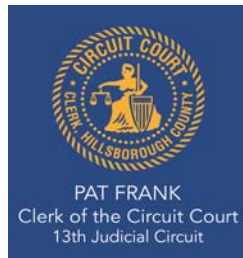
HILLSBOROUGH COUNTY, FLORIDA

GENUINE PARTS COMPANY (NAPA) PRICING

CONTRACT COMPLIANCE AUDIT

REPORT # 262

JUNE 4, 2014



The Honorable Mark Sharpe, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Sandra L. Murman

Dear Chairman Sharpe and Commissioners:

The Audit Team performed an audit of the Genuine Parts Company (NAPA) Pricing Contract Compliance, Audit Report # 262, dated June 4, 2014. Responses to the Audit Team's recommendations were received from the Director of Fleet Services and have been included in the report after each audit comment and recommendation.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Fleet Services during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Tom Fass, Assistant County Administrator
Robert Stine, Director, Fleet Management Department
Bruce Dangremond, Performance Mgmt, Business and Support Services

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Fleet Management Department (Fleet Management) is tasked with the responsibility of providing vehicle and equipment-related services to Hillsborough County departments. In 2004, after completing its research, Fleet Management determined that contracting with Genuine Parts Company (NAPA) would provide the capacity to reduce expenses for the purchase of parts and reduce the number of staff required to manage a parts procurement and distribution system. Furthermore, Fleet Management determined that NAPA was the only vendor that had the capacity to interface from and into the existing Fleet Management System, known as M5.

On July 21, 2004, the Board of County Commissioners entered into an agreement with NAPA, titled *Vehicle and Equipment Parts Management and Supply Agreement Between Hillsborough County and Genuine Parts Company* (Agreement), for the purpose of providing a parts procurement and distribution system. The contract amount was \$13,000,000 for a period of five (5) years, beginning October 1, 2004, and ending September 30, 2009. The contract provided for two renewal periods of three (3) years each.

The first renewal was approved on August 19, 2009, in the amount of \$10,000,000. The second renewal was approved on July 18, 2012, in the amount of \$12,000,000 and expires on September 30, 2015.

OBJECTIVE

The objective of this audit was to determine whether or not the County was invoiced the appropriate contracted amount for auto parts and inventory services received from Genuine Auto Parts.

SCOPE

For the six (6) month period ending January 31, 2014, the Audit Team compared a random sample of NAPA's auto parts and inventory services invoiced to the pricing stipulations contained in the Agreement. The Audit Team determined whether or not the invoiced amounts were appropriate.

OVERALL EVALUATION

The Fleet Management and the Fiscal and Support Services - Public Safety and Community Services Departments were responsive to the Audit Team's inquiries and provided thorough information when requested. Data and other information were provided in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit. Both Departments have implemented procedures to ensure that the County is billed the appropriate amounts for auto parts and inventory services.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE REFERENCE
1	Genuine Parts Company (NAPA) Pricing	page 3

OPINION

Based on audit test results, the County was invoiced the appropriate contracted amount for auto parts and inventory services received from NAPA.

AUDITED BY

Peggy Caskey, Director of County Audit
Steve Hooper, Audit Manager
Margaret Brown, Senior Internal Auditor

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1.

Genuine Parts Company (NAPA) Pricing

The invoice prices submitted by NAPA were compared to the pricing stipulations outlined in the Agreement. The Agreement specifies that "NAPA parts will be the price charged by the NAPA distribution warehouse to NAPA-owned stores. Non-NAPA parts and Original Equipment Manufacturer (OEM) parts will be priced in accordance with NAPA's current written contracts with outside vendors." The Agreement specified that, "in no case would the County pay more than the County's current contract pricing for OEM parts, or more than the manufacturer's list price for any non-NAPA branded or OEM part." The Agreement also stipulates that, "pricing for tires will be the same as the current State of Florida contract."

The Audit Team reviewed six invoices that were paid during the audit period. The invoices totaled \$1,967,899.16. The Audit Team selected the two highest dollar invoices, totaling \$764,469.51 and tested each for compliance pricing. The invoices contained categories of auto parts, tools, and general operating supplies. The Audit Team tested all of the NAPA-identified items listed on the two invoices. Of the 5,794 NAPA items tested, 1,906 items were identified as having an invoiced unit cost not equal to the approved NAPA Master Price List. Of these 1,906 items, twenty-seven parts were overpaid and 1,879 were identified as being underpaid. The total price difference for the twenty-seven overpaid items totaled \$58.78, which is immaterial.

To test pricing compliance of the non-NAPA items listed, the Audit Team selected the five highest-dollar items on each of the invoices' categories yielding a sample size of 30. For the 30 non-NAPA items tested, twenty-five were traced to either an approved NAPA vendor or to a County contract. The remaining five were actually NAPA items that were not listed on the Master Price List but were verified as part of NAPA's catalog.

The invoiced inventory service costs (payroll and overhead), listed on the two invoices, were reconciled successfully to the applicable source documentation.

Based upon the Audit Team's testing, the County was invoiced the appropriate contracted amount for auto parts and inventory services from NAPA. Procedures are in place to ensure that the County is invoiced and pays the appropriate amounts.

The Audit Team identified a policy related to non-NAPA procurement. The policy was implemented but not formalized and approved in writing. The policy eliminates the approval form requirement for new non-NAPA parts, tools, and general operating supplies with a unit cost of less than \$300.

RECOMMENDATION

Consideration should be given to formalizing the policy of procuring non-NAPA items costing less than \$300 in writing and obtaining Fleet Management's approval of said policy.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

Fleet Management has established an internal written procedure titled "Parts Procurement Process" FM-02, which will go into effect on June 1, 2014. This document outlines the policies and procedures for procuring parts in accordance with the current Vehicle and Equipment Parts Management and Supply Agreement. As recommended, this document also outlines the policy of procuring non-NAPA items costing less than \$300 in writing and obtaining a Fleet Managers approval.

"P. New Part Numbers

- 1. NAPA will provide a copy of the invoice for all new non-NAPA catalog part numbers to a County manager.*
- 2. For any new part with a cost of \$300 or more, NAPA will obtain 3 quotes and complete the New Item Form (Attach. 8). If item is a sole source or identified as a territorial item, these remarks need to be included on the New Item Form.*

3. *A County manager will either approve, with a full signature and printed name, or disapprove the form and return to NAPA.*
4. *If approved, NAPA will then issue the part in M5.*
5. *NAPA will submit all approved forms to the County office assistant for processing."*

TARGET COMPLETION DATE

June 1, 2014