

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**THE STATE IS INCURRING UNNECESSARY
COSTS THROUGH INEFFECTIVE
STATE VEHICLE MANAGEMENT**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-461

THE STATE IS INCURRING UNNECESSARY COSTS
THROUGH INEFFECTIVE STATE VEHICLE MANAGEMENT

SEPTEMBER 1985



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STATE OF CALIFORNIA
Office of the Auditor General

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Auditor General

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September 10, 1985

P-461

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning state vehicle management. We conclude in this report that the State is incurring unnecessary costs because some state agencies have more vehicles than they require and because some state employees are inappropriately commuting in state vehicles. We reviewed the vehicle fleets of four agencies and determined that the State could save at least \$90,700 in unnecessary costs and recover at least \$379,000 from the sale of unnecessary vehicles in these fleets. We also found that some state agencies are not ensuring that their employees who regularly store state-owned vehicles at their homes obtain the necessary permits to do so. As a result, some state agencies are allowing employees to misuse state vehicles by inappropriately using them to commute to and from work. Similar problems could exist in other state agencies.

Respectfully submitted,

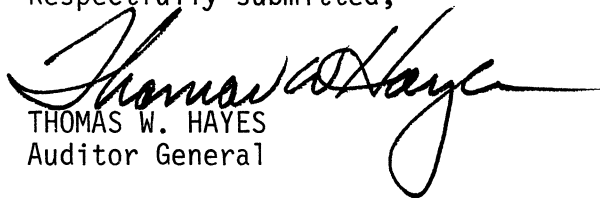

THOMAS W. HAYES
Auditor General

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SUMMARY

The State is incurring unnecessary costs because some of its vehicle management practices are inefficient and because some employees inappropriately commute in state vehicles. We reviewed the use of 5,458 vehicles at the Department of Food and Agriculture, the Department of General Services, the Department of Parks and Recreation, and the Department of Water Resources. We estimate that in 1984, these agencies did not need to retain at least 277 (5 percent) of these vehicles. Furthermore, our sample results indicate that the State incurred at least \$90,700 but more likely around \$176,700 in unnecessary insurance fees, inspection fees, and depreciation costs for these vehicles. Our sample results also indicate that the State could have recovered at least \$379,000 but more likely around \$645,100 from the sale of these unnecessary passenger vehicles. The agencies incurred these costs because they have not routinely monitored vehicle use or effectively managed their vehicle fleets. Similar problems could exist in other state agencies.

The State owned approximately 18,000 passenger vehicles as of December 31, 1984. However, some state agencies have more vehicles than they require because they mismanage their vehicle fleets. They are not reassigning vehicles within the agency from units with low vehicle mileage requirements to units with high vehicle mileage requirements. In addition, some agencies are not immediately turning in for sale all vehicles that they replace. Furthermore, some of the agencies do not have sufficiently detailed information or periodically use the information that they do have to assess their vehicle needs and determine if they have surplus vehicles or need to reassign their vehicles. Similarly, the Office of Fleet Administration (OFA) does not routinely review the vehicle management practices at the agencies to ensure that they effectively use and dispose of vehicles.

Finally, some state agencies are not ensuring that employees who regularly store state-owned vehicles at their homes obtain permits for storage in advance from the OFA and do not misuse the vehicles. As a result, some state agencies are allowing employees to misuse state vehicles by commuting when they are not authorized to do so. In our sample at three agencies, we found five instances where employees were misusing state vehicles. For example, in 1984, one employee of the Department of Food and Agriculture traveled 44 miles to and from his headquarters on 104 days. We estimated that this travel cost the State \$1,144 based on the OFA's average mileage cost.

INTRODUCTION

The State of California owned approximately 18,000 vehicles, including sedans, station wagons, pickup trucks, and vans, as of December 31, 1984. The Department of General Services' Office of Fleet Administration (OFA) owned 4,056 of these vehicles, more than any other state agency. The Department of Transportation, which has the second largest number of passenger vehicles, owned a total of 2,729. Some agencies, such as the Student Aid Commission, owned as few as one passenger vehicle. State agencies own and operate their vehicles at various locations throughout the State.

