

An Evaluation:
State Fleet Management

May 2005

Report Highlights ■

The number of vehicles owned by the State declined 13.8 percent between 2001 and 2004.

In 2004, fleet operating costs totaled an estimated \$30.5 million.

Enforcement of minimum driver eligibility standards needs to improve.

DOA has not assessed the cost-effectiveness of key decisions affecting the State's vehicle fleet.

The Department of Administration (DOA) has primary responsibility for managing the State's vehicle fleet, which in December 2004 consisted of 6,669 sedans, vans, pick-up trucks, and other vehicles licensed for road use. Fleet vehicles are available to state employees and other authorized individuals conducting state business. When a fleet vehicle is not available or is not used, employees may be reimbursed for using their own or other privately owned vehicles.

Questions about fleet management—including vehicle acquisition, use, maintenance, and disposition—have been raised since 2002, when a large number of vehicles were purchased while the State was experiencing budget constraints. Plans to reduce the fleet by at least 1,000 vehicles were announced by the Governor in 2004. However, the size and scope of the proposed reduction have raised additional management concerns. To address these questions and concerns, and at the request of the Joint Legislative Audit Committee, we:

- analyzed the number and types of vehicles owned or leased by the State, and reviewed procedures related to the purchase and sale of fleet vehicles;
- reviewed policies on the assignment of fleet vehicles to individual employees;
- examined current vehicle maintenance processes;
- analyzed whether individuals had appropriately reimbursed the State for personal use;
- examined how the State reimburses individuals who use privately owned vehicles on state business; and
- reviewed fleet practices in other midwestern states.

Key Facts and Findings

Wisconsin owned 6,669 vehicles as of December 31, 2004.

As of December 2004, DOA reported 1,128 fleet vehicles were personally assigned to individuals.

In the past five years, the State purchased 4,362 vehicles at a cost of \$83.3 million.

DOA's average monthly maintenance costs were \$55.83 per vehicle in 2004, a 46.2 percent increase from 2003.

The Department of Corrections does not apply DOA's minimum driving standards to most of its employees and some inmates who use fleet vehicles on public roads.

Vehicle Inventory

The State's vehicle fleet decreased from a high of 7,734 cars, trucks, vans, and buses at the end of 2001 to a low of 6,669 as of December 31, 2004. This 13.8 percent reduction resulted in part from the vehicle reduction initiative announced by the Governor in June 2004. However, after deducting sales costs and outstanding debt for the 958 vehicles sold under the initiative through March 2005, it is unclear how much of the \$3.5 million in gross revenue will be available for deficit reduction.

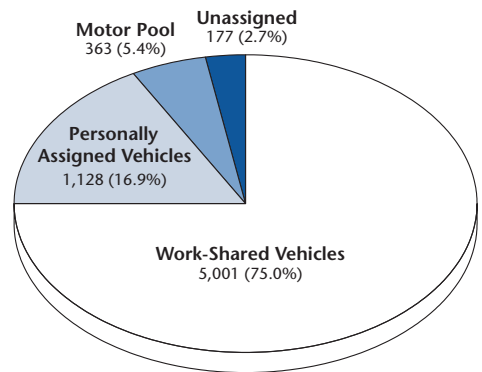
As of December 31, 2004, 48 state agencies either owned vehicles or leased them from DOA, but nearly three-quarters of the fleet was assigned to five agencies: DOA, the Department of Natural Resources (DNR), the Department of Transportation (DOT), the University of Wisconsin (UW)-Madison, and the Department of Corrections. The types of vehicles owned ranged from sports cars used for undercover police work to buses for transporting prison inmates. Sedans and station wagons—including 571 law enforcement vehicles—made up 34.3 percent of the fleet. They were primarily models such as the Ford Taurus and Escort and the Dodge Neon, along with the Ford Crown Victoria for law enforcement.

Fleet vehicles can be assigned to one of several categories:

- work-shared vehicles, which are designated for use by a relatively small group of employees within a single agency;

- personally assigned vehicles, which are assigned to individual employees for whom regular travel is an essential job requirement;
- central motor pool vehicles, which are available to many employees within an agency and are typically available to employees of other agencies; and
- vehicles awaiting assignment or sale.

As of December 31, 2004, 1,128 vehicles were personally assigned to state employees, a reduction of 19.0 percent from March 2004 levels. While some vehicles were reassigned to the work-shared category, others—such as those assigned to UW System chancellors—were eliminated. Chancellors now receive a vehicle allowance of \$700 per month and can also be reimbursed for their business mileage.



Vehicle Acquisition

Since 2000, the State has purchased 4,362 vehicles at a cost of \$83.3 million.

