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Audit Follow-Up Report # 3, June, 2002 Fleet Services

Fleet Services could be more aggressive in reducing fleet size.

Background

The Auditor's Office issued the audit report, *Fleet Services: Use resources more efficiently*, in September 2000. The purpose of the audit was to assess the efficiency and effectiveness of County Fleet Services. The audit contained 25 recommendations on a range of issues from the size of the fleet to controls over the spare parts inventory. If implemented, the audit's central recommendation to reduce the number of the fleet's administrative sedans by 76 to 96 cars would yield savings of up to \$850,000 over two years. In response to the audit, the County implemented new policies on fleet administration, vehicle utilization, and take-home assignment.

Scope and Methodology

The objective of this follow-up was to determine the extent to which Fleet Services had implemented the recommendations of the original audit. We concentrated on two of the original audit's recommendations: reduce the number of administrative sedans in the County fleet and develop criteria and a monitoring plan for take-home vehicles.

We reviewed County fleet related policies and procedures as well as the corresponding policies and procedures for the Sheriff's and District Attorney's Offices. We interviewed County Fleet Service's managers, Sheriff's and District Attorney's Office fleet managers, and collected and analyzed inventory and utilization data.

We analyzed the potential for savings in one category of vehicle, administrative sedans, during the original audit. To measure the change in the number of administrative sedans from the time of the audit to today, it was necessary to correctly identify cars in the current inventory that fit the definition established in the audit. This task was complicated by a change in the Fleet Services data system and the way the cars are classified. To ensure that the measurement of the change in the number of sedans is meaningful, we also needed to pay attention to how changes in the organization of departments might affect the number of cars needed. We performed this work in accordance with the General Standards section of the Government Auditing Standards.

Accomplishments

In the course of our follow-up, we verified that the County and Fleet Services have implemented several key recommendations from the original audit, including:

- updating Executive Order 150 to clearly define the rules, responsibilities, and procedures for fleet use and management (Executive Rule No. 251);
- establishing administrative procedures and criteria for permanent/temporary assignment of County vehicles (Administrative Procedure FLT-1);
- establishing procedures and criteria for assigning take-home vehicles (Administrative Procedure FLT-2);
- developing a utilization guideline based on minimum mileage and availability;
- dedicating a full-time manager to fleet operations; and
- adding monitoring and analysis capacity to Fleet Services by hiring a data analyst.

Fleet services managers reported implementing or making progress toward the implementation of several other recommendations; however, in the course of the follow-up, we did not attempt to verify these reports.

Fleet Administrative Sedans

Following the audit, Fleet Services adopted a utilization guideline and a policy for review designed to ensure that fleet resources were being used efficiently and to provide a consistent methodology for reducing the size of the fleet. The guideline states that “vehicles driven less than 6,000 miles per year will be returned to Fleet Services unless it can be documented that the vehicle is driven at least 80 percent of all workdays.” Although they are not subject to the Fleet Services utilization guideline, the Sheriff’s and District Attorney’s Offices have established similar policies.

We first analyzed whether the County’s motor pools were meeting the utilization guideline. Using aggregate data, we calculated the average mileage per vehicle for each of the County’s motor pools for FY 01-02, and found that none met the current 6,000 mile standard. Cars in two of the four motor pools met the original audit’s 4,800 mile per year standard. We performed a similar calculation for the average number of trips taken using motor pool vehicles and found that only the downtown motor pool met the current 80 percent use standard. The downtown pool could only meet this standard assuming that the trips were spread evenly across the pool – one trip per car per day on 80 percent of workdays.

According to Fleet Services managers, the departments have not consistently collected good data to measure against the utilization guideline. These managers think the mileage data for sedans assigned to departments are relatively reliable, but are less confident about some of the documentation of daily use for cars that do not meet the minimum mileage standard. This is a significant problem for the implementation of the utilization guideline, because the majority of the administrative sedans in the fleet do not meet the 6,000 mile minimum standard in the guideline. Table 1 compares the percentage of department sedans that met the original audit’s 4,800 mile utilization standard to the percentage that currently meet this same standard. The table also shows the percentage of cars that comply with Fleet Service’s 6,000 mile standard. The comparison separates take-home vehicles – which typically accumulate more miles, at least partly from normal commuting – from other department vehicles.

Table 1: Administrative Sedans Meeting Mileage Utilization Guideline

	6,000 Mile Standard	4,800 Mile Standard
Original Audit (all sedans)	N/A	36%
Current Inventory (all sedans)	31%	42%
Original Audit (w/o take-home)	N/A	28%
Current Inventory (w/o take-home)	20%	33%

The utilization guideline was designed to help reduce the number of vehicles in the fleet. It helped to reduce the number of administrative sedans assigned to County departments. For example, since the audit, the Department of Community Justice has turned in 15 sedans that did not meet the standards in the guideline. However, growth in the Multnomah and Yeon Building motor pools has erased more than half of the reduction in vehicles assigned to departments.