Section 19993.2 of the California Government Code gives the Department of Personnel Administration the responsibility for prescribing rules and regulations governing the use and storage of passenger vehicles and for governing the operation of state carpools or vanpools for state employees. This department has adopted rules and regulations concerning the use of state-owned vehicles in Title 2, Division 1, Chapter 3, Sections 599.800 through 599.809 of the California Administrative Code. Further, Section 19993.4 of the California Government Code gives the Department of General Services the responsibility for administering these rules and regulations. The Department of General Services carries out this responsibility through the OFA.

The OFA has established policies and procedures on the uses of state-owned vehicles and has included them in the State Administrative Manual. The manual indicates the minimum number of miles or the percentage of days that agencies are expected to drive their vehicles. The manual also describes the procedures by which agencies purchase and sell state vehicles. In addition to establishing policies and vehicle use guidelines, the OFA provides other services, including maintaining vehicle pools at various locations for use by any state agency, operating state garages and repair facilities, and providing safety inspection services statewide for a variety of mobile equipment. The OFA also leases vehicles on a long-term basis to state agencies. These agencies must provide justification for the use of the vehicle and must ensure that it meets the vehicle use criteria in the State Administrative Manual.

The OFA has implemented controls to ensure that agencies make efficient and effective use of their vehicles. For example, the OFA provides inspectors to examine state-owned vehicles and automotive equipment. These inspectors also assist agencies in establishing and evaluating maintenance programs, determining necessary repairs, and ensuring that repairs by commercial vendors are made and charged properly. In addition, the OFA requires each agency to submit automobile use reports to the Director of the Department of General Services for each sedan or station wagon assigned to an individual who drives it fewer than 4,000 miles in a six-month period. These reports require the agency to justify the vehicle's assignment and to describe

what action it will take to ensure that the vehicle receives greater use in the future, such as reassigning the vehicle to some other unit in the agency. Also, the OFA requires each agency to obtain a "home storage permit" for each employee who frequently stores a state vehicle at his or her residence.

Although the OFA develops vehicle policies and practices, Section 19993.4 of the California Government Code states that the head or governing body of each state agency is responsible for implementing and enforcing vehicle policies. The OFA has also stated, in the State Administrative Manual Section 4130, that the proper use of state-owned vehicles is the responsibility of all agency secretaries, department directors, and supervisors.

SCOPE AND METHODOLOGY

We reviewed and evaluated vehicle management practices of the Department of Food and Agriculture, the Department of General Services, the Department of Parks and Recreation, and the Department of Water Resources to determine if state agencies were effectively implementing state vehicle policies. In conducting this review, we researched pertinent statutes and regulations, inspected vehicle logs and records, and interviewed agency officials who are responsible for implementing vehicle policies.

To determine if agencies sufficiently use their vehicles, we selected samples of vehicles from the Department of Food and Agriculture, the Department of Parks and Recreation, the Department of Water Resources, and from the fleet that the OFA leases to state agencies. We determined if the agencies used those vehicles frequently enough or drove them a sufficient number of miles to satisfy the state requirements and remain eligible for the vehicles. We also determined if vehicles were driven fewer than one-half of the days they were available for use. If vehicles were not used sufficiently or were driven fewer than one-half of the days they were available, we determined whether the agency had similar vehicles available within the same area to substitute for the underused vehicles. Using these criteria, we determined whether the agency had a surplus of vehicles. For vehicles that we considered surplus, we estimated the annual cost to the agencies for retaining the vehicles and the disposal value of the vehicles. We used a 95 percent confidence level to estimate the lower number of underused and surplus vehicles at each agency. To estimate the lower cost associated with surplus vehicles, we also used a 95 percent confidence level. In addition, we used the number of surplus vehicles we found in our sample to project the number of surplus vehicles at each agency and to estimate the costs the agencies would more likely incur because of surplus vehicles.

We also determined whether drivers of vehicles were required to have home storage permits. We counted the number of nights that each vehicle was stored at an employee's home. If the employee

required a home storage permit and did not have one, we checked the OFA's files to determine if the employee had ever applied for one. We also interviewed the employee's supervisor to determine why the employee stored the vehicle at home during 1984. We identified state employees who had inappropriately commuted in a state vehicle and estimated the cost to the agencies for the miles they had driven.

Finally, we looked at the policies of the OFA and its relationship to the agencies that have vehicle fleets to determine if the OFA could better monitor the vehicle management practices of those agencies.

