

MOTOR VEHICLE FLEET PERFORMANCE AUDIT

JANUARY 2003 THROUGH DECEMBER 2003

**OFFICE OF THE STATE AUDITOR AND INSPECTOR
JEFF A. McMAHAN**



October 28, 2004

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the performance audit of the State's motor vehicle fleet. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

We are especially appreciative of the cooperation extended to our office by the various state agency staffs we worked with during our audit. Our requests for information and assistance were handled in a timely and professional manner.

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahahan". The signature is written in a cursive style.

JEFF A. McMAHAN
State Auditor and Inspector

MOTOR VEHICLE FLEET PERFORMANCE AUDIT

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JEFF A. McMAHAN, CFE
OFFICE OF THE
STATE AUDITOR & INSPECTOR



STATE OF OKLAHOMA MOTOR VEHICLE PERFORMANCE AUDIT

Audit Summary

The results of this audit identify opportunities for potential cost savings approaching \$21,000,000 (page 36) related to the operation and management of the State's passenger vehicle fleet. State officials need more assurances that the State's fleet is being used efficiently.



Why the audit was performed

This performance audit was conducted at the request of Governor Brad Henry as authorized by 74 O.S. 2001, § 213.2.



Audit Objective

The objective was to determine whether the motor vehicle fleet was being utilized in an economical and efficient manner.

Key Issues from the Report

- > **The number of passenger vehicles the State owns is unclear**
 - Improper management of the State's passenger fleet due to inadequate system - page 6;
 - Vehicle operating cost data is not maintained or analyzed -page 7;
 - There are no procedures in place to monitor the accuracy of the vehicle data submitted by state agencies -page 8.
- > **Justifications required for vehicle purchases are insufficient or non existent**
 - There is no type of vehicle usage analysis performed to justify vehicle acquisitions -page 8;
 - No justification is required to replace a vehicle already in the fleet -page 9;
 - Additional justifications for sport utility vehicles are needed which should explain why an alternative vehicle is not suitable -page 19.
- > **Decentralization of the State's passenger vehicle fleet leads to inefficient use**
 - The passenger vehicle fleet has become decentralized, limiting the ability to manage the fleet in an efficient manner -page 23;
 - There is a lack of comprehensive fleet management policies and procedures used by all state agencies -page 9;
 - State law allows certain agencies to purchase and own their vehicles while others must lease them through the Department of Central Services -page 20;
 - Several unauthorized agencies are acquiring vehicles -page 20.
- > **Underutilization of vehicles noted**
 - Mileage criteria indicates many vehicles may be underutilized -pages 14 and 15;
 - The number of vehicles in the state motor pool appears to be excessive-page 16.
- > **Vehicles assigned to employees, including vehicles driven to and from employees' residences, may be unnecessary – page 11**
- > **Excessive costs were noted associated with certain car washes, details and fuel purchases -page 21**

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Background

The Department of Central Services Fleet Management Division, established under 74 O.S. § 78, is to “provide oversight and advice to state agencies that own, operate and utilize motor vehicles.” This statute directs the Fleet Management Division (FMD) to establish rules requiring efficient and economical use of the State’s motor vehicles and to provide record keeping standards for fleet operation, maintenance and repair costs.

As part of its duties and in accordance with policy established by the Department of Central Services, FMD is to approve all vehicle acquisitions and disposals. FMD is also responsible for maintaining a vehicle fleet inventory and related vehicle fleet operating costs. In order to facilitate these record keeping responsibilities, FMD has established policies making state agencies responsible for reporting to FMD all vehicle acquisitions, disposals, and vehicle information such as mileage, fuel costs, and maintenance costs.

In addition to its oversight responsibilities, FMD also purchases and maintains a fleet of vehicles for state agency use. These vehicles are available for lease on either a short-term daily basis



or a long-term monthly basis. FMD charges agencies for the use of the vehicles through a flat fee plus an additional per mile charge if a specified mileage limit is exceeded. While FMD vehicles are available for use by all state agencies, 22 agencies are authorized by 47 O.S. § 156 to purchase and maintain their own vehicles. It is estimated that vehicles leased to state agencies by FMD account for only 13% of the State’s total passenger vehicle fleet, while the remaining vehicles are agency owned.

Scope

The audit of the State’s motor vehicle fleet was conducted at the request of Governor Brad Henry and under the authority of 74 O.S. § 213.2. In order to facilitate the completion of our audit in a reasonable time frame, we limited the scope to include only passenger type vehicles (e.g., sedans, sport utility vehicles, pickups less than 1 ton). We also excluded vehicles owned or leased by higher education institutions. The audit period was January 1, 2003 through December 31, 2003. Our audit was performed in accordance with generally accepted *Government Auditing Standards*.

Objectives

According to the Governor’s request, the objective of the audit was to “determine whether the motor vehicle fleet is being utilized in an economical and efficient manner.” In order to achieve this objective, we identified the following items:

- I. Are vehicle fleet records adequately maintained so the State can accurately track the number of vehicles in its fleet, the usage of the vehicles in its fleet, and the costs associated with the fleet?
- II. Do agencies utilize fleet management policies and procedures?
- III. Are vehicles in the State’s fleet adequately utilized?
- IV. Are vehicles assigned to employees in only those instances where a true need exists?
- V. Are state employees driving their private vehicles and being reimbursed for mileage when it would be more economical to utilize the state motor pool?

Observations and Recommendations

I. Are vehicle fleet records adequately maintained so the State can accurately track the number of vehicles in its fleet, the usage of the vehicles in its fleet, and the costs associated with the fleet?

Methodology

The following procedures were performed:

- We reviewed the statutes and policies relating to FMD’s responsibilities and held discussions with FMD personnel regarding their duties.
- We obtained the Master Fleet File (FMD’s record of all state vehicles) and performed the following:
 - Analyzed the file by vehicle type and/or ownership of vehicle,
 - Determined whether there were duplicate VIN numbers,
 - Determined whether there were missing VIN numbers,
 - Determined completeness of the file.
- We held discussions with Department of Central Services Information Systems personnel regarding the fleet management computer system.
- We sent a survey to state agencies, identified by FMD as owning and/or leasing vehicles, requesting the number of passenger vehicles they own and/or lease.

Inventory Records Maintained by FMD Are Not Adequate

Observations

Part of FMD's duties and responsibilities is to maintain records regarding the State's vehicle fleet. This includes an inventory of state vehicles. The maintenance of an inventory is a shared responsibility between FMD and the state agencies owning vehicles. While FMD is ultimately responsible for the inventory, they are largely dependent on state agencies to supply them with the information necessary to compile and maintain the inventory.



FMD provided us with an inventory listing as of December 2003. The inventory listed 11,365 vehicles with a total cost of \$195,240,014. Based on our analysis, the vehicles were classified as follows:

Table 1-FMD Inventory Summary		
Vehicles Owned by Colleges & Universities (includes all vehicle types)	2,456	\$41,352,677
Non-passenger vehicles (Buses, aircrafts, motorcycles, heavy duty trucks, etc.)	1,336	\$43,853,061
Wrecked, Salvaged, or Major Repair	41	\$544,651
Deadline for Sale*	718	\$9,029,168
Passenger vehicles (cars, pickup trucks 1 ton or less, SUVs, vans)	6,814	\$100,460,457
	11,365	\$195,240,014

SOURCE: Master Fleet File obtained from FMD
 *Indicates vehicles that have been approved for sale.

Because our audit focused on passenger type vehicles, we performed procedures related to the 6,814 passenger-type vehicles. We noted the following during our analysis of the inventory records:

- 55 vehicles were listed with a duplicate VIN number;
- Three different vehicles were listed with the same VIN number;
- In another instance, seven different vehicles were listed with the same VIN number;
- 117 vehicles were listed with an invalid VIN number (less than 17 characters);
- From a sample of 587 vehicle purchases made between July 2001 and October 2003, 441 (75%) were not included in the inventory. Of these 441 vehicles, 291 (66%) were purchases made by the Department of Public Safety (DPS). According to FMD personnel, no purchases made by DPS have been included in the inventory list since 1999. This appears to be accurate in that we noted the most recent purchase date in the inventory list for a DPS vehicle was June 30, 1999.

In addition, during conversation with FMD personnel, we were told that the Department of Transportation had identified over 300 vehicles they no longer owned yet were still included in the FMD inventory. FMD subsequently removed these vehicles from the inventory records. We requested a listing of these vehicles but were told no listing was kept.

Due to the inaccuracies noted above, we were unable to rely on FMD's records to determine the passenger vehicles owned by the State. As a result, we sent a survey to certain state agencies requesting they provide a listing of all passenger vehicles they own and/or lease. The figures provided by agency management were used as the passenger vehicle population and are discussed in detail later in this report.

Vehicle Operating Cost Information Not Maintained or Analyzed

Observations

In addition to a motor vehicle inventory, FMD is to maintain operational data (mileage, fuel costs, maintenance costs) for the State's motor vehicles. To facilitate this record keeping, the Department of Central Services has issued detailed procedures in Section 580:35-1-3 of the Oklahoma Administrative Code (OAC). The OAC requires that on a monthly basis, each agency submit the following information for each vehicle owned:

- Agency name and number,
- Vehicle number,
- Hours or mileage,
- Fuel cost and number of gallons used,
- Type of maintenance performed,
- Cost of any repairs.

