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**Internal Audit
Department
Contract Oversight Report
2019-5**

**Observation of Collier Area
Transit Bus Purchase**

**Issued:
November 21, 2019**

The files and draft versions of audit reports are confidential and exempt from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5th District) and §119.0713, Florida Statutes. Workpapers supporting the observations noted within this report become public record and will be made available upon request once the final audit report has been issued.

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Summary

Collier Area Transit (CAT) purchased a bus from Gillig, LLC (Gillig) pursuant to Central Florida Regional Transportation Authority d/b/a Lynx (Contract No: 14-C09) under Collier County Purchase Order #4500186217.

Internal Audit noted eight exceptions that were undefined in the contract or were changed during production of the bus. Seven of the eight exceptions were sufficiently documented and no additional cost or credit will be applied. The other exception was a change in the warranty coverage by the engine manufacturer that was not fully covered in the contract price, which increased the cost charged to Collier County.

The final completed and delivered bus appears to have been properly procured and to materially meet the specifications of the purchase order and underlying contract.

Total # Transactions	Total Amount of Transactions	Questioned Costs	Taxpayer Savings	Description	Total # Observations	# Open Observations
1	\$ 452,326.00	\$ 1,150.00	\$ -	Number of bus purchased	1	0

Purpose

The purpose of this review was to verify contract specifications prior to final payment and to verify cost reasonableness, public purpose, funding source and service dates of the unit.

Cost Reasonableness: We reviewed the price for the four previous Gillig Bus purchases and found only a 1% and a 1.6% increase in prices over two years, which appeared reasonable.

Date	FY	Bus#/Unit#	Price	%Change
10/23/2017	2017	CC2-1621	\$ 441,026.00	n/a
10/25/2017	2017	CC2-1622	\$ 441,026.00	0.0%
10/26/2017	2017	CC2-1623	\$ 441,026.00	0.0%
7/26/2018	2017	CC2-1719	\$ 445,361.00	1.0%
5/9/2019	2018	CC2-1917	\$ 452,326.00	1.6%

Public Purpose and Funding Source: This purchase was 100% funded through a Federal Transportation Administration Grant, #33482-01, 584 FTA 00-CAPITAL, Fund #424 to provide mass transit services in Collier County.

Service Dates: Gillig released the bus for delivery to CAT on May 9, 2019. Following shipment to the CAT facility in Naples, on-site modifications were performed by CAT. The completed bus entered service in the Collier Area Transit fleet on August 8, 2019.

Objectives and Scope

The objective of our audit was to ensure adequate procedures and processes are in place to ensure proper procurement of the bus, and to account for any quantity and price changes to the LYNX consortium pricing. For changes made to the specifications, we only addressed the pricing impact, as knowledge regarding the safety or operational impact of the changes is beyond our expertise. As detailed below, we relied on the technical expertise of First Transit, Inc., in their inspection of the functionality of the bus as delivered.

Internal Audit observed the bus on Wednesday July 17, 2019 at 1:00 pm, at the Collier Area Transit building located at 8300 Radio Road. We met with Yousi Cardeso, Operations Analyst with the Division of Public Transit & Neighborhood Enhancement. Ms. Cardeso gave a tour of CAT Bus #1917 (CC2-1917), discussed the (1) change order for the stanchions, and provided a copy of Gillig's Base Equipment and Alternatives Price Sheet. Ms. Cardeso informed us that the price sheet was proprietary and contained confidential pricing information that is not intended to be made public.

Our audit covered the purchase of CAT Bus #1917 under PO #4500186217, and our fieldwork concluded on August 15, 2019.

Background

First Transit, Inc. was retained by the Collier County Board of County Commissioners, Collier Area Transit of Naples, Florida to provide secondary in-plant quality assurance services on one (1) heavy-duty 29-foot low-floor diesel transit bus (VIN #93424) manufactured by GILLIG, LLC located in Livermore, CA. This bus has been manufactured for the CAT option order, Collier County Purchase Order #4500186217 from the Florida Consortium RFP# 13-R06, Contract #14-C09.