AUDIT RESULTS

I

STATE AGENCIES ARE NOT EFFECTIVELY MANAGING THEIR VEHICLE FLEETS

Some state agencies are not properly managing their passenger vehicle fleets and have more vehicles than they require. We determined that, in 1984, four agencies incurred at least \$90,700 but more likely around \$176,700 in unnecessary insurance costs, state vehicle inspection fees, and depreciation costs. Furthermore, those agencies could have recovered at least \$379,000 but more likely around \$645,100 from the sale of their surplus vehicles. The State incurred these costs because the four state agencies we reviewed have failed to comply with the State's vehicle management policies and because the Office of Fleet Administration (OFA) does not ensure that state agencies properly manage their vehicle fleets.

The State Administrative Manual contains the regulations that agencies must follow when they purchase, use, and replace vehicles. Section 4130 of the manual states that agencies will drive each vehicle at least 4,000 miles in a six-month period unless they assign the vehicle full-time to a unit in which employees drive the vehicle a "high percentage of workdays" and for which there is no other practical way of providing transportation. The director of the OFA defined a "high percentage of workdays" as 70 percent of the workdays that a vehicle is available for use.

Section 4130 of the State Administrative Manual also requires agencies to periodically review vehicle assignments to determine whether a vehicle is needed at each assignment. In addition, this section instructs agencies to reassign vehicles from units with low vehicle mileage requirements to units with high vehicle mileage requirements and to rotate vehicles within a unit to equalize the mileage accrued on all vehicles in their fleets. Finally, Section 4172 of this manual provides the guidelines for disposing of and replacing state-owned vehicles. For example, agencies are required to justify to the OFA the replacement of any vehicle and to dispose of a state-owned vehicle without delay once they receive the replacement vehicle.

We selected samples of vehicles from vehicle inventory listings at four agencies and determined whether each vehicle was driven an average of at least 4,000 miles in a six-month period or used an average of at least 70 percent of the workdays that the vehicle was available for use during calendar year 1984. We also reviewed vehicles that were driven less than one-half of the time, on average, that they were available. We estimate that the four agencies underused at least 717 of their vehicles in 1984. We project that the four agencies could have disposed of at least 277 of the 717 underused vehicles by substituting other vehicles on days when the underused vehicles were used. For example, we estimated that the Department of Food and Agriculture underused at least 190 of 790 (24 percent) vehicles and could have disposed of at least 92 of its passenger vehicles. We projected that the Department of Water Resources and the Department of

Parks and Recreation underused at least 184 (20.7 percent) and 16 (1.9 percent), respectively, of their vehicles in 1984 and, together, could have disposed of at least 95 of those vehicles. We also estimated that at least 327 of 2,933 vehicles (11.2 percent) that the OFA leases to other agencies were underused and that at least 90 were surplus vehicles. Our sample results indicate that all four agencies most likely have as many as 572 surplus vehicles.

We also determined that the four agencies do not always reassign vehicles that are underused to another agency or to other agency units where the vehicles may receive greater use. For example, our sample showed that the Department of Food and Agriculture underused at least 13 vehicles assigned to a program for the seasonal eradication of agricultural pests. The agency underused 7 of these vehicles because it failed to reassign the vehicles during the months of 1984 when they were not needed for the eradication program. Although the agency failed to reassign these underused vehicles in 1984, the chief of this program stated that in the past the agency has reassigned such vehicles to other programs that would use the vehicles more frequently. Moreover, during the time that these vehicles were not being used, the agency rented vehicles from the OFA. In another instance, an analyst with the Mobil Equipment Office at the Department of Water Resources stated that the agency office transferred some of its underused vehicles to Sacramento from other California locations so that it could reassign these vehicles to other programs; however, this agency did not reassign one of these vehicles in our sample that was available for reassignment.

Three of the agencies we reviewed failed to follow the state vehicle replacement policy that requires an agency to dispose of its replaced vehicles as quickly as possible. According to the OFA Equipment Coordinator, an agency may not retain a replaced vehicle without authorization to do so from the OFA. However, the Department of Food and Agriculture retained 18 vehicles as of December 1984 without the OFA's authorization; according to the department's vehicle records, one vehicle was retained for over four years. We determined that two other agencies kept a total of 19 vehicles without authorization.