Monthly vehicle operating information has not been input into the fleet management computer system since 1999.

During interviews with FMD personnel, they stated the monthly vehicle operating information has not been input into the fleet management computer system (FMCS) since 1999. It was their understanding that the FMCS was not functioning properly and would not allow this information to be entered. As a result, the use of the FMCS has been limited to adding new vehicles and deleting sold vehicles. We spoke with a DCS Information Services Division (ISD) employee regarding the status of the FMCS. The employee stated that the

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FMCS is still fully functional and will allow the monthly vehicle information to be entered. However, both the FMD personnel and the ISD employee stated that there is no user documentation regarding the FMCS to explain how it functions. If the FMCS had been fully utilized, it would appear to be a very labor intensive system. Agencies generally submit the monthly vehicle information to FMD in hard copy format. It would then have to be manually entered into the FMCS. The inputting of this volume of information each month would take a significant amount of time. Currently, FMD does not have an employee assigned to oversee the information in the FMCS on a full time basis. The employee responsible for maintaining the information in the FMCS has other job responsibilities, primarily administering the alternative fuels program. We spoke with representatives from other states and many utilize web-based fleet management systems. This enables each agency to enter their own vehicle information. The web-based applications also offer expanded functionality over the current FMCS.

Agencies could submit the same data each month and it would likely go unnoticed... some agencies choose not to submit the information.

If the monthly agency vehicle information had been input into the FMCS, FMD does not have procedures to monitor the accuracy of the information reported. 74 O.S. § 78.D.2 states that the FMD conduct on-site inspections to verify agency compliance with FMD record keeping standards. There are no on-site inspections conducted by FMD, nor was there monitoring or review of the

monthly vehicle information submitted to FMD. FMD personnel stated that an agency could submit the same data each month and it would likely go unnoticed. They also stated that some agencies choose not to submit the information. It is the Department of Central Services position that they are not a regulatory agency and therefore cannot force any agency to report their vehicle data. However, effective November 1, 2004, new legislation goes into effect that requires FMD to report to the Governor, Speaker of the House of Representatives, and President Pro Tempore of the Senate, the agencies that fail to comply with the reporting requirements of FMD.

Without the adequate maintenance of records, it is difficult to determine the number of vehicles the State owns, maintenance and fuel costs associated with vehicle fleet operations, or vehicle usage. Inadequate record keeping compromises the State's ability to operate its vehicle fleet in an efficient and economical manner. Reliable records and an adequately maintained vehicle fleet management system can increase the efficiency of the vehicle fleet by providing the data necessary to assess fleet operations. For example, without adequate mileage information, FMD is not able to assess whether some vehicles are being underutilized which could affect a decision on whether or not to purchase a new vehicle. Also, without adequate repair and maintenance information, FMD is not able to assess whether it is cost effective to continue to repair and maintain an older, high mileage vehicle rather than purchase a new one.

FMD personnel stated there were 428 purchase requests for vehicles between January 1, 2003 and December 31, 2003. None of the requests were denied. Based on review of agency justifications to purchase a vehicle for expansion of the agency's fleet, it did not appear that these justifications alone would

There were 428 purchase requests for vehicles between January 1, 2003 and December 31, 2003. None of the requests were denied.

always be sufficient to base a decision on fleet expansion. It should be noted that no justification is needed to purchase a replacement vehicle.

The State could likely realize significant cost savings by maintaining and utilizing a vehicle fleet management system to assist in making policy and management decisions.

Recommendation

We recommend the following:

- FMD should develop and implement procedures to ensure that all vehicle purchases, disposals, and operational information is reported and recorded in the computer system. Without this information, it is not possible to effectively manage and monitor the vehicle fleet;
- The Department of Central Services should consider purchasing a new, web based fleet management system;
- The FMD should develop and implement procedures to monitor the accuracy of the vehicle information submitted by the agencies;
- The FMD should consider hiring sufficient staff to oversee the vehicle inventory and related vehicle records. This would include analyzing the information to make informed decisions regarding vehicle purchases, disposal and usage. FMD may consider employing an individual experienced in fleet management, possibly a Certified Automotive Fleet Manager, to perform these duties.

II. Do agencies utilize fleet management policies and procedures?

Methodology

The following procedures were performed:

- We surveyed state agencies regarding fleet management policies and procedures;
- We selected three separate stratified random samples of vehicles and determined which cars had in excess of 100,000 miles. The results were projected across the population of all vehicles.

Agencies Often Lack Comprehensive Fleet Policies and Procedures

Observations

We surveyed seventy-three agencies to determine whether agencies have developed policies and procedures regarding motor vehicles. Eighty-six responses were received as each of the 13 Department of Mental Health and Substance Abuse Services’ branch offices responded. The results of the survey follow:

Table 2 – Fleet Policies and Procedures Summary				
	Yes	No	Total	N/A*
Does your agency have a policy regarding the use of vehicles?	79	7	86	0
Does your agency have a policy regarding the replacement of vehicles?	16	27	43	43
Does your agency have a policy regarding the maintenance of vehicles?	31	12	43	43
Does your agency have a policy regarding the assignment of vehicles to a specific individual?	38	48	86	0

SOURCE: Survey information provided by agency management.
The N/A responses are due to some agencies having only leased vehicles for which these policies would not be applicable.

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As indicated in the table above, 27 of the 43 respondents (62%) did not have a vehicle replacement policy. Without a replacement policy it is difficult to determine when it is more cost efficient to continue to maintain and repair a vehicle or purchase a new one. For those state agencies that had developed a vehicle replacement policy, the range of replacement spanned from 60,000 to 140,000 miles. The Federal General Services Administration uses 60,000 miles as the minimum mileage replacement threshold for sedans.



We analyzed the mileage as provided by agency management at December 31, 2003 for 390 vehicles. We noted 113 vehicles, or 29%, had more than 100,000 miles. When projected across the vehicle population, this would indicate approximately 1,400 with 100,000 or more miles.

Having uniform policies and procedures detailing specific criteria for replacing vehicles is crucial to the State maximizing its return on the vehicles as well as avoiding rising maintenance costs.

The results of our survey showed 12 of the 43 respondents (28%) did not have a vehicle maintenance policy. Routine maintenance is critical to maintaining an efficient and economical fleet. Agencies without specific policy may skip recommended maintenance, which may increase the cost of operating and owning vehicles.

Our survey results also showed 48 of the 86 respondents (56%) did not have policies regarding the assignment of vehicles to an individual. This policy would help ensure vehicles are assigned only to those employees that would require a vehicle in the performance of their job duties.

Recommendation

As discussed later in this report, the administration of the State's vehicle fleet is decentralized. As a result, each agency determines the size of their fleets, how the vehicles are to be used, assigned, maintained and when they are to be replaced. Further decentralization may occur at the agency level by allowing various divisions, functions, or offices to manage their own fleet. This is substantiated by the Department of Mental Health's 13 responses to our survey. In order to help ensure an economical and efficient fleet, we recommend uniform fleet management policies and procedures that apply to all agencies be developed.



**III. Are vehicles in the State's fleet adequately utilized?
IV. Are vehicles assigned to employees in only those instances where a true need exists?**

Methodology

The following procedures were performed:

- We reviewed 47 O.S. § 156.1 which governs the assignment of vehicles to employees who drive them to and from the employees' residences;
- We surveyed state agencies to identify vehicles assigned to employees and agency fleet vehicles;
- We selected a stratified, random sample of vehicles to evaluate reasonableness of the vehicle assignment or the utilization of the vehicle;
- We interviewed a sample of agency personnel who had vehicles assigned to them.

The State owns a wide variety of passenger type vehicles and use of these vehicles varies from agency to agency. Therefore, rather than evaluate all passenger-type vehicles against the same criteria, we identified four different groups of vehicles for evaluation. The four groups are outlined below:

- Vehicles assigned to employees and driven to and from the employees' residences,
- Vehicles assigned to employees that are not driven to and from the employees' residences,
- State agency owned/leased fleet vehicles available for employees use on a short term basis,
- Department of Central Service's FMD vehicles available to all state employees for use on a short-term basis (state motor pool).

Each of these four groups is discussed further below.

Assigned Vehicles Driven To and From Employees' Residences May Be Unjustified

Observations

47 O.S. § 156.1 A. and B. stipulates the following criteria for commuting in a state owned vehicle to and from an employee's place of residence: (1) approval of the Governor; **or** (2) regularly receives emergency phone calls at the employee's residence when not on duty and regularly uses a vehicle in response to such calls. Employees falling under item (2) must keep a record of the number of emergency calls received and the number of times that a state vehicle was used in the performance of such emergency calls.

**28 of 54 employees
responded to 10
emergency calls or less**

Based on our agency surveys, agency management reported 1,944 vehicles assigned to employees who commute in a state vehicle. From the information in 47 O.S. § 156.1.B, we determined 1,264 employees would appear to be authorized under this statute to drive to or from the employee's place of residence in a state-owned vehicle. These employees were primarily law enforcement personnel working for agencies such as the Department of Public Safety, State Bureau of Investigation, and the Bureau of Narcotics and Dangerous Drugs Control.