First Transit, Inc. conducted an inspection of Gillig's manufacturing plant beginning on April 23, 2019 with the production bus, VIN #93424, and noted the following:

1. First Transit verified that the manufacture and operation of the bus fully complied with the technical specifications as amended by CAT.
2. First Transit's inspector conducted inspections throughout the production process at GILLIG and interacted with the quality assurance group and production management. As a result of the inspection activity, a number of deficiencies were found and corrections made. First Transit's inspector was satisfied that all defects identified were corrected to a reasonable level of satisfaction.

Exceptions Noted by Internal Audit:

We reviewed the contract and noted eight exceptions to the line items below compared to the final delivered bus. Seven of the eight exceptions were sufficiently documented. The following seven exceptions were addressed and remediated, and we found no material discrepancies and no additional credits due from Gillig, LLC:

Exception #	Issue	Disposition	Credit/Debit
1	Item #46, Removal of Yellow Powder Coated Stanchions	CLOSED: Credit was properly applied to the price according to the contract	No Additional Credit
2	Item #51, Vinyl Coated Nylon Grab Straps were deleted	CLOSED: (10) straps were deleted, (4) remained; price is \$20 each = \$80	No Additional Credit
3	Item Added – Dialight Yield Sign	CLOSED: Charged \$358.00 less than the Alternative Price; received BCC approval	No Additional Credit
4	Item #161, Harris Mobile XG-25M 2-way radio	CLOSED: Contract line item was a placeholder for \$6,000, final price was \$4,032.00.	No Additional Credit
5	Item #178, Avail ITS System	CLOSED: Contract line item was a placeholder for \$30,000.00, final price was \$29,262.00, received BCC Approval	No Additional Credit
6	Item Changed – B&R 8x10 Remote Control	CLOSED: Contract Price is Correct	No Additional Credit
7	Item #131, Angel Trax Color Cameras (7)	CLOSED: Only purchased (5) of the (7) cameras, final price was lower than Alternative Price Schedule	No Additional Credit

Exception #8 deals with a change to the engine warranty provided by the engine manufacturer, Cummins Diesel, which modified the extended coverage plan in 2016 to include travel or towing.

Exception #	Issue	Result	Risk
8	Item #316, Engine 5yr/300,000 miles extended warranty – change in miles and price	Increase in cost of contract by \$1,150	Low

Conclusion

Overall, based on the results of our review, the bus appears to have been properly procured and to materially meet the specifications of the purchase order and underlying contract.

Observations and Recommendations

Extended Warranty for Cummins Diesel Engine

Finding Risk: Low

Observations

Issue:

Collier County was charged an additional \$1,150 for the Cummins Engine Extended 5-yr/300,000 Mile warranty.

Effect:

The base unit cost for the Gillig Bus under the current LYNX contract increased by \$1,150 in 2016 due to changes in engine warranty coverage.

Cause:

This contract is a consortium contract, and Collier County is described by Procurement as being an active member of this group. The execution copy on file with the County was from 2013, and no pricing updates were included since the original signing.

Discussion and Background:

The LYNX Contract (dated August 19, 2013) shows that the Extended 5-yr/300,000 Mile Warranty is a standard "Category 3" OEM (Original Equipment Manufacturer) with no additional costs. The LYNX Contract Extended Coverage Price was originally shown as \$4,532, and it was not updated in the execution copy kept on file by the County. Cummins modified their extended coverage plan in 2016 to include travel or towing. The quote and Purchase Order for this bus were both from 2018, or approximately two years after this change. The price in effect at the time of this order was \$5,682, which is a \$1,150 increase over the original contract price of \$4,532.

Recommendation:

The department, as the Contract Administrator, should check for any updates to the contract regularly, and verify pricing prior to placing an order. In this case, the LYNX contract expired on December 11, 2018, so no further action is required at this time.

Action Plan Subject: Extended Warranty for Cummins Diesel Engine Issue Action Plan

Action Plan Number: 1

Management Response: No Action Needed and No Additional Credit Pending

Coordinator: Yousi Cardeso

Completion Date: 7/31/2019

Acknowledgements

We would like to thank the management and staff of the Department of Public Transit & Neighborhood Enhancement for their courteous and prompt assistance.