Because the four agencies have a surplus of vehicles, we estimate that in calendar year 1984 they incurred at least \$90,700 but more likely around \$176,700 in unnecessary insurance fees, inspection fees, and depreciation costs. Furthermore, these agencies could have recovered at least \$379,000 but more likely around \$645,100 from selling their unnecessary vehicles.

The agencies have not been effectively managing their vehicles for several reasons. We found that two of the agencies do not include enough information in their vehicle monitoring reports to help them manage their vehicle fleets. All four agencies prepare monthly monitoring reports that provide information on the use of each vehicle in their fleet; however, neither the Department of Food and Agriculture's report nor the OFA's report shows the number of days that each vehicle is used. In addition, the OFA has never clarified in the

State Administrative Manual the term "high percentage of workdays." Therefore, there is no clear requirement for the number of workdays a vehicle must be driven if it does not meet the State's minimum mileage criterion for a permanent vehicle assignment.

Also, we found that, while each agency produced monthly vehicle reports, three of the agencies have not appointed a specific individual to periodically review these reports and make recommendations to the agency director regarding the more efficient use of vehicles or the disposal of unnecessary vehicles. At the Department of Food and Agriculture, for example, an internal memorandum sent to the chief deputy director recommended, among other things, that the department designate an individual to monitor its monthly vehicle reports and make recommendations based on this review. It also recommended that the department designate someone in the director's office to act on the reviewer's recommendations, but at the time of our review, this department had not made those designations. The Department of Water Resources' internal audit reports also recommended reviews of vehicle use.

Finally, we found that none of the agencies that we reviewed had submitted semi-annual vehicle use reports to the OFA as required in State Administrative Manual Section 4131. These reports are required for each sedan or station wagon assigned to an individual whose use of the vehicle does not satisfy the state requirements for vehicle use. The purpose of these reports is to explain to the OFA why these

vehicles did not meet state vehicle use guidelines and to tell the OFA what action the agencies will take to ensure that these vehicles receive greater use in the future. OFA officials stated that, although they realized that many state agencies were underusing their vehicles, they did not receive any of these reports from any state agencies. Moreover, the OFA has neither attempted to force agencies to submit those reports nor adequately monitored the vehicle management practices of those agencies to ensure that the agencies dispose of surplus vehicles.

CONCLUSION

Some state agencies are not properly managing their vehicle fleets and have more vehicles than they require. They are not reassigning vehicles from low-mileage units to high-mileage units and they are not turning in for immediate sale all vehicles they replace. As a result, we estimate that, in calendar year 1984, the four agencies' fleets incurred at least \$90,700 but more likely around \$176,700 in unnecessary insurance fees, inspection fees, and depreciation costs for unnecessary vehicles in their fleet. Furthermore, these agencies could have recovered at least \$379,000 but more likely around \$645,100 from the sale of their surplus vehicles. We also found that the State incurred these costs because the agencies do not periodically assess their vehicle use and needs. The OFA has assumed virtually no role in

monitoring the vehicle management practices of agencies to ensure that they effectively use their vehicles and dispose of surplus vehicles.

RECOMMENDATIONS

To improve state vehicle management, the Office of Fleet Administration should clarify Section 4130 of the State Administrative Manual to require that each vehicle, except those that the OFA specifically exempts, must be driven more than 4,000 miles in a six-month period or must be driven at least 70 percent of the workdays that it is available during a six-month period. In addition, the OFA should specify that each vehicle must be driven more than one-half of the workdays that it is available, regardless of its mileage. The OFA also should revise the State Administrative Manual Section 4131 to require vehicle use reports for all vehicles, except those used for special purposes for which the OFA specifically exempts the agency from the reporting requirement. The OFA should then revise the report to include the number of days that the agency used the vehicle during the six-month reporting period. The OFA should refuse to approve purchase requests for new or replacement vehicles for agencies that fail to submit vehicle use reports or fail to adequately justify maintaining vehicles that do not satisfy the state vehicle use requirements. The OFA should continue to reject

vehicle purchase requests for these agencies until they submit these reports and either indicate the action they will take to correct this underuse or adequately justify this underuse.

