



# Wicomico County, Maryland

## OFFICE OF THE INTERNAL AUDITOR

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### Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

The Office of the Internal Auditor (IA) conducted a review of the Wicomico County auto leases in force. A report is submitted herewith. The purpose of the consultation was to gain an understanding of the auto leases in effect and evaluate the benefits.

The Auditors conducted the consultation with due professional care, and we planned and performed the consultation to obtain an understanding of the costs involved with leasing and attempted to compare leasing to purchasing of vehicles.

We extend our appreciation to management and staff from the County Purchasing for their assistance.

Respectfully submitted,

*J. Stephen Roser, CPA*

J. Stephen Roser, CIA  
Internal Auditor

## Consultation Report

### Background

The County entered into a contractual arrangement with Enterprise Fleet Management to replace a number of older sedans, sport utility vehicles, and light trucks. Replacements included police vehicles, service pickup trucks, and fleet sedans.

### Objectives

The objectives of the consult were to:

1. Perform a financial review of auto leases in effect
2. Compare lease arrangement with the purchase of vehicles
3. Make recommendations (if appropriate)

### Scope

The Scope was open ended. Observations and Inquiries with appropriate personnel and the vendors were conducted, as well as examination of various documents and interviews pertaining to the following:

- Evaluate all contracts in force
- Evaluation of procedure to procure selected contracts
- Interview selected service providers
- Interview purchasing personnel

### Vehicle Procurement

The County purchases vehicles based on a State of Maryland contract. For vehicle leasing, the County piggybacked on a cooperative contract approved by The Interlocal Purchasing System (TIPS) to satisfy procurement requirements.

### Contractual Leases

According to Enterprise Fleet Management, the leases in effect are open ended. The business plan allows the County to “own” and modify the vehicles as it sees fit. Additionally, with the assistance of Enterprise, the County can sell vehicles under the lease agreement and apply any proceeds over a certain amount to future leases. The vendor modified the cost comparison matrix to clarify the estimated proceeds from the resale of leased vehicles. The Matrix includes 125 vehicles leased to the County. It does not include vehicles leased to the Sheriff’s Department. The new matrix follows:

**Vendor Resubmission:**

| FY | Size | Needs | Owned | Leased | Purchase | Lease   | Maint.  | Estimated Equity from Leased Vehicles | Estimated Equity from Owned Vehicles | Fuel    | Budget  | Net Cash |
|----|------|-------|-------|--------|----------|---------|---------|---------------------------------------|--------------------------------------|---------|---------|----------|
|    | 128  | 8.4   | 128   | 0      | 210,441  |         | 216,238 |                                       | (8,400)                              | 211,200 | 629,479 | 0        |
| 19 | 127  | 42    | 85    | 42     | 0        | 224,373 | 161,368 |                                       | (64,500)                             | 180,255 | 505,435 | 127,983  |
| 20 | 127  | 30    | 55    | 72     | 0        | 384,730 | 121,886 |                                       | (75,000)                             | 157,900 | 596,178 | 39,963   |
| 21 | 126  | 25    | 29    | 97     | 0        | 529,936 | 88,815  |                                       | (117,000)                            | 139,052 | 638,159 | -11,323  |
| 22 | 126  | 12    | 17    | 109    | 0        | 592,016 | 72,413  |                                       | (78,000)                             | 129,739 | 716,676 | -86,689  |
| 23 | 125  | 16    | 0     | 125    | 0        | 671,816 | 50,883  | (470,003)                             | (144,500)                            | 117,333 | 225,529 | 403,950  |
| 24 | 125  | 42    | 0     | 125    | 0        | 671,816 | 50,883  | (323,266)                             | 0                                    | 117,333 | 516,766 | 112,713  |
| 25 | 125  | 30    | 0     | 125    | 0        | 671,816 | 50,883  | (279,389)                             | 0                                    | 117,333 | 560,643 | 68,836   |
| 26 | 125  | 25    | 0     | 125    | 0        | 671,816 | 50,883  | (132,572)                             | 0                                    | 117,333 | 707,460 | -77,981  |
| 27 | 125  | 12    | 0     | 125    | 0        | 671,816 | 50,883  | (146,255)                             | 0                                    | 117,333 | 693,777 | -64,298  |
| 28 | 125  | 16    | 0     | 125    | 0        | 671,816 | 50,883  | (470,003)                             | 0                                    | 117,333 | 370,029 | 259,450  |

772,600

According to Enterprise, the estimated equity from the sale of leased vehicles contains the wholesale “Black Book” values conservatively (“below average”) estimated from current available information. Enterprise used mileage information submitted from Purchasing. Due to the subjective nature of many of the components of the leasing arrangement, the Auditors have not been able to perform substantive testing of the information. Attached, as an appendix is a second matrix provided by Enterprise Fleet Management with projections for the Sheriff’s Office fleet.

**Conclusion**

The Auditors are unable to offer a conclusion based upon this exercise.

Appendix

**Sheriff's Office Projection:**

| FY | Size | Needs | Owned | Leased | Purchase | Lease   | Maint.  | Estimated Equity from Leased Vehicles | Estimated Equity from Owned Vehicles | Fuel    | Budget  | Net Cash |
|----|------|-------|-------|--------|----------|---------|---------|---------------------------------------|--------------------------------------|---------|---------|----------|
|    | 97   | 9     | 97    | 0      | 373,500  |         | 131,532 |                                       | (4,500)                              | 262,708 | 763,240 | 0        |
| 19 | 97   | 28    | 69    | 28     | 0        | 224,471 | 110,053 |                                       | (16,408)                             | 237,431 | 555,547 | 207,694  |
| 20 | 97   | 23    | 46    | 51     | 0        | 440,032 | 92,410  |                                       | (74,589)                             | 216,667 | 674,520 | 88,720   |
| 21 | 97   | 13    | 33    | 64     | 0        | 572,994 | 82,438  |                                       | (61,256)                             | 204,931 | 799,106 | -35,866  |
| 22 | 97   | 12    | 21    | 76     | 0        | 680,339 | 73,233  |                                       | (74,700)                             | 194,097 | 872,969 | -109,729 |
| 23 | 97   | 21    | 0     | 97     | 0        | 904,576 | 57,124  | (255,272)                             | (215,754)                            | 175,139 | 665,812 | 97,428   |
| 24 | 97   | 28    | 0     | 97     | 0        | 749,097 | 57,124  | (274,578)                             | 0                                    | 175,139 | 706,781 | 56,459   |
| 25 | 97   | 23    | 0     | 97     | 0        | 749,097 | 57,124  | (161,110)                             | 0                                    | 175,139 | 820,249 | -57,009  |
| 26 | 97   | 13    | 0     | 97     | 0        | 749,097 | 57,124  | (129,983)                             | 0                                    | 175,139 | 851,377 | -88,137  |
| 27 | 97   | 12    | 0     | 97     | 0        | 749,097 | 57,124  | (299,992)                             | 0                                    | 175,139 | 681,368 | 81,172   |
| 28 | 97   | 21    | 0     | 97     | 0        | 749,097 | 57,124  | (256,799)                             | 0                                    | 175,139 | 724,561 | 38,679   |

280,109