From the remaining 680 vehicles, we selected a stratified random sample of 133 vehicles to further evaluate the assignment of commuting vehicles. For these vehicles, we

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requested additional detailed information from the agencies in our sample. From this sample, we noted the following:

- Nine individuals reported they had the approval of the Governor to drive a state-owned vehicle to and from their residences. We requested a copy of the approval letter, and only six of the nine provided a letter. In addition, only one of the six had an approval that covered our audit period. Although 47 O.S. § 156.1 permits “essential employees approved by the Governor” to drive a state vehicle to and from their residences, it appears an approval is generally not obtained;
- 70 individuals reported no documentation was maintained to support whether or not they responded to any emergency calls;
- 54 individuals reported they maintained information regarding responses to emergency calls. From this information, we noted:
 - 23 responded to five calls or less,
 - 5 responded to between six and 10 calls,
 - 9 responded to between 11 and 20 calls,
 - 12 responded to more than 20 calls,
 - 5 responded using “several” or “varies” rather than providing a specific number of calls as requested.

We also interviewed 15 employees to discuss their justification for commuting in a state vehicle. From these interviews we noted:

- Seven of the employees were home-based employees meaning they have no official duty station that they report to each day. These employees’ day-to-day duties typically require them to travel to multiple locations throughout the state and often involve field inspection and regulation. Although the statute referenced above does not mention home-based employees, it would appear reasonable for them to drive a vehicle home to efficiently carry out their job duties;
- For the remaining eight employees, the justification provided did not appear reasonable. For example, many of the employees stated they needed to commute in a state vehicle because they are on call. However, based on our analysis above, it does not appear that many of these employees regularly receive emergency calls that would necessitate their driving a vehicle home. In addition, one of these employees told us he could check out a motor pool vehicle when needed rather than having a permanently assigned vehicle.

One employee stated he could check out a motor pool vehicle when needed rather than having a permanently assigned vehicle.

Based on the information above, it would appear that the practice of allowing employees to commute in a state vehicle is often not adequately documented and/or justified. As stated in 47 O.S. § 156.1, employees should be allowed to drive a vehicle to their residences only if the employees “receive telephone calls regularly at the employee’s residence when the employee is not on duty.” The fact that an employee is on call and may have to respond to an emergency call does not appear to justify the employee commuting in a state vehicle. Allowing a state vehicle to be driven to and from an employee’s residence should generally be limited to only those job positions that have shown to **regularly** respond to after hour emergencies. Otherwise, the employee should respond to the emergency in their private vehicle and request mileage reimbursement.

Employees using state vehicles for commuting are also to report commuting fringe benefits for State and Federal income taxes. We provided Office of State Finance personnel with 30 individuals who were reported to us as using state owned vehicles for commuting to determine whether any commuting fringe benefits had been reported on the employee's W-2. Office of State Finance personnel stated that 19 of the 30 did not have any commuting fringe benefits reported. As a result, it is likely these employees' fringe benefits that should have been subject to State and Federal income tax were underreported.

**Commuting fringe
benefits are often not
reported to the Office
of State Finance.**

Because we did not review the assignment of every vehicle used for commuting on an individual basis, it is difficult to determine the number of vehicles with an unnecessary assignment. However, if the state were able to reduce the number of assigned vehicles driven to and from employees' residences by 25%, we estimate the following:

- \$381,000 in revenue for the State from the sale of these vehicles,
- \$529,000 in annual savings in costs related to operating these vehicles,
- \$2,300,000 in savings in future years by eliminating the necessity of replacing these vehicles.

Recommendation

We recommend the following:

- Current statewide guidelines regarding the use of state vehicles for commuting is limited to 47 O.S. § 156.1. We believe this statute does not provide enough guidance to ensure employees authorized to commute in a state vehicle is always in the best interest of the State. We recommend 47 O.S. § 156.1 be amended, or a statewide policy implemented, to ensure employees are authorized to commute in a state vehicle only when it is the most efficient and effective manner to conduct state business. The amended statute or policy may include but not be limited to:
 - Employees whose job position has the primary responsibility to respond to emergencies and it has been demonstrated that the job position requires frequent after-hours emergency response (for example, 30 responses a year); or
 - Employees who cannot use alternative forms of transportation to respond to emergencies (for example, law enforcement vehicles, specialized utility repair trucks, or other vehicles with specialized equipment necessary to perform the employees' job duties); or
 - Home based employees who travel to different work sites on successive days and it is unreasonable for the employee to pick up and drop off the vehicle each day.

Employees commuting in a state vehicle should be re-authorized annually to ensure they still meet established criteria. In addition, the fact that an employee is merely "on-call" should not be considered adequate justification to authorize an employee to commute in a state vehicle, nor should an employee be authorized to commute in a state vehicle as a form of employment compensation.

- Until the amendment of 47 O.S. § 156.1 or enactment of a statewide policy, the Governor may consider issuing an executive order instructing each agency director and/or oversight board/commission to review their employees commuting in state vehicles to ensure the assignments are in the best interest of the State.

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- Policies and procedures should be established to ensure employee commuting fringe benefits are reported for State and Federal income tax purposes.

Mileage Criteria Indicates Other Assigned Vehicles Underutilized

Observations

Based on our agency surveys, we identified 1,018 vehicles assigned to employees who did not drive them to and from their residences. These vehicles were assigned between January 2003 and December 2003 to employees for use on an as-needed basis.



From these 1,018 vehicles, we selected a stratified random sample of 127 vehicles to determine whether the vehicles were adequately utilized. According to the Federal Fleet Policy Council acting through the General Services Administration, a passenger vehicle should be driven at least 12,000 miles a year to economically justify owning and/or leasing it. Low mileage is an indicator of underutilization and may indicate that the fleet has too many vehicles. Although 12,000 miles is a recognized standard, due to the nature of many employees' job responsibilities, annual mileage less than 12,000 may be expected for vehicles used for short trips or special purposes. As a result, we set our underutilization criteria at 9,000 miles. Based on our agency surveys, we found 37 (29%) of the 127 vehicles sampled were driven less than 9,000 miles. Using these results, we projected the State had approximately 300 vehicles driven less than 9,000 miles that were assigned to individuals not driving them to and from their residences.

While it may be appropriate for some of these vehicles to be driven less than 9,000 miles, it would appear the State could reduce the size of its fleet. If the State were able to reduce its fleet by even one-half of the projected 300 vehicles, we estimate the following:

- \$336,000 in revenue for the State from the sale of the vehicles,
- \$135,000 in annual savings in costs related to operating these vehicles,
- \$2,000,000 in savings in future years by eliminating the necessity of replacing these vehicles.

Following is a summary of the miles driven for the 127 vehicles tested. Note that in 15 instances, the vehicle was assigned to an employee mid-year. In these instances, an estimate was made for the number of miles driven had the vehicle been assigned for the entire period, January 2003 to December 2003.

Table 3 – Assigned Vehicle Mileage Analysis	
Annual Miles Driven	Number of Vehicles
Less than 1,000	3
1,000 to 4,999	11
5,000 to 8,999	23
9,000 to 11,999	32
12,000 to 15,000	21
Greater than 15,000	37
	127

SOURCE: Agency responses to surveys and auditor analysis.

Recommendation

In order to help ensure state vehicles are adequately utilized, we recommend the implementation of a statewide policy establishing criteria regarding the permanent assignment of vehicles to employees. The policy should ensure that vehicles are assigned to employees only when it is most cost efficient to the State. Agency vehicles

should be considered pool vehicles available for use by all employees unless a documented need has been shown for the permanent assignment of a vehicle to an employee. Examples of employees who may be assigned a vehicle could include:

- Those driving over an established mileage threshold that must be met to justify the assignment. For example, an employee may be required to drive 10,000 business related miles annually to be granted a vehicle assignment; or
- Those with job duties requiring the use of a vehicle with specialized equipment; or
- Those with job duties requiring frequent travel such as interagency mail delivery and facility maintenance.

Employees assigned a state vehicle should be re-authorized annually to ensure they still meet established criteria.

In addition, we recommend the immediate review of current vehicle assignments to ensure the assignment is cost efficient to the State.

**Policy should ensure
that vehicles are
assigned only when it
is most cost efficient
to the state.**

Mileage Criteria Indicates State Agency Owned/Leased Fleet Vehicles Underutilized

Observations

Based on our agency surveys, we identified 3,137 vehicles considered agency fleet vehicles. These vehicles are available to agency employees for use on an as-needed, short-term basis.

**Low mileage is an
indicator of
underutilization of
the vehicle and
may indicate that
the fleet has too
many vehicles.**

From these 3,137 vehicles, we selected a stratified random sample of 131 to determine whether they were adequately utilized. As previously mentioned, the Federal Fleet Policy Council recommends passenger fleet vehicles should be driven at least 12,000 miles a year. Low mileage is an indicator of underutilization of the vehicle and may indicate that the fleet has too many vehicles. Using the same rationale as discussed above, we set our underutilization criteria at 9,000 miles. Based on our agency surveys, we found 59 (45%) of the 131 vehicles sampled were driven less than 9,000 miles.

Using these results, we projected the State had approximately 1,400 agency fleet vehicles driven less than 9,000 miles.