To improve state vehicle management, all agency directors should ensure that their agencies record sufficient vehicle use information to help them manage their vehicle fleets. All agencies should obtain from the OFA report forms that include the number of miles and the number of days that each of their fleet vehicles is driven each month. In addition, all agency directors should appoint someone in their agencies to review the reports and make recommendations that will facilitate vehicle use at the lowest possible cost. These recommendations should include turning in for sale all vehicles retained without authorization whose replacements have been received, reassigning vehicles as necessary to achieve maximum vehicle use, and turning in for sale all vehicles that do not satisfy state vehicle use requirements. In addition, all agency directors should appoint someone in their agencies to act on the recommendations of the individual responsible for reviewing the agency vehicle reports. Finally, all agency directors should submit vehicle use reports to the OFA for all vehicles that do not satisfy state vehicle use requirements that are stipulated by the OFA.

II

THE STATE IS INCURRING UNNECESSARY COSTS BECAUSE SOME STATE EMPLOYEES ARE INAPPROPRIATELY COMMUTING IN STATE VEHICLES

State agencies are not ensuring that their employees who regularly store state-owned vehicles at their homes obtain a permit for that storage in advance from the Office of Fleet Administration. As a result, state agencies are allowing employees to misuse state vehicles by using them inappropriately to commute.

Section 4144.1 of the State Administrative Manual permits employees to frequently store state vehicles at their residences only if special circumstances exist and if they receive prior approval from the OFA. For example, employees may qualify for a home storage permit if they are required to respond to emergency calls outside regular working hours or must frequently travel on official trips away from their headquarters under circumstances that make it impractical to begin or end travel from the headquarters. Employees must obtain home storage permits if they will store vehicles at or near their residences more than 72 nights per year or more than 36 nights during any three-month period. Once the OFA has issued a home storage permit to an employee, an agency may at its discretion renew that permit. The original permit, issued by the OFA, is valid for up to one year.

Employees misuse state vehicles when they inappropriately use those vehicles to commute. Title 2, Division 1, Chapter 3, Section 599.803 of the California Administrative Code states that employees are liable to the State for the actual costs attributable to their misuse of a state-owned vehicle. When an employee's supervisor directs the employee to misuse the vehicle, however, the supervisor and not the employee is liable for this cost.

From our sample of vehicles at three of the agencies, we found that no employees of the Department of Parks and Recreation were inappropriately storing their vehicles at home; however, we determined that, at the two other agencies, 65 of 73 employees who frequently stored a state vehicle at their homes did not have home storage permits. At the Department of Food and Agriculture, none of the 58 employees in our sample had a permit. At the Department of Water Resources, 7 of 14 employees did not have their permits.

Of the 65 employees who did not have permits, we reviewed the records of 11 employees and found 5 employees were, in fact, ineligible for permits. Nevertheless, these employees traveled between their residences and work when their work or special and justifiable circumstances did not require them to do so. For example, in 1984, one employee unnecessarily traveled 44 miles to and from his headquarters on 104 days. We estimated that his travel cost the State \$1,144 based on the OFA's average mileage cost. Another employee traveled over 10,600 miles in 1984 from his residence to his headquarters at a cost to the State of approximately \$2,655.

These employees misused their state vehicles, and the State incurred these unnecessary costs because their supervisors failed to monitor vehicle use and enforce compliance with the guidelines. We also identified employees in the Department of Food and Agriculture who had applied for home storage permits, been denied those permits, but stored state vehicles at their residences anyway. For example, one employee who was denied a home storage permit ignored that denial and frequently stored a state vehicle at his residence. He commuted in a state vehicle for approximately seven months before he retired in August 1984. We estimate that this travel cost the State approximately \$1,000. The person who replaced the retired employee was assigned the same vehicle and misused it by commuting over 2,100 miles between August 1984 and December 1984. This commuting cost the State over \$500.

CONCLUSION

The State is incurring unnecessary costs because some state employees are inappropriately commuting in state vehicles. Many employees who frequently store a state vehicle at their residences have not obtained prior approval from the Office of Fleet Administration and do not have home storage permits. Some supervisors failed to ensure that employees under their supervision adhere to the State's vehicle policies. In addition, some employees and supervisors ignored the state

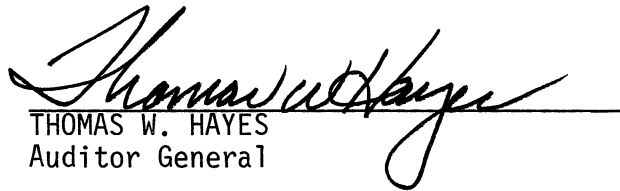
guidelines by permitting employees who were denied home storage permits to store state vehicles at their residences anyway.