DOA manages vehicle procurement for all state agencies. DOA's bidding process is generally appropriate, but sharp decreases in vehicle purchases may have long-term effects, including increases in vehicle leasing and rental activity.

In addition, good management practices suggest DOA should broaden its consideration of life-cycle costs—which include both the purchase price and operating costs of vehicles—when making vehicle procurement decisions.

As an alternative to purchasing vehicles, state agencies may lease them from private vendors for up to one year or rent them for 29 days or less. Only 23 vehicles were leased in 2004, but DOA's monitoring of agency leases should be improved to ensure that agencies take advantage of pre-negotiated lease agreements. Because payments for short-term vehicle rentals may increase as a result of the fleet reduction, we also include a recommendation for improved oversight of vehicle rentals.

Vehicle Use

To be eligible to drive a fleet vehicle, an individual must be a state employee, a student in the UW System, or an authorized agent of the State. DOA has established minimum driving standards, but monitoring and enforcement have been inadequate. For example, 39 of the 100 driving records we reviewed had not been checked in the past year, as required.

In addition, the Department of Corrections does not uniformly verify employee driving records or apply DOA's minimum driving standards to most of its employees and to some minimum-security inmates who use fleet vehicles to transport other inmates inside correctional facilities and on public roads.

During the course of our fieldwork, DOA improved the policies and procedures governing appropriate use of fleet vehicles, but careful scrutiny of employee driving records will continue to be important to ensure that only qualified drivers are using fleet vehicles.

Mileage Reimbursement

With limited exceptions, individuals are required to reimburse the State for personal use of fleet vehicles, including commuting from their homes. In response to concerns about mileage reimbursement—including a review by the Internal Revenue Service—DOA clarified its policies in 2004. The State is expected to pay the IRS a \$35,000 underpayment forfeiture to settle claims related to mileage reimbursements by state employees.

Depending on the availability of fleet vehicles and the number of miles driven, employees who used privately owned vehicles on state business in 2004 were typically paid at a standard rate of \$0.325 per mile, or a lower "turndown rate" of \$0.220 per mile. Wisconsin's standard rate is within the range paid

by other midwestern states, but its turndown rate is among the lowest.

Fleet Management

It was difficult to obtain basic information about the State's vehicle inventory, including consistent or complete data for which agencies own or operate fleet vehicles; how vehicles are assigned; and what costs the State incurs to operate, lease, or rent vehicles or to reimburse individuals who drive privately owned vehicles. DOA has been slow to implement fleet management software, but in December 2004 it was able to use the program to accurately report the State's vehicle inventory and how the vehicles were assigned.

We also noted a pattern in which DOA made key management decisions without adequate consideration of their potential costs, including:

- increasing mileage thresholds—currently 85,000 miles—for the replacement of fleet vehicles without assessing the costs of increased maintenance for an aging fleet;
- not assessing whether leasing DOA vehicles to other agencies is cost-effective; and
- not determining whether the State's use of maintenance management vendors—who received \$3.7 million in 2004—reduces overall vehicle maintenance costs.

Our recommendations address the need for DOA to:

- ☑ create utilization standards for its motor pool (p. 23);
- ☑ improve and expand its use of life-cycle costs when purchasing vehicles (p. 27);
- ☑ improve monitoring of leases from private vendors (p. 32);
- ☑ better monitor vehicle rental activity (p. 34);
- ☑ determine whether using a statewide maintenance management vendor is cost-effective (p. 38);
- ☑ improve tracking of maintenance costs (p. 39);
- ☑ report the amount of fleet reduction revenue available for deficit reduction (p. 44);
- ☑ clarify its policies for checking the driving records of individuals who use fleet vehicles (p. 48);
- ☑ improve the accuracy of its driver database (p. 49);
- ☑ standardize accounting practices related to payments to the State for personal use of fleet vehicles (p. 54);
- ☑ ensure it complies with federal tax law and state requirements for mileage reimbursements (p. 55);
- ☑ document the amount it reimburses individuals to use privately owned vehicles for state business (p. 65);
- ☑ report its progress in implementing fleet management software (p. 69); and
- ☑ better assess the potential costs and benefits of future fleet management decisions (p. 71).

In addition, we include recommendations for:

- ☑ UW-Madison and DOT to create utilization standards for their motor pools (p. 23);
- ☑ the Department of Corrections to promulgate uniform policies regarding inmate drivers (pp. 50-51); and
- ☑ the Legislature to consider establishing a mechanism for individuals to report fraud and abuse in state government, including vehicle misuse (p. 58).

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Additional Information

Report 05-7 includes a response from the Department of Administration, call (608) 266-2818 or visit our Web site:



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