While it may be appropriate for some of these vehicles to be driven less than 9,000 miles, it would appear the State could reduce the size of its fleet. If the State were able to reduce its fleet by even one-half of the projected 1,400 vehicles, we estimate the following:

- \$1,600,000 in revenue for the State from the sale of these vehicles,
- \$450,000 in annual savings in costs related to operating these vehicles,
- \$9,500,000 in savings in future years by eliminating the necessity of replacing these vehicles.

Following is a summary of the miles driven for the 131 vehicles tested. Note that in some instances, the vehicle was acquired mid-year. In these instances, an estimate was

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made for the number of miles driven had the vehicle been driven for the entire period, January 2003 to December 2003.

Table 4- State Agency Owned/Leased Fleet Mileage Analysis	
Annual Miles Driven	Number of Vehicles
Less than 1,000	15
1,000 to 4,999	24
5,000 to 8,999	20
9,000 to 11,999	14
12,000 to 15,000	16
Greater than 15,000	42
	131

SOURCE: Agency responses to surveys and auditor analysis.

Recommendation

Statewide policy should be developed and implemented requiring agency owned/leased pool vehicles to meet an annual number of minimum miles. Procedures should also be developed to require FMD to monitor the number of miles driven. In cases where the vehicle does not meet the established minimum number of miles, justification for the lack of use of the vehicle should be provided to FMD. If the vehicle cannot be justified, it should be reassigned to an agency that has a greater need or sold.

Number of Vehicles in State Motor Pool Appears To Be Excessive

Observations

The FMD maintains a fleet of vehicles available for state agency use on a short-term basis. This fleet of vehicles is commonly known as the state motor pool. We obtained lease data in electronic format from FMD and attempted to test the reliability of the information by agreeing it to hard copy records. However, FMD was unable to



locate the hard copy lease records for our time period. As a result, we were unable to test the reliability of the electronic data. Although we were unable to test the reliability of the data, we used it for analysis since no other lease records are available.

We analyzed the short-term lease activity data for the 251 workdays during the period January 2003 through December 2003. Based on our analysis, we noted the following:

- FMD leased out 63 different vehicles at some point during the year. All 63 vehicles were not available every day as some may have been purchased or disposed of during the year, or loaned out to another agency while their vehicle was being repaired. On average, we determined there were 52 vehicles available for lease each day.
- On average 14 vehicles were checked out each day meaning 38 vehicles were not used. An analysis of the number of vehicles checked out each day follows:
 - 18 days out of the year had five or less vehicles checked out;
 - 50 days out of the year had between six and 10 vehicles checked out;
 - 83 days out of the year had between 11 and 15 vehicles checked out;
 - 63 days out of the year had between 16 and 20 vehicles checked out;
 - 31 days out of the year had between 21 and 25 vehicles checked out;
 - 6 days out of the year had more than 25 vehicles checked out.

- We determined the number of days each vehicle was checked out and compared this to the number of days the vehicle was available for use. Based on this analysis there were only eight vehicles that were checked out more than 50% of the time.

Table 5- Analysis of Motor Pool Vehicle Usage	
Percentage Of Days Vehicle Was Checked Out	Number of Vehicles
0% to 5%	4
5.1% to 10%	7
10.1% to 20%	13
20.1% to 30%	13
30.1% to 40%	7
40.1% to 50%	11
Above 50.1%	8
Total Vehicles	63

SOURCE: FMD Short Term Lease Data

Based on conversation with FMD personnel, they stated that smaller, compact vehicles are often not utilized because employees prefer larger vehicles. In addition, the fleet also has hybrid vehicles that operate on gas and/or electricity, as well as pickups that are rarely used.

On average, 14 vehicles were checked out each day meaning 38 vehicles were not used.

Based on our analysis and conversation with FMD personnel, it appears the pool has too many vehicles given the current demand. In order to efficiently manage the State’s short-term fleet, the FMD should be performing an ongoing analysis of the use and the need of these vehicles. If FMD were able to reduce its fleet by even the 24 vehicles utilized less than 20% of the available days, we estimate the following:

- \$54,000 in revenue for the State from the sale of these vehicles,
- \$10,000 in annual savings in costs related to operating these vehicles,
- \$325,000 in savings in future years by eliminating the necessity of replacing these vehicles.

Recommendation

Policy should be developed and implemented requiring FMD short-term pool vehicles to meet established utilization criteria such as an annual number of minimum miles and/or annual number of days of use. Procedures should also be developed to monitor whether vehicles are meeting the criteria. In cases where the vehicle does not meet the established utilization criteria, justification for the lack of use of the vehicle should be maintained by FMD. If the vehicle cannot be justified, FMD should dispose of the vehicle through surplus property.

Were FMD to reduce the number of vehicles in its short-term pool, there may be limited instances where the demand for vehicles may outnumber the supply. To address these instances, we recommend the State consider entering into an agreement with a private vehicle leasing agency to provide vehicles necessary to meet the demand.

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V. Are state employees driving their private vehicle and being reimbursed for mileage when it would be more economical to utilize the state motor pool?

Methodology

The following procedures were performed:

- We obtained mileage reimbursement information and analyzed it to determine the total reimbursement amount and number of miles driven by employees.
- We determined a break-even point at which it becomes more cost effective to provide employees with state-owned vehicles rather than reimbursing them for mileage.

The State Has No Process For Evaluating Cost Effectiveness For Use of State Owned Vehicles Versus Use of Private Vehicle

Observations

In determining whether to use a state vehicle or a private vehicle for business travel, there is a break-even point at which one option becomes more economical than the other. However, no analysis has been performed to determine this break-even point and no policies are in place to provide guidance to agencies and employees in determining whether a state owned or private vehicle should be utilized. Therefore, we conducted our own analysis to determine the break-even point.

We used the following formula to determine the number of miles at which it becomes more economical to provide an employee with a state-owned vehicle as opposed to reimbursing for mileage incurred in a private vehicle.

Total Annual Fixed Costs

Reimbursement Cost Per Mile – Variable Operating Cost Per Mile

Because the fixed and operating costs may vary depending on the type of vehicle, we selected a mid-size vehicle, a Ford Taurus, to serve as a benchmark. The State has numerous Tauruses in its fleet. Based on information obtained from FMD, total annual fixed costs were calculated at \$2,133 using an estimated useful life of 5 years. Operating costs (gas, maintenance, tires) were based on information obtained from the vehicle evaluation website, www.edmunds.com. They estimated the operating costs to be 14.6¢ a mile. The reimbursement rate per mile for calendar year 2003 was 36¢ a mile. Based on these figures, the break-even point would be 9,967 miles ($2,133 / (.36 - .146)$).

The state paid \$14,319,552 in mileage reimbursement for the period January 2003 through December 2003.

Based on information obtained from the Office of State Finance accounting system, we determined the state paid \$14,319,552 in mileage reimbursement for the period January 2003 through December 2003. This reimbursement equated to 39,776,534 miles driven based on a reimbursement rate of 36¢ a mile. Our analysis of this data showed 1,048 employees who were reimbursed for more than 9,967 miles. These employees' reimbursement amount totaled \$5,756,340. If these 1,048 employees had utilized a state vehicle rather than being reimbursed for private vehicle mileage, we estimate the State would have saved approximately \$1,200,000.

Note that the break-even point is not constant. As vehicle purchase prices, vehicle operating costs, and mileage reimbursement rates change, the break-even point will change also. For example, the mileage reimbursement rate increased January 1, 2004 to

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37.5¢ a mile which causes the break-even point to decrease to 9,314 miles assuming all other factors remain the same.

Recommendation

As stated previously in this report, the State should establish mileage criteria on which to base the assignment of vehicles to employees. By establishing and implementing such a policy, employees who travel more than this established criteria should be provided a state vehicle. This option would be more economical to the State than paying the employee for private vehicle reimbursement. Policy should also be established to require justification for employees meeting the mileage criteria and continuing to be paid for private vehicle reimbursement. In addition, FMD should be required to authorize this practice.

Other Items Noted

Additional Justifications for Sport Utility Vehicles Needed

Observations

By reviewing FMD and agency submitted vehicle information, we noted numerous sport utility vehicles (SUV) in the State’s fleet. Current FMD policy does not require any additional justification to purchase a SUV. It would appear additional justification for the purchase of a SUV should be required because of the significant differences in the purchase price and/or operating costs of SUVs versus other vehicles.

By using FMD vehicle inventory information, we identified 233 SUVs owned by state agencies. The analysis below demonstrates the additional costs associated with the operation of a SUV when compared to a sedan.

Table 6 - SUV vs. Sedan Cost Comparison				
Fixed Costs (Annual)	Ford Taurus	Chevy Trailblazer	Difference (Annual)	Difference (Life of Vehicle Est. 5 Yrs)
Total Annual Fixed Costs	\$2,128	\$3,412	\$1,284	
Fixed Costs over the Life of the Vehicle	\$10,640	\$17,060		\$6,420
Variable Costs (per mile)				
Gas	\$0.076	\$0.096		
Maintenance	\$0.070	\$0.075		
Gas costs based on 12,000 miles/year	\$912	\$1,152	\$240	\$1,200
Maintenance costs based on 12,000 miles/year	\$840	\$900	\$60	\$300
Costs Per Vehicle	\$3,880	\$5,464	\$1,584	\$7,920
Costs For 233 Vehicles	\$904,040	\$1,273,112	\$369,072	\$1,845,360

SOURCE: Fixed Costs provided by FMD. Variable Costs provided by www.edmunds.com

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As shown in the analysis above, if the State purchased 233 sedans rather than SUVs, potential savings over the life of these vehicles would have been approximately \$1,800,000. We recognize there is likely a legitimate need for some SUVs; however, we believe many of the State's SUVs could be replaced with a less costly vehicle.