RECOMMENDATIONS

To ensure that the State does not incur unnecessary costs through employee misuse of state vehicles, agency directors should ensure that all supervisors in their agencies review the vehicle logs of vehicles driven by employees under their supervision. These directors should also ensure that all employees who need to store state vehicles at their homes for more than 36 nights in a three-month period or 72 nights in a year apply for and receive home storage permits from the Office of Fleet Administration in accordance with Section 4144.1 of the State Administrative Manual. Finally, individuals designated by an agency director to review vehicle use information should notify the director of any employees who appear to be misusing state vehicles. The director should then determine whether misuse occurred and, if so, determine the actual cost of the misuse in accordance with Title 2, Division 1, Chapter 3, Section 599.803 of the California Administrative Code. The director should then collect reimbursement equal to the cost of the misuse from the employee or from the employee's supervisor, if the supervisor directed the misuse.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: August 26, 1985

Staff: Eugene T. Potter, Audit Manager
Mark A. Lowder
Gregg A. Gunderson
Glenn A. Ostapeck
Linda McClendon

DEPARTMENT OF FOOD AND AGRICULTURE



1220 N Street
Sacramento, CA 95814

August 22, 1985

Mr. Thomas W. Hayes
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes

Thank you for the opportunity to review and comment on the draft copy of your report entitled "The State is Incurring Unnecessary Costs Through Ineffective State Vehicle Management."

It is the policy of the Department of Food and Agriculture to facilitate effective vehicle utilization at the lowest possible overall costs and that the use of state vehicles be limited to the conduct of official state business; it is not this Department's intent to allow or permit any misuse which is found to continue. The intent of the issuance of the internal memorandum referred to in the report on page 11 was to restate these policies. Our comments regarding your recommendations are as follows:

SECTION I

State Vehicle Usage Requirements

In order to meet the recommendations to monitor vehicle usage against vehicle requirements, our monthly usage report has been revised to include the number of days used. Our existing report, with this addition, will meet the requirements of the recommended usage report to Office of Fleet Administration.

The Business Services Section of Financial Services has been assigned the responsibility to review the vehicle usage report on a semi-annual basis to identify vehicles that do not appear to meet the minimum usage requirements. The Assistant Directors have been assigned the responsibility to determine if the minimum requirements have not been met and to take necessary action to reassign, survey or sell when appropriate.

It is the policy of the department to reassign underutilized vehicles when possible. For example, we recently reassigned numerous vehicles to the Apple Maggott Project and we are currently reassigning vehicles to the Africanized Bee Project. Reassignments are not always

possible due to the specialized needs of specific programs, such as the ability to transport highly toxic pesticides. Another difficulty is reimbursing special fund programs for general wear and tear above and beyond the specific out-of-pocket costs for gas, oil, etc.

In the past we have received OFA approval to use surveyed vehicles during equipment purchase freezes and on emergency projects. Of the 18 retained vehicles cited in the report, only four are still in use; all four will be turned in for sale as new vehicles are received during the next 60 days.

SECTION II


Employee Misuse of State Vehicles

We agree with the recommendation regarding employee misuse. Supervisors are regularly informed of their responsibility for reviewing the vehicle logs and obtaining home storage permits through supervisor training classes, instructional memoranda and the department's vehicle operation manual.

Instances of possible misuse are referred to the Department's internal auditor who investigates and initiates cost recoveries where appropriate. There were three incidences of misuse identified during the 1984-85 fiscal year and a total of \$3,448.82 was recovered.

After the report has been issued, we would like to review the working papers to assure that all investigations of misuse are completed.

Sincerely,


for Clare Berryhill,
Director

Memorandum

To : Mr. Thomas W. Hayes
Auditor General
Office of the Auditor General
660 J Street, Suite 300

Date : AUG 21 1985

File No.:

Subject : State Vehicle
Management

From : **Office of the Secretary**

We appreciate the opportunity to review and comment on the draft of your report entitled "The State Is Incurring Unnecessary Costs Through Ineffective State Vehicle Management." Since your review covered two departments in the Resources Agency, the Department of Parks and Recreation and the Department of Water Resources, we asked each department to review the report. Their comments are enclosed.