To make this determination, we started with our original count of administrative sedans drawn in February 2000, duplicated the analysis using March 2002 data, and calculated the difference. Although sedans were added to the fleet between March 2000 and September 2000, when the audit was issued, Fleet management has sold 58 cars since the audit’s release. Table 2 shows the number of cars currently assigned to departments and motor pools compared to those in service at the time of the audit.

Table 2: Administrative Sedans in the County Fleet

	Original Audit	Current Inventory	Change
Department Sedans	221	186	-35
Motor Pool Sedans	62	80	+18
Total	283	266	-17

While Fleet Services has reduced the number of administrative sedans in the County fleet and achieved some savings as a result, additional reductions to bring it in line with the audit’s recommendation would produce additional savings – ranging from approximately \$430,000 to \$700,000, depending on the number of cars eliminated.

Take-Home Vehicles

In January 2001, Fleet Services implemented the original audit’s recommendation on take-home vehicle procedures by establishing a policy and assignment criteria for take-home vehicles (Administrative Procedure FLT-2). While they were not bound by this procedure, the Sheriff’s and District Attorney’s Offices have established similar policies and criteria.

While it was not explicit in this recommendation, we expected that subjecting the assignment of take-home vehicles to stricter scrutiny would lead to a reduction in the number of take-home vehicles assigned. However, the total number of take-home vehicles increased. Table 3 shows the number of take-home vehicles assigned at the time of the original audit and those currently assigned (as well as the number of applications for take-home assignments that are being reviewed). The number of take-home assignments increased for both the Sheriff’s and

District Attorney's Offices and declined for the Department of Business and Community Services – even if all the assignments currently being reviewed are eventually approved.

Table 3: Take-Home Vehicle Assignments

	Sheriff	District Attorney	Business & Community Services
Original Audit	41	10	39
Currently Assigned	45	12	12
Under Review	N/A	N/A	24

More Aggressive Action Would Save Money

We focused this follow-up on the central recommendation of the original Fleet Services audit – that the number of administrative sedans be significantly reduced – because we feel it provides the greatest opportunity to make more efficient use of County resources. Since that time, the need for efficiency gains and cost savings has increased. We recognize the progress made by Fleet Services in putting the policies and procedures in place to manage the fleet wisely. We also recognize that the County is undergoing significant organizational changes that will probably impact the way departments use County vehicles. However, we believe that Fleet Services and County management could be more aggressive in reducing the size of the administrative sedan fleet to capture the savings now.

Management Response to the Report

I would like to thank the Auditor's Office for the Fleet Audit follow-up report. These follow-up reports provide a good opportunity to reflect on the progress made and assess the work that remains to be done.

The original Fleet Audit recommendations and the Chair's Offices' (under Stein and Farver) reactions to the recommendations generated a significant change in the way the County views the role of internal services. This transition is reinforced by Chair Linn's emphasis on the need for actions based on countywide and system perspectives rather than departmental viewpoints. The County's response to the Fleet Audit's recommendations has improved the structural groundwork for continual improvement.

As the follow-up report indicates, Fleet Services has not yet achieved all of the savings/cost avoidances from meeting the Auditor's specific administrative car reduction recommendation. **It also has not lost this opportunity.** Delayed vehicle replacement over the past year and a half has kept this potential in place. When the Audit was issued, Fleet Services instituted a selective purchasing freeze that eliminates purchases of replacement vehicles in programs that have underutilized vehicles of the same vehicle class. This selective freeze continues.

The selective purchasing freeze has "delayed" purchase of over \$1,350,000 worth of equipment scheduled to be replaced through FY02. We anticipate that some of this equipment will never meet the utilization guideline requirements and will be surplus resulting in both one-time-only cost avoidance from not purchasing replacements and ongoing savings to programs from reduced replacement charges.

In addition to the potential savings still to be realized, we are **already seeing some returns on our effort.** Since the audit was issued in September 2000, Fleet Services has reduced replacement charges, sold over 65 administrative cars, and generated auction revenue.

Following the recommendations in the Fleet Audit has established the groundwork for Fleet Services to better partner with the County's direct service providers to improve their ability to meet the County's mission while providing increasing value to the taxpayers.

Again we appreciate the efforts of the Auditor's Office in providing this follow-up report and will continue to make efforts to meet the recommendations provided.

Submitted by,



Tom Guiney
F.R.E.D.S. Manager

(Response is edited to fit into the report. The full response is available at the Auditor's Office website or by calling 503/988-3320)