Recommendation

We recommend the State develop policies to ensure that adequate justification exists for the purchase of a SUV. This policy should include the vehicle's primary purpose and an explanation as to why an alternative vehicle is not suitable. In addition, for those agencies owning/leasing SUVs, we recommend they reevaluate the need for the SUV. If the need cannot be justified, we recommend the agency consider obtaining a more cost efficient vehicle.



Unauthorized Agencies Acquiring Vehicles

Observations

During our review of FMD vehicle lease records, we noted numerous long-term leases to state agencies where the monthly lease rates were considerably less than FMD's standard rates, often \$20 or less. We inquired of FMD personnel about the leases and were told these arrangements were one of following:

- FMD purchased a vehicle on-behalf of an agency and was then reimbursed by the agency for the cost of the vehicle. The agency then paid FMD a monthly administrative fee, typically \$20 a month. Under this arrangement, the vehicle is classified as a lease and is carried on inventory as a Department of Central Services owned vehicle even though the agency has paid for the vehicle. The agency "leasing" the vehicle is responsible for the vehicle's fuel and maintenance. This is unlike a typical lease arrangement where the vehicle's fuel and maintenance costs are included in the cost of the lease.
- When a vehicle purchased on-behalf of an agency is no longer needed, it is turned in to FMD for disposal through state surplus property. However, occasionally the vehicle may be leased out to another agency at a reduced rate. A reduced rate is offered because the vehicle is often an older, high mileage vehicle.

Based on the lease data provided by FMD for the period 1986 through 2003, we identified 376 vehicles purchased by FMD on-behalf of other agencies. During this period, we identified 30 agencies acquiring and/or leasing vehicles under one or both of the arrangements described above. Of the 30 agencies identified, 23 were not authorized to purchase vehicles under 47 O.S. § 156.A, which allows 22 agencies to purchase passenger vehicles. Based on our data, we were unable to determine which agencies had FMD purchase vehicles on their behalf. Some of the 23 agencies may only have had lease arrangements as described in the second bullet above. However, of the 23 agencies identified, 20 had lease arrangements in which the monthly lease payment was \$20 or less. This is an indication FMD purchased the vehicles on the agencies' behalf.

The practice of purchasing vehicles on behalf of an agency appears to be in violation of 47 O.S. § 156.A. for those agencies unauthorized to purchase vehicles. It also does not appear to be an economical method of acquiring vehicles. In addition to the purchase price of the vehicle, the agency is also paying a monthly fee to FMD. Lease data

provided by FMD shows over \$260,000 in monthly fees billed to agencies by FMD in connection with this practice.

Recommendation

We recommend the following:

- FMD should no longer purchase vehicles on an agency's behalf. If an agency is not authorized by state law to own a motor vehicle, then the agency should go through the normal leasing process to obtain a vehicle.
- FMD should no longer bill agencies for the monthly administrative fee associated with this type of arrangement. The billing does not appear justified as no monthly service is being provided by FMD to these agencies that is not being provided to other agencies owning vehicles.
- Policies should be established by FMD to document the criteria and method for setting rates related to the practice of leasing older, high mileage vehicles at reduced rates. Policies and procedures should also be established to closely monitor vehicles leased under this practice to ensure maintenance costs do not outweigh the savings of the reduced lease rate.

Cost of Certain Car Washes and Details Appear Excessive

Observations

Certain repair and maintenance costs for state vehicles may be purchased using a system known as Fuelman. During our review of purchases made with the Fuelman card, we noted over \$94,000 in car washes and car details. While keeping a vehicle clean is an important part of the overall maintenance of the vehicle, we noted 739 instances totaling \$20,720, where the price of the wash/detail was in excess of \$20. This included 38 instances of washes/details greater than \$50 and 13 of these \$100 or more.



Recommendation

Guidelines should be established to cover the frequency and cost of cleaning a vehicle. The guidelines should include procedures for obtaining car washes or details in excess of an established dollar limit. For example, additional justification and/or authorization should be obtained for car washes and or details in excess of \$20.

Purchase of Premium Unleaded Fuel Unnecessary

Observations

Fuel for state vehicles is purchased using a fueling card system known as Fuelman. During our review of fuel purchases made with the Fuelman card, we noted 108,122



gallons of premium-unleaded fuel were purchased at a cost of \$142,941. These amounts exclude certain vehicles requiring premium-unleaded fuel. Based on the fuel purchase data, we noted that on average premium unleaded purchases were over \$.09 higher than regular unleaded fuel. We estimate that the State would have saved close to \$10,000 if only regular unleaded fuel had been purchased.

State of Oklahoma Motor Vehicle Performance Audit

Recommendation Policies should be developed which state premium fuel should only be purchased for vehicles in which the manufacturer recommends it or if extenuating circumstances arise.

State Vehicles Not Always Easily Identified

Observations

Personal use and abuse of state vehicles may be reported by citizens of the State. As a result, it is important that state vehicles are easily identified. 47 O.S. § 151 A. states “ A state agency that owns vehicles shall affix the words “State of Oklahoma” and the name of the department or institution that owns or leases the vehicle in conspicuous letters.” As shown to the right, some state vehicles are clearly marked on the driver and passenger doors. However, other vehicles are identifiable as a state vehicle by only a state license plate or a state license plate and sticker on the bumper of the vehicle.



Recommendation All state owned vehicles should be clearly marked on the driver and passenger doors as property of the State of Oklahoma unless otherwise provided for by law.

Closing Comments

When considering the overall results of our audit, it appears the administration of the State's passenger vehicle fleet is not adequate. We believe two of the major contributing factors to this are the lack of adequate policies and the decentralization of the State's passenger vehicle fleet.

Regarding the lack of policies, two areas are of particular concern: the lack of guidance regarding vehicle assignment and vehicle utilization. As noted previously under Items III. and IV., limited guidance regarding commuting in a state vehicle is provided in 47 O.S. § 156.1. However, this statute is not specific and is open for interpretation by each agency. In addition, there are no statewide policies regarding permanent vehicle assignments or vehicle usage criteria. Without adequate policies covering these areas, it is not possible for the State to operate its fleet in an efficient and economical manner.

47 O.S. § 156.A allows 22 different agencies to own vehicles. Through this statute, the State's passenger vehicle fleet has become decentralized, thereby limiting the ability to properly manage the fleet. As a result, consideration should be given by the Legislature to centralize the State's passenger vehicle fleet. This could require all passenger-type

The State's passenger vehicle fleet has become decentralized, thereby limiting the ability to properly manage the fleet.

vehicles to be purchased by FMD and leased through them thus eliminating the agency owned passenger vehicle fleets. 74 O.S. § 78 states that the oversight of all state vehicles is within the duties of FMD. Agencies authorized to purchase vehicles under 47 O.S. § 156.A could still be authorized to purchase and own non-passenger type vehicles necessary to carry out the duties of the agency (e.g., law enforcement and other emergency vehicles, dump trucks, delivery trucks, cargo vans with seating for only the driver and one passenger, utility/construction pickup trucks equipped with specialized equipment). By having a centralized fleet, efficiencies would likely be gained through increased monitoring and analysis of usage of the entire fleet. For

example, if the fleet were centrally administered, steps could be taken when an agency requested the purchase of a new vehicle to replace a vehicle currently in its fleet or to expand its fleet. In the case of a vehicle replacement, a determination could be made as to whether the vehicle is necessary by assessing the usage of the vehicle that was requested to be replaced. Next, a review of all vehicles could be performed to identify vehicles not being adequately utilized (recommended utilization standards were discussed previously in this report). If a vehicle was identified at agency A as not being adequately utilized, it could be reallocated to agency B and eliminate the purchase of a new vehicle. These steps are currently not possible as the records are not adequate to allow vehicle usage monitoring and with ownership of vehicles residing with different agencies, it may not be possible to reallocate vehicles between agencies.



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PAMELA M. WARREN
Director



BRAD HENRY
Governor

**STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES**

October 14, 2004

The Honorable Jeff A. McMahan
State Auditor and Inspector
State Capitol, Suite 102
Oklahoma City, OK 73105

Re: DCS Response to Motor Vehicle Fleet Performance Audit

Please accept the attached as official responses by the Department of Central Services (DCS) to the Motor Vehicle Fleet Performance Audit final draft presented October 8, 2004, for the audit period of January 1, 2003 through December 31, 2003.

We appreciate the opportunity to respond to the Auditor's observations as a result of surveys conducted of DCS and other state agencies. As noted in our responses, only six (6) of the thirteen (13) observations discussed in this Audit are currently within the authority of DCS Fleet Management Division (FMD). DCS also is concerned that exclusion of Colleges and Universities, over one-fourth of the State's fleet, from this audit may significantly skew projections contained therein.