Both departments are taking steps to maximize the effective utilization of their vehicles. We have also advised the other departments in the Resources Agency to review their vehicle utilization records and take whatever steps are necessary to assure maximum utilization. We have also asked our departments to review vehicle home storage requirements to assure that there is no misuse of state vehicles. It is noted that your audit found that no employees of the Department of Parks and Recreation were inappropriately storing their vehicles at home.

We certainly agree that some vehicles are underutilized but there is insufficient information in your report for us to agree that at least 95 vehicles from the Department of Water Resources and the Department of Parks and Recreation could be declared surplus. It may not be possible to reduce the number of vehicles because of the decentralized nature of the departments' operations as well as the seasonal needs in the park program. (1)*

On page 3 of the report, you indicate that Section 19993.4 of the Government Code states that agency secretaries are responsible for implementing and enforcing vehicle policies (2) I believe that this section refers to the head or governing body of each state agency which includes departments, boards and commissions as opposed to only Agency secretaries.


Gordon K. Van Vleck
Secretary for Resources

Enclosures

*The Auditor General's comments on specific points contained in the agency's response appear on page 31.

Memorandum

Date : AUG 21 1985

To : Hal Waraas
Resources Agency

From : Department of Parks and Recreation

Subject: Response to Auditor General Report P461

I have reviewed the report prepared by the Auditor General alleging that "the State is incurring unnecessary costs through ineffective State vehicle management". I have these comments.

The report estimates that DPR underused 1.9% of our passenger vehicle fleet in 1984. In comparison with the other agencies this does not seem like a large problem. However, it will be dealt with.

The report does not deal with our need for additional vehicles at certain locations. Apparently, no attempt was made to identify our passenger vehicle deficiencies. It is our belief that deficiencies exist to a degree greater than the numbers of alleged under used/or surplus vehicles. In part, our field deficiency for vehicles has been met by our retaining replaced vehicles until the end of the visitor use season.

An analysis of use of DPR field vehicles (99% of the fleet is in the field) should note that our work schedule is not a typical office schedule. Our peak times are the leisure times for most office workers. Our needs for vehicles are seasonal and cyclical in opposition to the presumed schedule for most other members of the work force. We do not necessarily accept the assumed criteria for daily use (70% or 50% regardless of mileage).

Another factor on days of use is that staff believes, and the Auditor verbally concurred, in some instances frequent short run use occurs during a day when no entry is made at the end of the day. In fact, sometimes several days are summarized by one entry. This is a bad practice, and misleading for record analysis, but, one that is hard to control.

Finally one last factor, again, acknowledged verbally by the Auditor, is that the DPR passenger fleet has a number of over aged and high mileage vehicles which seem to our employees to be undesirable to drive. Given an alternative, they avoid the less desirable vehicle.

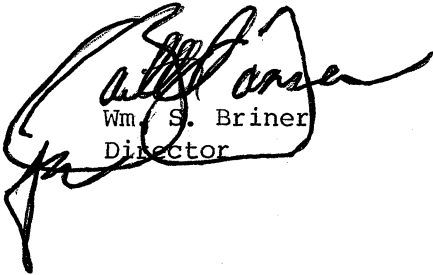
With regard to the recommendations DPR's position is that:

A. We will comply with the reporting procedures in 4131 of SAM.

B. The Department presently records the days of use and mileage. I will require supervisors to review these records. My Regional Directors will be responsible at the regional level to review the data and they are accountable to reassign vehicles as necessary, Headquarters Division and office Chiefs will be responsible for vehicles under their responsibility. I will hold the Regional Directors and the Headquarters Division and office Chiefs accountable for proper use and assignment of vehicles.

For the purposes of reporting, the Equipment Management Supervisor in Headquarters will compile the departmental report.

The Department is not involved with any improper home storage, commuting or other such misuse of vehicles.