The responses are to address any weaknesses or discrepancies identified by the Auditor that are related to FMD. Comments are also provided on those areas outside FMD's authority because DCS shares the concerns of Governor Henry. References to the FMD inventory records throughout the audit remain somewhat unclear to DCS. They are described as inadequate and, therefore, not used as the sole basis of this audit. However, subsequent references to fleet inventory records are ambiguous in that it is not clear whether the Auditor is referring to FMD's inventory of its fleet inventory or the statewide fleet inventory.

The Department of Central Services concurs with the overall conclusion of the State Auditor in that a *lack of adequate policies* and the *decentralization of the State's passenger vehicle fleet* are primary factors that affect the efficiency and cost effectiveness of the State's vehicle fleet. As noted in the attached responses and comments, many of the State Auditor's recommended policies and procedures are not within the scope of DCS authority. It is the opinion of DCS that its lack of enforcement authority enables agencies to be noncompliant with FMD rules which have been promulgated to achieve statutory oversight mandates and critical to the administration of the State's vehicle fleet. DCS is anxious to determine whether the report to the Governor and Legislative leadership mandated by House Bill 2277 will provide a strong enough incentive for agencies to comply.

The Director of the Department of Central Services shares the concerns of the Governor and Legislative Leadership. DCS dedicated extensive manhours to respond to all information requests from the State Auditor during this eleven-month performance audit and is committed to assist any effort to better leverage state government human and fiscal resources.

Respectfully submitted,

A handwritten signature in cursive script that reads "Pamela M. Warren".

Pamela M. Warren
Director, Department of Central Services

ATTACHMENT

Auditor's response to DCS's cover letter

Skewed projections – paragraph 2: The statement by DCS that projections may be significantly skewed by the exclusion of colleges and universities is erroneous. The population of vehicles that were tested was clearly defined in the report as passenger-type vehicles owned or leased by the state, excluding higher education. Projections based on audit tests are consistently and appropriately made to the same population (passenger-type vehicles owned or leased by the state, excluding higher education) from which the samples were selected.

Inadequate records – paragraph 3: Oklahoma Administrative Code 580:35-1-2 requires the FMD to have a current and complete inventory of all state vehicles. As noted on page 7 of the report, numerous discrepancies were noted related to the 6,814 passenger-type vehicles identified in these inventory records, and the records were deemed unreliable for audit purposes.

DCS states the “subsequent references to fleet inventory records are ambiguous in that it is not clear whether the Auditor is referring to FMD’s inventory of its fleet inventory or the statewide fleet inventory”. The population of 6,814 identified above includes the FMD’s inventory of its fleet. We feel it is clearly stated that all inventory records, regardless of whether it is FMD’s fleet or the statewide fleet, are deemed unreliable. It should be noted that FMD’s fleet accounts for only 17% of the 6,814 vehicles identified in these records.

ATTACHMENT TO COVER LETTER

PART I. *Are vehicle fleet records adequately maintained so the State can accurately track the number of vehicles in its fleet, the usage of the vehicles in its fleet, and the costs associated with the fleet?*

Response to Observation 1, Inventory Records Maintained by FMD Are Not Adequate:

The Department of Central Services concurs with the State Auditor's observation that FMD is *largely dependent on state agencies to supply them with the information necessary to compile and maintain the inventory*. Title 74, §78a, and OAC 580:35-1-3 provide three (3) safeguards to the compilation of an accurate State fleet inventory. Title 74, §78a.(A) mandates state agencies with authority to own motor vehicles to submit an acquisition request to the Director of the Department of Central Services prior to acquisition of a motor vehicle. Title 74, §78a.(B) mandates the Director of State Finance to disapprove a purchase order or claim for a motor vehicle unless the acquisition was approved by the Director of the Department of Central Services. OAC 580:35-1-3(b) requires state agencies to submit monthly reports of all vehicles it owns to the FMD. Contrary to statutory and rule requirements, agencies routinely purchase and pay for motor vehicles without the approval of DCS and further, fail to file monthly inventory reports. It is the opinion of DCS that its lack of enforcement authority enables agencies to be noncompliant. Of the three security checks on vehicle purchases described in this section, OSF is the only entity able to ensure new vehicles are not added to the State inventory by refusal of any claim submitted for payment that does not include a copy of the acquisition approval signed by the Director of the Department of Central Services.

The Department of Public Safety is one of the agencies that is exempt from the DCS vehicle acquisition approval requirements mandated by Title 74, §78a and typically fail to notify FMD of vehicle purchases such as the 291 vehicles identified in the audit. In addition, DPS and the Department of Transportation are authorized to surplus and sell their vehicles without notice to FMD. The 300 vehicles no longer owned by DOT and reported to still be in the FMD inventory records are a result of DOT's failure to report the surplus disposal of such vehicles. Exemptions

granted to agencies such as these render accurate inventory management virtually impossible without DCS authority to enforce monthly inventory reports as required by OAC 580:35-1-3(b).

The VIN number discrepancies listed as duplicates may be a result of incorrect reporting by agencies or data entry errors by FMD employees. The current fleet management computer system (FMCS) is not programmed to flag duplicate or insufficient VIN numbers. VIN numbers changed from 11 to 17 digit numbers in 1981. Prior to 1981, VIN numbers ranged from 11 to 13 digits, depending on the vehicle manufacturer. The 643 vehicles listed with an invalid VIN number (less than 17 characters) may be attributed to this fact. The Department of Corrections is one of the agencies with vehicles in this age group.

Auditor's response to 3rd paragraph under Part I – Response to Observation 1

The vehicles listed with invalid VIN numbers are a 1981 model or newer.

DCS concurs that issues out of its control as described in the foregoing paragraphs affect FMD's capabilities to maintain accurate fleet inventory records. Accordingly, references to the FMD inventory records throughout the audit remain somewhat unclear to DCS. References to fleet inventory records that appear following this section are ambiguous in that it is not clear whether the Auditor is referring to FMD's inventory of its fleet inventory or the statewide fleet inventory. It is the opinion of DCS that it maintains an accurate fleet inventory of the vehicles in the FMD fleet. Inaccurate fleet inventory records reference only the statewide fleet inventory.

Response to Observation 2, Vehicle Operating Cost Information Not Maintained or Analyzed:

The Department of Central Services concurs with the Auditor's recommendation to purchase a new web based fleet management system. To date, three vendors have demonstrated fleet management systems to FMD and DCS ISD personnel. The State Purchasing Director has recommended that FMD seek the services of a consultant to assist with procurement of a new system based upon its complexity, compliance with statutory requirements unique to Oklahoma, and cost. DCS has included a funding request for a new FMCS in FY '03, '04, '05 and again in '06. Such funding has failed to be approved to the date of this response.

DCS concurs that FMD does not have FTE sufficient to perform on-site inspections of agency compliance. FMD is able to more closely monitor information submitted for vehicles leased from the FMD fleet because most of these vehicles are serviced by FMD and easily accessible for such information verification. The Fleet Manager contacts agencies whenever a reporting discrepancy is discovered. House Bill 2277, effective November 1, was a DCS request bill submitted to seek enforcement authority in an effort to compel agencies to comply with statutory and rule mandates. The legislation's mandated report to the Governor, Speaker of the House of Representatives and the President Pro Tempore of the Senate was a compromise by the Legislature for the purpose of enforcing agency compliance.

The State Auditor states, "no justification is needed to purchase a replacement vehicle." OAC 580:35-1-2(b) requires any request for approval to include a description of the intended purpose of the vehicle and whether or not the purpose of the vehicle has changed since its last replacement. The agency must also provide information on the vehicle to be replaced. The requested information is based upon OAC 580:35-1-2(c), which establishes criteria used to determine whether a vehicle can be sold or surplus. The Vehicle Acquisition Request form prescribed by DCS requires agencies to provide sufficient information so that, coupled with the attached requisition, the Director can make an informed decision as to approval or disapproval.

Auditor's response to 3rd paragraph under Part I - Response to Observation # 2

DCS Form 016 "Vehicle Acquisition Request" states that a justification is required for expansion to the fleet and the year, make, model, mileage and estimated cost of repair (if vehicle if less than 2 years old or less than 60, 000 miles) is required for a replacement vehicle. FMD was unable to provide any type of analysis performed regarding the use and/or condition of vehicles in which replacement was being requested or analysis related to an

agency's current vehicle use to determine whether an expansion to the agency's fleet was reasonable. As stated on page 8 of the report, we feel the 428 requests for vehicles in 2003 and the zero denials is a clear indication that an objective analysis is not being performed.

The State Auditor recommends that FMD develop and implement procedures in several areas to "effectively manage and monitor the vehicle fleet" and "monitor the accuracy of the vehicle information submitted by agencies." It is the opinion of DCS that these procedures and policies are well established by promulgated rules in OAC 580:35. Enforcement authority is a key element in compelling agencies to comply.

It is the intent of DCS to require certain functionalities of a new FMCS that will automate internal processes and eliminate inaccuracies such as duplicate or insufficient VIN numbers, incorrect odometer readings etc. DCS strives to comply with the Governor's hiring freeze and will make an effort to purchase a well-designed FMCS capable of improving the efficiency and accuracy of FMD record keeping with a minimal increase in FTE.

DCS concurs with the Auditor's recommendation to hire a Certified Automotive Fleet Manager. The FMD Fleet Manager retired from the Oklahoma State Bureau of Investigation and subsequently continued employment in other agencies of state and municipal government before coming to DCS. His background includes over 25 years of extensive experience in state government fiscal and operations management. He possesses two under graduate degrees and a Masters degree. He is currently enrolled in a Certified Fleet Manager Program established by the National Conference of State Fleet Administrators.

PART II. DO AGENCIES UTILIZE FLEET MANAGEMENT POLICIES AND PROCEDURES?

Response to Observation #1 Agencies Often Lack Comprehensive Fleet Policies and Procedures

OAC 580:35-1-3 requires all agencies to file a *detailed written description of its current fleet management policies and procedures* with the FMD. It is the opinion of DCS that its lack of enforcement authority and agencies' ignorance of the rules and law enable agencies to be noncompliant. FMD is developing an education plan for agencies by offering an annual Fleet Management seminar. In addition, FMD is making a concerted effort to improve communication of fleet management policies to agencies.

PART III. ARE VEHICLES IN THE STATE'S FLEET ADEQUATELY UTILIZED?

PART IV. ARE VEHICLES ASSIGNED TO EMPLOYEES IN ONLY THOSE INSTANCES WHERE A TRUE NEED EXISTS?

Response to Observation #1: Assigned Vehicles Driven To and From Employees' Residences May Be Unjustified

It is the opinion of DCS that it has authority to enforce Title 47, §156.1 internally only. Neither does DCS have the authority to monitor and enforce state employees reporting commuting fringe benefits for State and Federal income taxes. DCS concurs that it would benefit the State to establish statewide guidelines for the use of state vehicles for commuting. DCS recommends that legislative amendments mandate such guidelines be implemented at the agency level and be required to be reported as part of their fleet management policies and procedures filed with FMD.

Response to Observation #2: Mileage Criteria Indicates Other Assigned Vehicles Underutilized

DCS concurs with the State Auditor's recommendation to implement a *statewide policy establishing criteria regarding the permanent assignment of vehicles to employees*. DCS recommends such a policy be mandated at the agency level and be required as part of their fleet management policies and procedures filed with FMD.

Response to Observation #3: Mileage Criteria Indicates State Agency Owned/Leased Fleet Vehicles Underutilized

DCS concurs with the State Auditor's recommendation that procedures be developed to require FMD to monitor the number of miles driven on State Agency Owned/Leased vehicles. It is the opinion of DCS that it lacks the authority

to reassign a vehicle *owned* by an agency to an agency that has a greater need. DCS has authority over vehicles owned and leased by FMD only. DCS is willing to review its rules to determine the potential for revisions to include leasing conditions based on established mileage limits as reported monthly by an agency.

Response to Observation #4: Number of Vehicles in State Motor Pool Appears to Be Excessive

DCS provided approximately 47,000 electronic lease data vehicle records to the State Auditor to assist with this audit. It is important to note that the FMD fleet inventory may fluctuate based upon the return of a large quantity of vehicles specifically purchased for long term lease to a state agency that does not have the authority to purchase vehicles. The Military Department returned 80 such vehicles to FMD during the period of this performance audit. FMD disposes of such vehicles as soon as possible in accordance with the Surplus Property Act. There may be a period where these vehicles are placed back in FMD's lease pool until disposal can be effected.

DCS also submits that this audit does not include the following factors that warrant consideration when determining that the *number of vehicles in State motor pool appears to be excessive*: (1) pickups are now leased on a monthly basis; (2) down time due to routine maintenance, repairs (minor and major) wrecks, etc.; (3) unique use of the two vehicles used as "moving vans" utilized by agencies to eliminate U-Haul rentals; (4) allowances for vehicles used on weekends; (5) multiuse minivans, used for group passenger transportation and/or cargo transportation; (6) days any of the vehicles identified by the State Auditor were used as loaner vehicles or as short-term monthly leases, e.g. the House and Senate utilize four to six vehicles during the legislative session; motor pool vehicles leased for extended periods and billed as "monthly leases" to agencies with temporary needs etc; and (7) FMD maintains sufficient number of vehicles to ensure agency needs are met but vehicles may periodically sit idle, e.g. agency does not want to lease minivan when passenger cars are all leased because of higher rental rates.

It is the opinion of DCS that FMD has already reduced its inventory based on utilization criteria. The FMD daily rental vehicle inventory has been reduced from 63 to 40 in the last year. The FMD fleet inventory was 1,218 vehicles as of June 30, 2003. Current inventory is 1,030, of which 43 of those vehicles are in sale status. FMD has performed a cost analysis to compare FMD lease rates to private vehicle leasing agencies. It is the opinion of DCS that it is in the best interest of the state to maintain a sufficient motor pool service for state agencies based on FMD rates, which are much less than the private sector and include fuel.

Auditor's response to 2nd and 3rd paragraph under "Part III and IV - Response to Observation #4:

(The numbers correspond to the numbers presented in the DCS response)

- 1) We were informed by FMD personnel that pickups were available for daily lease during the audit period.**
- 2) We determined the number of days the vehicle was available for use from FMD electronic data. If this data did not reflect the vehicle was unavailable due to repair or maintenance, it was considered available for use.**
- 6) We identified the number of days the vehicles were used as a loaner or short term monthly lease. This amount was deducted from the vehicle's available days of use.**
- 7) FMD has an excessive amount of vehicles on hand for short term use as demonstrated by analysis on page 16 of the report.**

Regardless of the type of vehicle, if it was wrecked or it was used as a loaner, the state motor pool had an average of 14 vehicles (26%) out of the average available vehicles (52) in use each day, which does not appear to be an efficient use of resources.

PART V. ARE STATE EMPLOYEES DRIVING THEIR PRIVATE VEHICLE AND BEING REIMBURSED FOR MILEAGE WHEN IT WOULD BE MORE ECONOMICAL TO UTILIZE THE STATE MOTOR POOL?

Response to Observation #1: The State Has No Process For Evaluating Cost Effectiveness For Use of State Owned Vehicles Versus Use of Private Vehicle

DCS concurs with the State Auditor's recommendation.

Response to Observation #2: Additional Justifications for Sport Utility Vehicles Needed

DCS concurs with the State Auditor's recommendation and will consider a new rule for the FMD to address justification for the purchase of an SUV. The justification can be noted on the FMD Vehicle Acquisition Request form for consideration by the Director of DCS.

Response to Observation #3: Unauthorized Agencies Acquiring Vehicles

DCS concurs with the State Auditor's recommendation. It is important to note that DCS identified this improper practice approximately thirteen months ago and stopped it immediately. Vehicles purchased for unauthorized agencies are slowly being phased out as they reach the criteria for surplus. The \$20.00 monthly administrative fee is calculated to cover fuel processing, liability insurance and FMD monthly invoicing.

It is also important to clarify that the \$260,000 figure recited by the State Auditor as monthly fees billed by FMD to those agencies unauthorized to purchase vehicles represents the period of 1986 through 2003. DCS received \$1,274.51 rather than \$260,000 in monthly fees for this period.

The "Golden Program" was established by FMD to offer older vehicles for a cheaper lease rate. The lease rate is calculated on the salvage rate of the vehicle divided by 24 months. FMD is preparing program policy to educate state agencies about this program and will distribute the policy to agency appointing authorities.

Response to Observation #4: Cost of Certain Car Washes and Details Appear Excessive

It is important to note that the audit does not indicate what types of vehicle were washed or detailed, which is an obvious factor in such costs. All Fuel Man credit cards have a \$200.00 weekly dollar limit for General Maintenance and \$15.00 weekly for Products. General Maintenance includes, Auto Repair (belts, hoses, battery, oil changes, car wash, tune up, transmission maintenance (service only, excluding repair or replacement), tire repair (flats), fluid refills (brake, transmission, windshield washer), windshield wiper blade replacement, radiator service (fluid change or addition).

The Director of the Department of Central Services issued a letter to all agencies leasing FMD vehicles on August 17, 2004 with instructions to limit car washes to \$10.00 and vehicle details only at the time of its mandated routine maintenance. DCS also distributed the letter to all agency certified procurement officers and included a reminder that the FMD car wash charge is \$4.50. It is the opinion of DCS that it would be difficult to establish guidelines to limit the frequency and cost of cleaning state vehicles because of the variety of vehicles and their use. Examples include State troopers who may have extenuating circumstances that require extensive cleaning of a vehicle, weather conditions, detail of vehicles to prepare for resale at surplus auctions, etc. It is the recommendation of DCS that this is another issue that could easily be addressed at the agency level as internal criteria in their fleet management policies and procedures.

Response to Observation #5: Purchase of Premium Unleaded Fuel Unnecessary

It is the current practice of FMD to mandate the use of regular unleaded fuel unless extenuating circumstances exist such as a regular unleaded pump is out of order. This audit does not identify the excluded vehicles, which include Chevrolet Camaros purchased by the Department of Public Safety between 1998 and 2002. DPS currently operates nine (9) 2001 Camaros and thirty-three (33) 2002 Camaros. The manufacturer's car manual states, "If your vehicle has a VIN Code G, use premium gasoline with a posted octane of 91 or higher for best performance. If the Octane

is less than 87, you may get a heavy knocking noise when you drive. If it is bad enough, it can damage your engine."
Use of regular unleaded would invalidate the warranty of a high performance vehicle that is required to use premium gas by the manufacturer.

Auditor's response to 1st paragraph under Part V – Response to Observation #5

Audit results do not include premium fuel purchased for Chevrolet Camaros.

Response to Observation #6: State Vehicles Not Always Easily Identified

The use of bumper stickers to identify state vehicles is modeled after the federal government and information provided by the GSA. It is the opinion of DCS that current identification of FMD vehicles by bumper stickers with the State Seal and "State of Oklahoma" in conspicuous letters meets the statutory requirements of Title 47, §151 A. and increases the resale value of the vehicles when they are sold at surplus auctions. Removal of state identification from the doors of vehicles generally damages the vehicle's finish. Specialty vehicles continue to be clearly marked on driver and passenger doors.

Response to Appendix B: Breakdown of Potential Cost Savings

The methodology to calculate the "*immediate savings*" projections listed throughout the audit and summarized in Appendix B is unclear to DCS and its source is not identified in the audit. Revenue information specific to the sale of state vehicles was never requested from State Surplus. DCS revenue records reflect the average cost of fleet vehicles sold by State Surplus from July 1, 2002 through June 30, 2003 was \$3,337.48. It is important to note that some agencies don't report the disposal of their vehicles to FMD and may also be omitted from the State Auditor's projections.

Auditor's response to paragraph - Response to Appendix B

The source of the projection is clearly identified in Appendix B of the report. The average resale value of \$2,241 for vehicles sold through state surplus was calculated from data provided by DCS-State Surplus.

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Appendix A
Summary of State Agency Motor Vehicles

Agency Name	Total Vehicles- Owned & Leased	Number of Assigned Vehicles Driven To And From Employees' Residences	Number of Other Assigned Vehicles	Number of Agency Fleet Vehicles	Law Enforcement Vehicles
Aeronautics Commission, Oklahoma	3	0	1	2	0
Agriculture, Food and Forestry, Department of	199	123	39	37	0
Alcoholic Beverage Laws Enforcement	30	2	0	1	27
Attorney General	23	0	0	23	0
Banking Department, State	2	2	0	0	0
Boll Weevil Eradication Organization	57	0	10	47	0
Bureau of Investigation, Oklahoma State	197	8	0	42	147
Capitol Complex and Centennial Commission, Oklahoma	1	1	0	0	0
Career and Technology Education, Oklahoma	26	0	3	23	0
Central Services, Department of	92	1	1	90	0
Commerce, Department of	11	0	0	11	0
Commission on Children and Youth	2	0	0	2	0
Commissioners of the Land Office	2	0	0	2	0
CompSource Oklahoma	6	2	1	3	0
Conservation Commission	22	0	20	2	0
Corporation Commission	123	115	0	8	0
Corrections, Department of	929	38	9	882	0
Council on Law Enforcement Education and Training	10	0	0	10	0
Dentistry, Board of	2	2	0	0	0
District Attorneys Council	39	0	0	39	0
Education, Department of	2	1	0	1	0
Election Board, State	1	0	0	1	0
Emergency Management, Department of	5	1	0	4	0
Employees Benefits Council	1	0	0	1	0
Employment Security Commission, Oklahoma	5	0	0	5	0
Environmental Quality, Department of	36	0	9	27	0
Finance, Office of State	6	0	0	6	0
Fire Marshal, State	25	0	0	1	24
Funeral Board, Oklahoma	1	1	0	0	0
Grand River Dam Authority	100	71	0	29	0
Health Care Authority, Oklahoma	5	0	0	5	0
Health, Department of	87	1	83	3	0
Historical Society, Oklahoma	22	1	21	0	0

Source: Management responses to agency surveys. However, if included by management and noted by the auditor, non-passenger type vehicles were excluded.

Appendix A
Summary of State Agency Motor Vehicles

Agency Name	Total Vehicles- Owned & Leased	Number of Assigned Vehicles Driven To And From Employees' Residences	Number of Other Assigned Vehicles	Number of Agency Fleet Vehicles	Law Enforcement Vehicles
Horse Racing Commission, Oklahoma	2	0	1	1	0
House of Representatives, Oklahoma	4	1	1	2	0
Human Services, Department of	368	0	0	368	0
Indigent Defense System	8	0	0	8	0
Insurance Department, Oklahoma State	4	0	0	4	0
J. M. Davis Arms and Historical Museum	1	0	0	1	0
Juvenile Affairs, Office of	163	4	8	151	0
Labor, Department of	30	12	4	14	0
Libraries, Department of	8	0	3	5	0
Liquefied Petroleum Gas Board	5	5	0	0	0
Marginally Producing Oil and Gas Wells	1	0	0	1	0
Medical Licensure and Supervision, Board of	5	5	0	0	0
Medicolegal Investigations, Board of	8	7	0	1	0
Mental Health-Bill Willis Community Mental Health Center	22	0	4	18	0
Mental Health-Carl Albert Community Mental Health Center	25	0	0	25	0
Mental Health-Central Office	23	0	7	16	0
Mental Health-Central Oklahoma Community Mental Health Center	16	0	0	16	0
Mental Health-Griffin Memorial Hospital	74	0	0	74	0
Mental Health-Jim Taliaferro Community Mental Health Center	31	0	0	31	0
Mental Health-Norman Adolescent Center	2	0	0	2	0
Mental Health-Norman Alcohol and Drug Treatment Center	2	0	0	2	0
Mental Health-Northwest Center for Behavioral Health	49	0	6	43	0
Mental Health-Oklahoma County Crisis Intervention Center	3	0	0	3	0

Source: Management responses to agency surveys. However, if included by management and noted by the auditor, non- passenger type vehicles were excluded.

Appendix A Summary of State Agency Motor Vehicles

Agency Name	Total Vehicles- Owned & Leased	Number of Assigned Vehicles Driven To And From Employees' Residences	Number of Other Assigned Vehicles	Number of Agency Fleet Vehicles	Law Enforcement Vehicles
Mental Health-Oklahoma Forensic Center	29	0	0	29	0
Mental Health-Oklahoma Youth Center	7	0	0	7	0
Mental Health-Tulsa Center for Behavioral Health	4	0	0	4	0
Mental Health-Vinita Alcohol and Drug Treatment Center	4	0	0	4	0
Military Department	49	1	25	23	0
Mines, Department of	19	13	1	5	0
Narcotics and Dangerous Drugs Control, Bureau of	73	6	5	9	53
Oklahoma Educational Television Authority	13	0	10	3	0
Osteopathic Examiners, State Board of	2	2	0	0	0
Pardon and Parole Board	1	0	0	1	0
Personnel Management, Office of	3	0	2	1	0
Pharmacy Board, State	4	4	0	0	0
Public Employees Retirement System, Oklahoma	1	0	0	1	0
Public Safety, Department of	969	17	80	91	781
Rehabilitation Services, Department of	67	0	13	54	0
Scenic Rivers Commission	4	1	3	0	0
School of Science and Mathematics, Oklahoma	6	0	0	6	0
Senate, Oklahoma State	5	0	2	3	0
State and Education Employees Group Insurance Board	2	0	2	0	0
Tax Commission, Oklahoma	9	0	3	6	0
Tourism and Recreation, Department of	355	3	84	268	0
Transportation Authority, Oklahoma	66	29	25	12	0
Transportation, Department of	1185	192	522	471	0
Treasurer, Oklahoma State	2	0	2	0	0
Veterans Affairs, Department of	54	1	1	52	0
Veterinary Medical Examiners, Board of	1	1	0	0	0
Water Resources Board	29	0	7	22	0
Wildlife Conservation, Department of	249	5	0	12	232
Will Rogers Memorial Commission	3	0	0	3	0
Workers Compensation Court	1	1	0	0	0
Totals	6142	680	1018	3180	1264

Source: Management responses to agency surveys. However, if included by management and noted by the auditor, non- passenger type vehicles were excluded.

**Appendix B
Breakdown of Potential Cost Savings**

<i>Category</i>	<i>Immediate Savings</i>	<i>Annual Savings</i>	<i>Future Savings</i>	<i>Total</i>
Assigned vehicles driven to and from employees' residences – page 11	\$381,000	\$529,000*	\$2,300,000*	\$3,210,000
Other assigned vehicles – page 14	\$336,000	\$135,000*	\$2,000,000*	\$2,471,000
Agency owned/leased fleet – page 15	\$1,600,000	\$450,000*	\$9,500,000*	\$11,550,000
State motor pool – page 16	\$54,000	\$10,000*	\$325,000*	\$389,000
Private vehicle use analysis – page 18		\$1,200,000		\$1,200,000
SUV vs. Sedan analysis – page 19			\$1,845,360	\$1,845,360
Use of unleaded fuel analysis – page 21		\$10,000		\$10,000
Total	\$2,371,000	\$2,334,000	\$15,970,360	\$20,675,360

- Immediate savings were calculated based on the average resale value (\$2,241) of all vehicles sold through state surplus from July 1, 2002 through June 30, 2003.
- Annual savings noted with a * were calculated based on a cost per mile calculation plus estimated insurance/tag costs.
- Future savings noted with a * were calculated based on the estimated replacement cost of a Ford Taurus at \$13,500. These savings would likely be realized over the next seven years.