Wm. S. Briner
Director

Memorandum

Date : AUG 20 1985

To : A-38
Gordon K. Van Vleck
Secretary for Resources
The Resources Agency
1416 Ninth Street
Sacramento, CA

From : **Department of Water Resources**

Subject : Auditor General's Report

We have reviewed the Auditor General's Report on Vehicle Management. First of all, unlike some departments, the Department of Water Resources does have a monitoring system in place for reviewing Home Storage Permits and potentially underutilized vehicles. However, I would have to agree with the auditors in that it does not go far enough in the area of monitoring underutilized/surplus vehicles. Since we do not know any of the specifics found by the auditors, we cannot respond to the finding regarding the amount of underutilized vehicles. I have no reason to doubt that we do have some underutilized vehicles. On the other hand, we may find that location or speciality requirements are such that some of these vehicles are being used to the maximum extent feasible.

We generally concur with the recommendations presented in the auditors' report. In fact, we have already taken a number of steps to address the deficiencies that they have found, as follows:

1. We are sending a memorandum to all of our Division/District/Office Chiefs and Administrative Officers informing them of the Auditor General's Report and the importance of (1) making full use of all vehicles and turning in surplus vehicles and, (2) obtaining Home Storage Permits as appropriate.
2. We are in the process of revising our internal procedures which will include the completion of the Standard Form 276 for reporting underutilized automobiles.
3. We have named our Chief of Mobile Equipment as the overall Department coordinator with the responsibility for reviewing vehicle utilization and recommending reassignments, or other action, as appropriate.

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4. The Deputy Directors have been named as the final authority on determining whether or not vehicles are underutilized and, if so, whether they should be reassigned or declared surplus. This will be reflected in our new procedures that are being prepared.
5. We are setting up a meeting with the auditors to get specific information on the vehicles they felt were underutilized and the employees whom they felt should have Home Storage Permits. Once we get this specific information we will take appropriate action to remedy any problems.

In summary, we believe that the auditors did a very thorough job. The recommendations that they made will be helpful to us in streamlining our procedures and taking care of potentially underutilized vehicles.

Thank you for the opportunity to provide comments on this report.



David N. Kennedy
Director
ATSS 485-6582



State and Consumer Services Agency

OFFICE OF THE SECRETARY
915 Capitol Mall, Suite 200
Sacramento, CA 95814

August 21, 1985

Mr. Thomas W. Hayes
Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

We appreciate the opportunity to comment on the report P-461, entitled "The State Is Incurring Unnecessary Costs Through Ineffective State Vehicle Management." We very definitely share your concern if unnecessary costs are being incurred as a result of ineffective management of some of the State's vehicle fleets.

The report identified instances where departments included in the audit sample were not utilizing their fleets properly and were not controlling the home storage of vehicles either owned by the department or "leased" from the Department of General Services. We will work with your office to ensure that the details related to your findings are shared with the various department heads so they can pursue resolution of the problem areas.

We disagree with the report's assertion that the Department of General Services' Office of Fleet Administration has assumed virtually no role in monitoring the vehicle management practices of agencies to ensure that they effectively use their vehicles and dispose of surplus vehicles in a timely manner. As part of our normal overall program, Inspectors of Automotive Equipment regularly identify situations where vehicles are being under-utilized and/or the agency is not disposing of surplus vehicles as required. When these instances are identified, it is standard practice of the Office of Fleet Administration to correspond directly with the management of the department involved. The Department is in the process of reviewing its audit responsibilities relative to oversight of state agencies' compliance with State Administrative Manual provisions.

We support the report's recommendations regarding vehicle utilization and misuse of state vehicles, as they appear to be reasonable courses of action.

Please feel free to contact me if further information is necessary.

Sincerely,

SHIRLEY R. CHILTON
Secretary of the Agency

*The Auditor General's comment on this point appears on page 31.

**AUDITOR GENERAL'S COMMENTS TO THE
RESPONSES OF THE RESOURCES AGENCY AND
THE STATE AND CONSUMER SERVICES AGENCY**

- ① We did consider the decentralized nature of the departments' operations and the seasonal needs of their programs. Our review indicated that the two departments within the Resources Agency have at least 95 vehicles that were not effectively used in the programs or locations to which they were assigned. Therefore, the departments may be able to dispose of vehicles if they determine these vehicles cannot be reassigned for more effective use.
- ② We revised the report to indicate that the head or governing body of each state agency is responsible for implementing and enforcing vehicle policies.
- ③ The OFA program manager for inspection services stated that inspectors do not routinely review vehicle logs to determine if vehicles are underused. Further, the OFA procedures manual for inspection services does not contain instructions for determining if vehicles are used a minimum number of miles or days.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps