Fleet Services

Use resources
more efficiently

September 2000

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MEMORANDUM

Date: 09/12/2000

To: Beverly Stein, Multnomah County Chair
Diane Linn, Commissioner, District 1
Serena Cruz, Commissioner, District 2
Lisa Naito, Commissioner, District 3
Sharron Kelley, Commissioner, District 4

From: Suzanne Flynn, Multnomah County Auditor

Subject: Fleet Services Audit

The attached report covers our audit of Fleet Services part of F.R.E.D.S (Fleet, Records, Electronics, and Distributions Services) in the Department of Environmental Services. This audit was included in our FY99-00 Audit Schedule.

The Fleet Services program provides vehicles for County employees who deliver services outside of the office, then charges Departments in exchange. These charges reduce revenues needed for County direct services. We believe that the County should be ever-vigilant to keep these charges at the lowest level possible.

Fleet Services has defined its mission as providing quality service to departments. This focus on departments as the customer has led to a system without sufficient checks and balances. Based upon the County's own usage standard, we estimate that approximately 76 vehicles could be eliminated from the fleet. This amount could be even higher if nationally accepted standards were applied.

We have discussed our findings and recommendations with DES and F.R.E.D.S management, the County Chair, and the Sheriff and included their responses in the report. Pursuant to our new practice we will follow-up in 6 – 12 months and issue a report at that time.

We appreciate the cooperation and assistance extended to us by the management and staff of F.R.E.D.S. and the Transportation Division as well as those in the Sheriff's and District Attorney's Offices.

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Executive Summary

Multnomah County can significantly reduce the immediate and long-term costs associated with the operation of its fleet. Much of the savings would occur from elimination of under-utilized vehicles. Our audit found that these changes could result in significant savings for the County over the next two years. Improved management practices resulting from these changes would also continue the savings into the future.

Two previous audits of the County's fleet conducted in 1975 and 1982 concluded that the County's fleet size was too large. We found that there are even more unneeded vehicles today. We estimate 76 to 96 vehicles can be cut. Most of these reductions should come from County departments. Establishing utilization standards, monitoring performance, and making better use of fleet alternatives can help departments achieve this reduction. Although focused primarily on the County's 280 administrative sedans, we believe that many of the problems identified are systemic to the entire fleet.

According to management, Fleet Services current operating philosophy is to manage the supply of vehicles while departments manage the demand. Fleet Services views the County departments as their primary customers. Effective guidelines have never been established to ensure consideration of the public's interests. As a result, departments individually determine fleet size, decide upon fleet alternatives, and assign take-home vehicles. Countywide efficiencies of scale are lost with this approach.

We found the County does not have criteria for take-home vehicle assignment, nor does it monitor the use of take-home vehicles. As a result, there is a greater risk of abuse. Before an employee receives a take-home vehicle, there is little consideration given to documenting the benefit to the County or limiting the distance employees can commute between home and work. Once employees are provided take-home vehicles, they are not required to clarify whether those vehicles serve the purpose for which their use was authorized.

Fleet Services also manages fleet maintenance and fueling services. Our performance analyses of fleet maintenance practices showed mixed results. Increased management oversight and clearer organizational structure could reduce high maintenance and repair costs per mile, excessive life-to-date charges for some vehicles, and missed service intervals. In contrast, turn-around time, vehicle downtime, and miles-per-mechanic hour partially met or exceeded national benchmarks. We also believe that the County could reduce costs through vehicle standardization.

The Transportation Division maintains a parts inventory to support fleet maintenance and repair services. Accountability for the parts inventory should be strengthened. Fleet Services' computerized records often do not agree with the number of parts on the shelves. Adjustments to inventory are frequent and not fully investigated. In addition, many people have access to the parts inventory during off-hours. We also believe that a significant portion of the inventory is obsolete and overstocked.

Fleet Services has information available on use, repairs, and fueling that could allow for comprehensive analysis. Closer study would identify efficiencies, such as the opportunity to take advantage of fuel price differences between County and commercial locations, as well as detect whether fuel purchases for non-County vehicles are occurring.

Strengthening management could lower the County's risks and the associated costs, as well as limit exposure to loss from problem drivers. We found that information about accidents and damages, citizen complaints, and traffic citations is not systematically gathered and used to address risks.

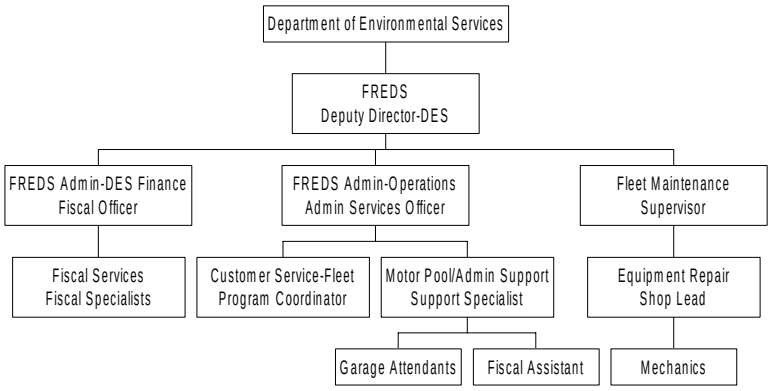
Fleet Services has the expertise and the data to best manage fleet vehicles and to make decisions that serve the County's and the public's interests. Strong and comprehensive procedures are needed to manage fleet resources in a cost effective and equitable manner.

Background

The Fleet Service program is part of the Fleet, Records, Electronics and Distribution Services (F.R.E.D.S.) Division in the Department of Environmental Services. Fleet Services administers all aspects of the County's fleet and provides fleet services to other local governments. Fleet Services specifies, acquires and assigns vehicles and equipment; disposes of surplus equipment; and provides fuel services at six fueling stations. Fleet Services also provides maintenance services at two locations; operates the downtown circulating motor pool and parking lot; and charges County departments and other government agencies for these services.

Exhibit 1

Organizational structure of Fleet Services



In fiscal year 1999-2000 Fleet Services had 21 employees and a budget of $5.04 million (see Exhibit 2). Of the 21 employees, 3 were administrative, 13.5 were mechanics, and 4.5 were warehouse and garage attendant personnel. Fleet Services does not have a full-time fleet manager. The Department of Environmental Services' Deputy Director, who also serves as the F.R.E.D.S. Division manager, currently handles those responsibilities. The Transportation Division is responsible for managing fleet parts inventory, supervising the warehouse workers, and providing information services support and

purchasing support. The fiscal year 2000-01 budget estimates that the total number of employees will increase to 25 as a result of the new agreement with Portland Public Schools to maintain their vehicles.

Exhibit 2

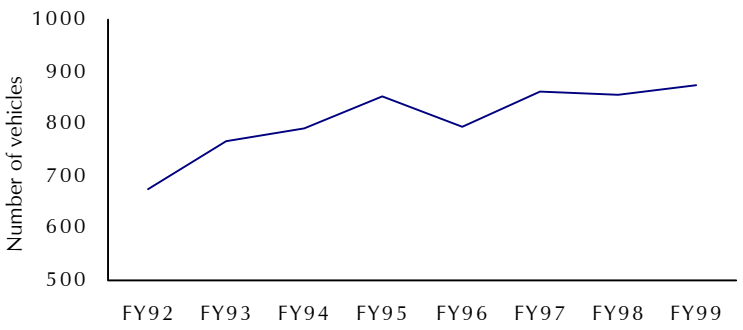
Fleet Service Budget FY1997-FY2001

Fiscal Year	Positions	Adopted Budget	Budget Increase/Decrease
96-97	22	5,011,599	+2.25
97-98	22	5,041,273	+0.6
98-99	22	5,263,321	+4.3
99-00	21	5,036,338	-4.4
00-01	25	6,019,831	+19.5

On July 1, 1998, the County's fleet size was 875 vehicles. The size of the fleet has increased 30% over the last 8 years. During this time the number of county employees has grown 36%. Fleet includes light vehicles such as patrol sedans, pick-up trucks, vans, administrative sedans and heavy equipment such as large dump trucks, loaders, and graders.

Exhibit 3

Fleet size from FY1992 to FY1999



Source: Fleet Services

During the course of our audit, Fleet Services experienced many significant organizational and operational changes. The new changes included:

- A new fleet management information system to replace an aging non-Y2K compliant system
- The acquisition of a local school districts' vehicles, personnel, parts, shop location, and fueling station
- A new Countywide integrated information system

While many of these changes had been planned for several months, all were scheduled to officially occur as of July 2000.

Scope and Methodology

The objective of our audit was to assess the efficiency and effectiveness of the County's fleet services.

We interviewed the F.R.E.D.S. manager, administrative officer and support personnel, the motor pool supervisor and attendants, fleet maintenance supervisor, shop foreman, service writer, various mechanics, warehouse supervisor, warehouse workers, various purchasing personnel and numerous fleet users. We toured County facilities including the main Yeon building, the Hansen shop, the downtown motor pool, and numerous department sites that use fleet vehicles.

Our background review consisted of 22 prior fleet audits from 17 jurisdictions, two prior Multnomah County audits issued in 1975 and 1982, Executive Order 150, and County administrative procedures.

We contacted over 30 other jurisdictions including the counties of DeKalb, GA, Middlesex, NJ, Jefferson, KY, Mecklenburg, NC, Baltimore, MD, Monmouth, NJ, San Mateo, CA, Washington, OR, and the City of Portland to gather comparable data. We obtained the National Association of Fleet Administrators (NAFA) performance measures for public service fleets, reviewed fleet best practices literature, contacted nationally recognized fleet consultants, and reviewed private industry processes and benchmarks.

We collected a year (3/1/99 to 2/29/00) of service work orders to analyze fuel data, maintenance and repair charges, and parts inventory. We reviewed and tested data to the Fleet Command information systems' 121 management report. In addition, we obtained inventory parts data for March 2000. Finally, we gathered accident, damages, citizen complaint records, and photo radar violation data from January 1998 to May 2000.

For the purpose of this audit, we defined County fleet vehicles as those motor vehicles that Multnomah County owns or leases, maintains and operates, and were in service from 3/99 to 3/00. During this time, Fleet Services owned 616 light vehicles, 11 miscellaneous light vehicles, 93 pieces of heavy equipment, and leased 8 light vehicles for a total of 728 pieces of rolling stock.

We analyzed utilization based upon mileage and availability. Fleet Service's 4,800 minimum mileage charge criteria was applied in the analysis as well as other public sector benchmarks. Much of our audit analyses focused on 280 administrative sedans.

In order to determine vehicle availability, we performed site visits and examined records for approximately one-third (65) of the administrative sedans assigned to department programs and 82% of the motor pool vehicles on location. An in-depth analysis of a two-week period (3/ 6-17, 2000) was performed for these vehicles identifying the extent to which they were in use.

This audit was included in our FY99-00 audit schedule, and was conducted in accordance with generally accepted government auditing standards.

Areas for additional study

Because our audit focused specifically on the fleet of administrative sedans, we believe that future analysis of other light vehicles is warranted. Furthermore, our scope did not include heavy equipment, which are considerably more expensive to own and operate. We have added both of these areas to our list of future audit areas.

Follow-up procedures

This audit will include planned follow-up reviews. We will revisit Fleet Services in six months to review and report on progress. We will perform additional visits if the need should arise.

Audit Results

County fleet under-utilized

Many County employees deliver services outside of the office. For example, various personnel appraise property, inspect restaurants, and visit families in their homes. To support these efforts, County-owned vehicles are available. County staff can use vehicles that are kept in motor pools or located at department offices. Currently, departments are charged annually for at least 4,800 miles of use per assigned vehicle, whether or not that level of use is achieved.

We analyzed utilization of County vehicles by applying a simple minimum mileage standard. We also looked at utilization based on availability and compared those results to the analysis based on mileage. In both cases, we took a conservative approach. The audit team examined only 38% of the total County fleet in depth, but we believe the findings represent systemic problems that may apply to the entire fleet of 728 vehicles.

Multnomah County's fleet has a significant number of under-utilized vehicles, many of which are older and inefficient. Our audit identified several management practices that have contributed to the under-utilization of the fleet. For example, a comprehensive countywide utilization analysis has never been conducted by Fleet Services. There are a large number of vehicles which have been retained beyond their replacement life. This is compounded by the misperception held by several departments and Fleet Services that most administrative sedans are in use throughout any given working day. In addition, ambiguous policies and lack of effective oversight have played a role in the retention of more vehicles than necessary.

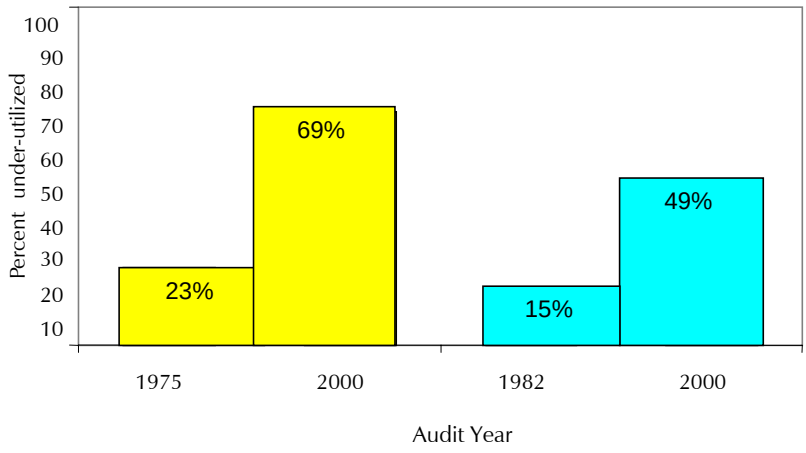
Under-utilization at highest level in 25 years

Multnomah County's vehicles are at the highest level of under-utilization in 25 years. Two previous audits of the County's fleet were performed, one in 1975 and the other in 1982. Both audits identified under-utilization of vehicles as a concern. According to the 1975 report, 23% of assigned department and take-home vehicles were being driven less than 7,200 miles per year. We used the same criteria to analyze the existing fleet and found that 69% of current vehicles were driven less than 7,200 miles.

The 1982 audit report found that 15% the County's light-classed vehicles were driven less than 5,000 miles per year, with the majority being department assigned vehicles. Using similar criteria to examine current vehicles, we determined that 49% were driven less than 5,000 miles. Growth in fleet size compounded by a three-fold increase in under-utilization has resulted in even more unneeded vehicles and increased costs to the County. Exhibit 4 compares the 1975 and 1982 audit results to current audit data.

Exhibit 4

Comparison of current audit under-utilization to previous audits



Source: Multnomah County Audits (IAR#5-75 &2-82) and Fleet Command 121 Report, February 2000

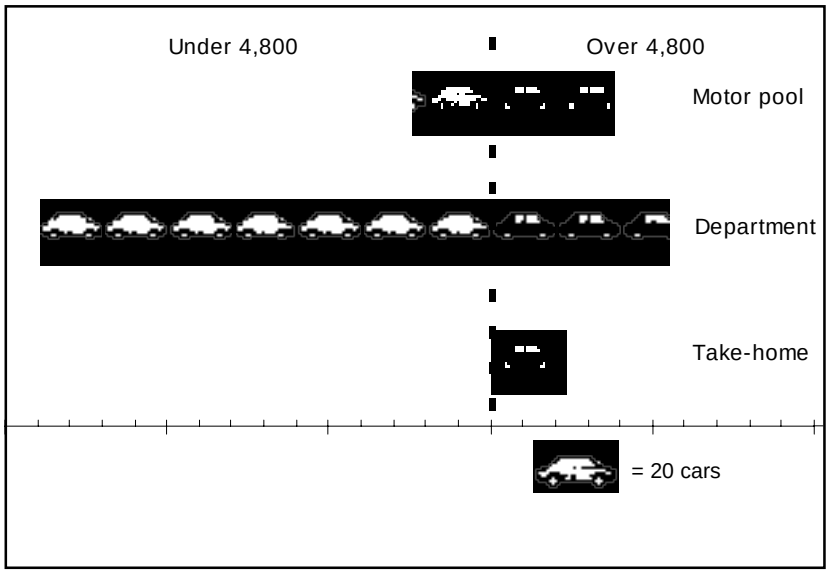
More under-utilization occurs with departments' vehicles

Efficient vehicle utilization is a function of the number of vehicles, how far they are driven, and how often they are used. Seventy percent of 280 administrative sedans are assigned to departments and are located throughout the County. These vehicles are used for general staff transportation, field and home visits, and in some cases, client transport**.** Other administrative sedans are located in one of three motor pools or assigned to specific employees for evening and weekend use.

Department vehicles had significantly less yearly mileage than motor pool or take-home vehicles. Seventy-two percent of departments' administrative sedans were driven less than the 4,800 miles for which departments are annually charged. On average, department vehicle mileage was nearly half of motor pool mileage and a quarter of take-home vehicle mileage. As illustrated in Exhibit 5, 59% of all administrative sedans were driven less than 4,800 miles during the year.

Exhibit 5

A comparison of use for take-home,department, and motor pool vehicles



Source: Auditor's Office Analysis

The map on the next page shows the location of County administrative sedans and their current utilization by mileage (Exhibit 6).

In addition to low usage based on mileage, we found that department and motor pool vehicles were also under-utilized based on availability. To illustrate, a 60% utilization rate based on availability means that if a program had 15 cars, nine cars (60%) would generally be used at least once during the day while six cars would sit idle.

Location of Multnomah County Administrative Sedans

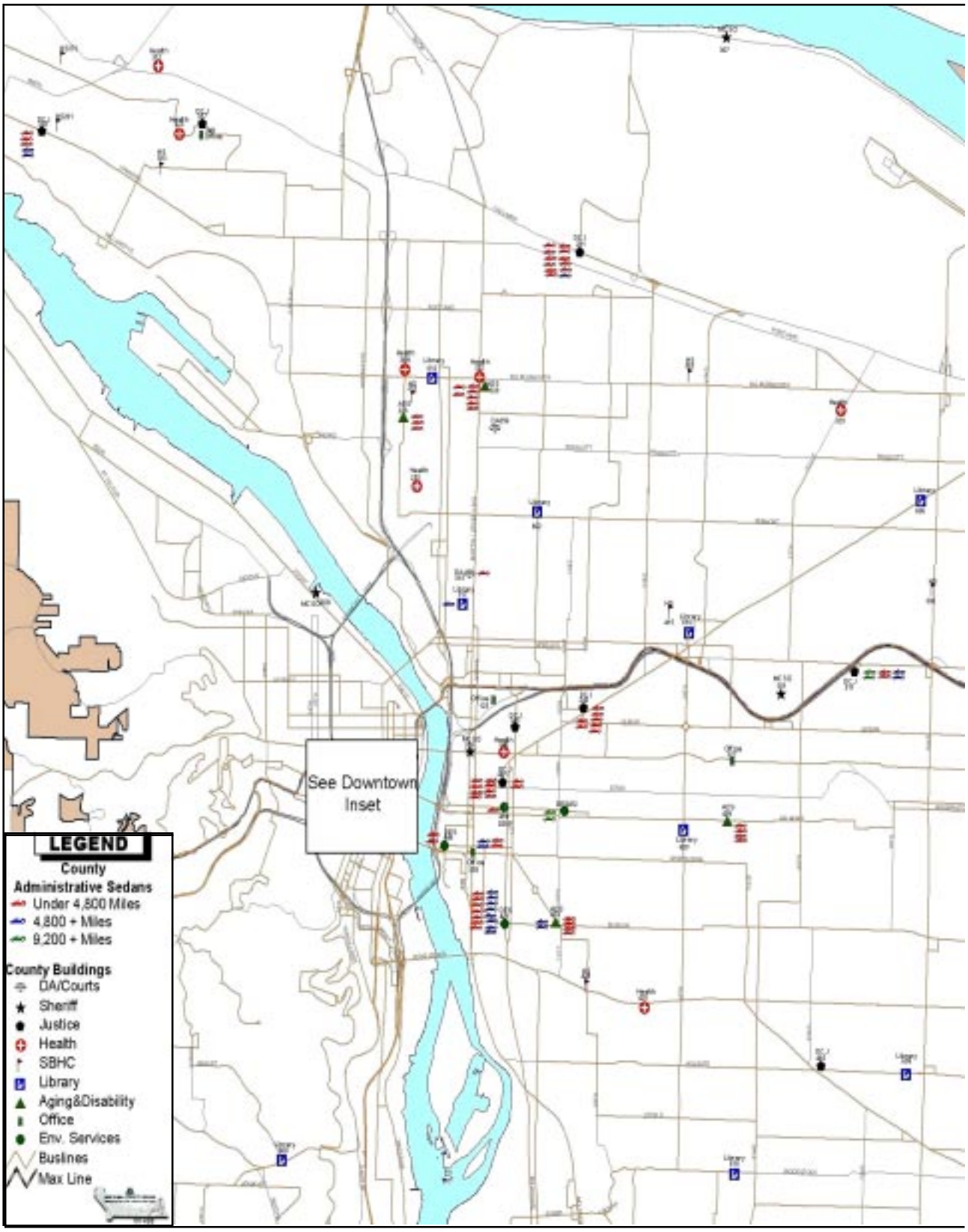
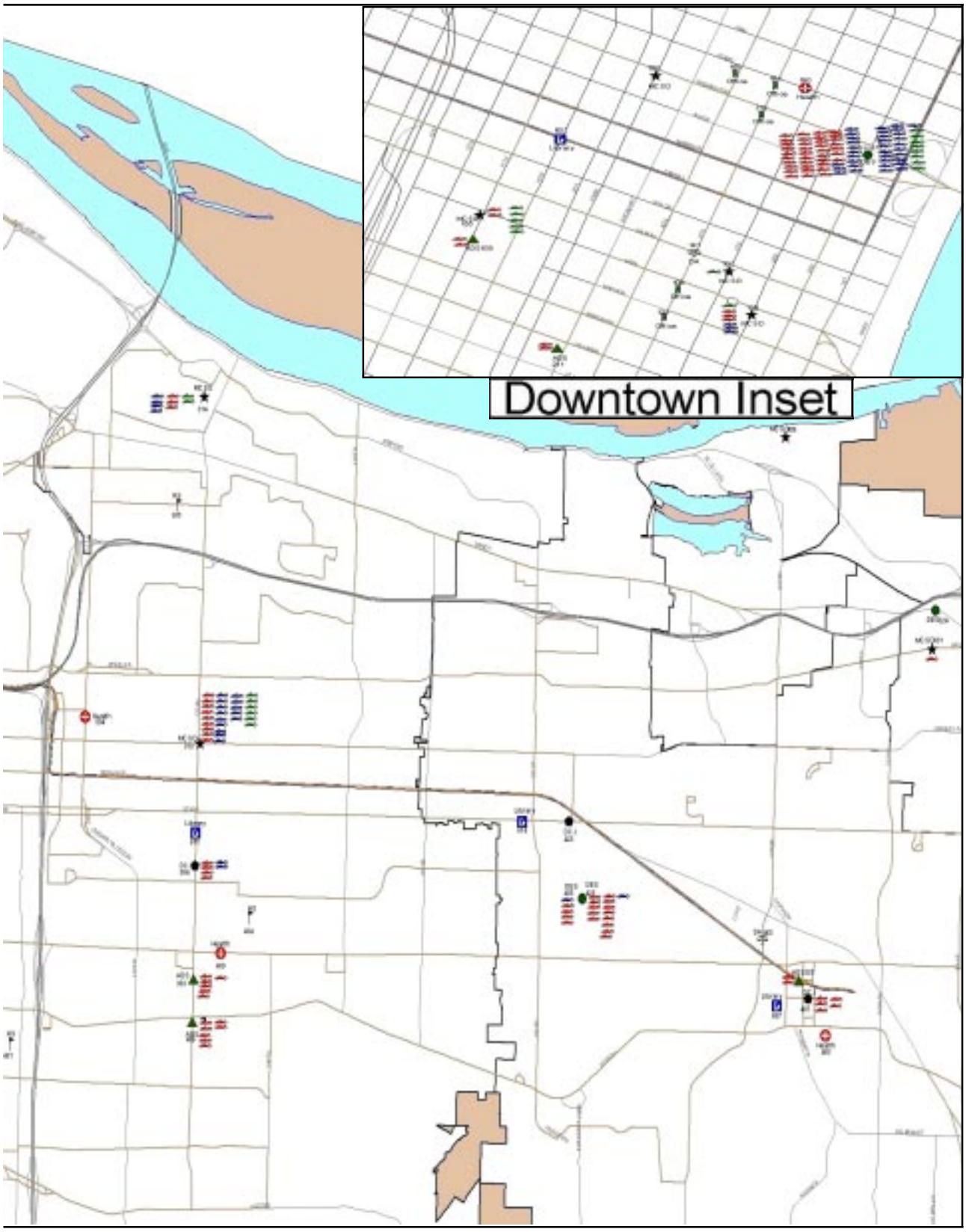


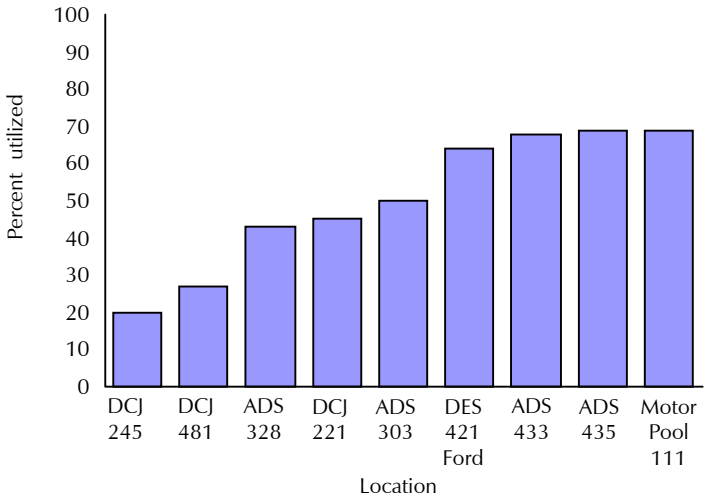
Exhibit 6



During the review period, utilization of department vehicles averaged only 48%. The downtown motor pool had the highest utilization rate of 69%. Exhibit 7 summarizes our analysis of utilization based on availability.

Exhibit 7

Utilization rate based on availability



Source: Auditor's Office Analysis

Fleet size can be reduced by 76 to 96 vehicles

Our analysis indicates that a number of vehicles can be eliminated from the fleet. We identified 164 of the 280 administrative sedans were driven less than the 4,800 mile per year County charge standard, which is significantly less than the national benchmark. Total number of miles in a year for those vehicles was 419,575. Using that mileage figure, we estimate that only 88 vehicles would have been needed to meet the standard. This means reducing the fleet by 76 vehicles.

We also reviewed the utilization of the administrative sedans by applying a 85% availability standard. Based on that analysis, we estimate that the fleet could be reduced by 96 vehicles. A utilization rate based on availability increases the standard for average mileage, bringing it closer to the national benchmark of 8,650 miles per year. As shown in Exhibit 8 below, 84 of the 96 potential reductions in fleet would be from departments and 12 would be from motor pool vehicles.

Exhibit 8

Current utilization of administrative sedans compared to availability standard

	Number	Utilization Rate	Vehicles Needed @ 85% Utilization Rate	Reduction
Department	194	48%	110	84
Motor Pool	62	69%	50	12
Total				96

Source: Department program vehicle logs and downtown motor pool trip tickets

Reduction in fleet size could result in significant savings

Reducing the number of vehicles in the County fleet can result in immediate and long-term financial savings. Reducing the fleet size from 76 to 96 vehicles will result in an estimated savings of $559,694 to $850,667 over two years. Immediate savings to the County would occur from not replacing eliminated vehicles and from the salvage value of those vehicles. Long-term savings will occur from utilizing newer, more efficient fleet vehicles, which are less expensive to operate.

Cost savings occurs from the removal of less efficient vehicles, thus our vehicle elimination criteria was based on the vehicles' age, lifetime mileage, and size. Older, higher mileage and larger vehicles are the most expensive to maintain and operate and should be eliminated from the fleet first. Exhibit 9 depicts the savings to the County over the next two years. Savings calculation details can be found in Appendix B.

Exhibit 9

Savings from fleet reduction

Vehicles eliminated	76	96
Replacement savings	$377,000	$620,000
Salvage value	108,300	136,800
Cost per mile savings	74,394	93,867
Total Savings	**$559,694**	**$850,667**

Source: Auditor's Office Analysis

Management has suggested that savings realized from these analyses could be used to cover what they suggest is an "unfunded liability" in the Sheriff's Office. This is one among many options. We believe that further savings will be realized in other vehicle classes outside of our analysis.

Alternatives to fleet could result in more savings

The reduction in vehicles described above is based on the existing system. Developing and using fleet alternatives can help meet this projected reduction, and possibly reduce the fleet's size even further. Several alternatives that we identified during this audit were vehicle sub-pools, personal vehicle mileage reimbursement, short-term vehicle rental, mass transit alternatives, vehicle rotation, shuttle services, and bicycles.

Pooling of vehicles results in greater efficiency because more individuals have access to vehicles. Best practices literature suggests the establishment of both centralized motor pools and sub-pools. The Ford building is an example of a sub-pool where three co-located departments successfully pool 15 vehicles and have a utilization rate of 64%. However, many other co-located or closely located departments do not share common sub-pools, which has resulted in a greater number of vehicles than are necessary.

For example, Exhibit 10 shows the ADS337 location with two under-utilized administrative sedans. One block away, the DCJ407 location has five under-utilized administrative sedans. These two programs could combine their vehicles to establish a more efficient sub-pool location and further reduce the total number of vehicles. An evaluation of the map on pages 10-11 shows several other possible locations in the County that could combine vehicles.

Exhibit 10

Sub-pooling opportunities

Source: Auditor's Office Analysis

Regardless of whether pooling opportunities are available, departments should implement standardized scheduling systems to manage vehicle need more effectively. Departments may also find this information useful to monitor utilization. Our review found that not all departments scheduled, or even logged their vehicle use. Only 17% of those departments sampled used a scheduling system for all their vehicles.

Other alternatives exist and need to be analyzed for cost effectiveness. In the past Fleet Services has issued memos outlining some alternatives. One alternative is the use of personal vehicle mileage reimbursement. This allows employees to use their own vehicles to perform work duties while receiving a reimbursement for mileage.

Mileage reimbursement should be balanced to meet actual employee need and maximize department vehicle efficiencies. For example, we identified a 50% under-utilization at one location, but at the same time, an estimated $11,800 was paid in one year to employees for personal mileage reimbursement. This is a worst-case scenario where employees are paid reimbursements for personal vehicle use, while fleet vehicles remain under-utilized. Currently, personal vehicle mileage reimbursement analyses, in conjunction with utilization analysis, are not performed.

Occasionally, the downtown motor pool rents vehicles to cover peaks in vehicle need. An occasional rental to cover peak usage is less expensive than purchasing vehicles, and should be analyzed as an option for departments. Mass transit alternatives on major bus and light rail routes can provide inexpensive alternatives to cover transportation needs. One County location has bicycles for short distance trips, but at this point they have received little use. In addition, the Yeon building offers its employees shuttle service to and from the light rail station.

Take-home vehicle use should be strictly limited

Take-home vehicles are assigned to specific employees for County use and may be taken home at the end of the each day and on weekends. Take-home vehicles are usually designated for employees on call, for public safety use, or for specific reasons where it is more efficient to travel directly to remote work sites from home. According to fleet management records as of March 2000, there were 90 approved County take-home vehicles.

County policy on take-home vehicles is vague and lacks specific assignment criteria. Administrative procedure FLT-2 describes the process for obtaining a take-home vehicle, and was last updated in October 1997. Elected officials are exempt from this process. The Sheriff's Office has developed internal procedures to assign take-home vehicles.

There are very little controls or criteria to justify obtaining and retaining a take-home vehicle, for reasonableness of distance traveled between work and home, for employee documentation and review of use, or for reimbursement to the County for normal commute costs. Currently, there is no assignment of responsibility within the County to monitor take-home vehicle use.

Requests for take-home vehicles are submitted to either the elected official or F.R.E.D.S. manager. The form lacks information to support justification for the assignment. Other jurisdictions require strict criteria such as reasonableness of distance traveled between work and home, employee documentation of use, and in some cases reimbursement to the jurisdiction for commute costs. Other jurisdictions also question the need for take home-vehicles and determine the cost-benefits associated with such assignment.

Analysis of take-home vehicle policies in a 1993 audit produced by the city of San Jose questioned the reasonableness of take-home vehicles. Their report found Los Angeles, Fresno, San Bernardino, San Francisco, and Phoenix had written vehicle take-home policies that included language regarding distance between work and home and justification for the vehicles. Termed 'sphere of influence,' jurisdictions had limitations as to the distance employees could commute with take-home vehicles. These jurisdictions limited take-home vehicles to jurisdictional boundaries.

The Cities of Los Angeles and Seattle have established criteria to justify both obtaining and retention of a take-home vehicle. Los Angeles requires employees requesting take-home vehicles to demonstrate in a written application how the practice will benefit the city. Employees are then required to keep a log of vehicle use and mileage to determine if it served the purpose for which it was assigned. Seattle established objective use criteria of three emergency and nine non-emergency calls per quarter, averaged over a year. Both emergency and non-emergency response were clearly defined.

In addition, some jurisdictions have required their employees to pay for the commute costs of take-home vehicles. Both the cities of Berkley and San Bernardino have policies in place, which require employees to reimburse their jurisdictions for commute use of their take-home vehicles.

42% of take-home vehicles' yearly mileage is from commuting

The Department of Environmental Services (DES) and the Sheriff's Office (MCSO) have the greatest number of take-home users. Of the 90 take-home vehicles, 39 are assigned to DES and 41 are assigned to MCSO. Exhibit 11 summarizes the distribution of take home-vehicles and vehicle class.

Exhibit 11

Distribution of take-home vehicles by class

	MCSO	DES	DA	Total
Percent of cars	46%	43%	11%	100%
Total number of vehicles	41	39	10	90
Composition of vehicles				
Vans		27		27
Administrative Sedans*	14		10	24
SUV-Leased-Other	14	3		17
Under cover vehicles	13			13
Pick-ups		9		9

*Note. 2 full-size, 9midsize, and 13 subcompact vehicles
Source: Fleet Services Approved Take-Home List (updated 3-00)

To perform our analysis we reviewed the administrative sedan class of take-home vehicles. For twenty-two (92%) of the 24 administrative sedans, take-home addresses could be identified. Twelve (55%) had addresses located outside of Multnomah County, including two in Washington.

We estimated the average round trip commute per car was 29 miles per day. Based on this, total average commute miles was 6,270, or 42% of take-home mileage. In one case, the take-home commute was estimated to be 84 miles per day. Take-home vehicles located outside the County were found to have significantly greater round trip, yearly commute mileage and cost than those vehicles that are located within the County. In two cases estimated commute mileage was equivalent to mileage accumulated during the year, suggesting that the vehicle was only used for commute purposes.

Take-home vehicles use County gas and receive County upkeep. The average charge per mile for administrative sedans is $.14 per mile. The average number of commuter miles per

administrative sedan was 6,270 for a total of about 150,480 commute miles. Had Multnomah County required employees to pay for the commute costs of take-home vehicles, users would have reimbursed the County approximately $21,067 for administrative sedans.

Administrative sedans account for only 27% of the take-home vehicles in Multnomah County, with the remaining 66 vehicles having higher per mile charges (e.g., vans, trucks, and sport-utility vehicles). Further analysis is necessary for these other classes of vehicles.

Monitoring of take-home vehicles needs strengthening

The lack of monitoring of take-home administrative sedans increases the risk of abuse. According to best practices, Fleet Services should control and monitor all take-home vehicle assignments. Take-home vehicles should be properly identified and strong mechanisms should be in place to ensure compliance with Internal Revenue tax-benefit procedures.

An analysis of administrative sedan fueling locations found that several were out-of-County. Eight of the 24 take-home administrative sedans had active commercial fueling accounts. These accounts can be used at any of the commercial locations at any time. These locations did not include areas near the users' home address. Several trips as far south as Grants Pass, OR (246 miles), north to Tukwila, WA (166 miles), and east to Hermiston, OR (196 miles) were noted. While there are legitimate reasons for fueling to occur outside the County, there are no mechanisms in place to monitor these charges. In addition, there is no way to review additional trips which may not have included commercial fueling. According to administrative procedure FIN-11 employees with take-home vehicles are not to use take-home vehicles for personal use other than commuting.

Citizens may not be able to identify most County take-home administrative sedans, increasing the risk for misuse. According to administrative procedure FIN-11 all take-home assigned vehicles are required to contain a distinctive license plate symbol indicating public ownership. Of the 24 take-home administrative sedans, only 7 vehicles had government E-plates. The remaining 17 (71%) could not be identified as public vehicles, thus not complying with FIN-11 and making it difficult if not impossible for citizens to report inappropriate use. In at least one case reviewed, the user requested a change to a non-government

license plate due to concern of public perceptions when in use. We believe that all County take-home vehicles should be required to have government identified E-plates and County logos. Any exceptions to this should be approved by the appropriate elected official.

Tax-exempt status for some users of take-home vehicles is questionable. We found that 3/4 of the 24 approved take-home administrative sedans were exempt from paying taxes on the vehicle benefit. According to internal revenue procedures, the assignment of take-home vehicles is generally considered a taxable benefit unless specifically exempted. Administrative procedure FIN-11 and the MCSO Agency Manual (10.03) list conflicting criteria for take-home car taxability. Using the internal revenue criteria for exemptions we could not identify reasons why some take-home vehicles were granted exemptions. Further, we believe this problem may be systemic to other take-home vehicles.

Savings could result from better management of fleet maintenance

Fleet Services provides maintenance and repair services for County fleet vehicles and other jurisdictions' vehicles. The Yeon building is the main fleet repair facility and performed 70% of all work orders for repair and maintenance last year. The Yeon building provides a full range of services of preventative maintenance and repair services, bodywork and fabrication, for the County's fleet. The remaining 30% of the work orders were completed at the Hansen shop, which generally provides preventative maintenance for light vehicles, usually those from the Sheriff's Office. According to work order data obtained from the Fleet Command information system, work orders for maintenance and repairs of fleet vehicles over the last year totaled $912,882. The number of repair facilities and employees should increase as the County assumes Portland Public Schools' fleet in July 2000.

Fleet Services should improve direct management oversight of its mechanic staff and establish formal shop criteria and policies. This would improve shop performance, and eliminate an unsafe shop environment and inappropriate employee behaviors. Furthermore, the shop does not use data to benchmark their performance.

The maintenance supervisor oversees 12.5 mechanic positions, however, more than 50% of the maintenance supervisor's time is used to perform other duties. In addition, the shop foreman is

a mechanic responsible for charging time directly to work orders, thus leaving little time for oversight duties. Direct oversight is further reduced by the remote locations of the two facilities. According to best practices effective span-of-control for managers of mechanics ranges from 8 to 10 employees per supervisor. At best, this is 25% of recommended levels of direct oversight.

We believe that the lack of direct management oversight has contributed to serious problems. The initial walkthrough of our audit revealed unsafe shop areas, where a potential for serious injury existed. The safety problems were immediately reported to the management and have since been resolved. In addition, we identified at least two cases of an employee using the facility and equipment for personal projects.

Per mile charges

Maintenance and repair charges per mile is a typical fleet performance measurement. Fleet Services per-mile charges are 22% greater than national benchmark levels for administrative sedans. The benchmark annual maintenance and repair charge is $.081 per mile. According to fleet data, vehicles in this class last year had a rate of $.099 per mile.

We believe that the under-utilized fleet vehicles in conjunction with the 6 month/6,000 mile service intervals and older low use vehicles contribute to the higher cost per mile. Maintenance and repair data is reported in the management 121 reports, however shop management and line staff do not use the information to monitor shop performance.

According to the National Association of Fleet Administrators (NAFA), high maintenance and repair costs per mile could reflect:

- an aging fleet prone to breakdowns and costly repairs
- an under or over reliance on outside vendors
- poorly qualified or assigned mechanics
- a poor preventive maintenance program
- an area with a very high prevailing wage rate for mechanics.

Life-to-date charges

Life-to-date maintenance charges are total maintenance and repair charges accumulated over the life of a vehicle compared to the purchase value of the vehicle. Other jurisdictions use this measure and have determined that 66% and over for life-to-date maintenance charges are excessive. We identified 51 (18%) vehicles that had life-to-date maintenance charges that were 66% or greater than the purchase price of the vehicle.

Sixteen of these vehicles accumulated more maintenance charges than their original purchase price. We found one administrative sedan that had 5 times its purchase price in maintenance and repairs. In the last 12 months alone, $1,138 of costs were accumulated for this vehicle which had an estimated value of $625. In this case both excessive life-to-date and repair cost versus current value were unreasonably high.

Fleet Services has no policy regarding excessive maintenance charges for vehicles. Criteria for whether a repair should be made vary depending on the manager and line staff. This problem is further increased as mechanics attempt to make decisions regarding the cost-effectiveness of repairs without the benefit of vehicle history data. The lack of policies and criteria lead to expensive services for vehicles that were not worth repairing.

Service intervals

Fleet Service's preventative maintenance compliance rate for administrative sedans is nearly half the national benchmark. Fleet Services provides preventative maintenance to all light vehicles every 6 months or 6,000 miles. We identified 24 (9%) out of 280 administrative sedans that failed to receive any preventative maintenance service in the last 12-month period. According to the NAFA benchmarks, the compliance rate for these vehicles should be 95%. The NAFA states that low preventative maintenance compliance rates can contribute to relatively high maintenance and repair costs, high vehicle downtime and breakdown rates.

The current preventative maintenance process for administrative sedans is not effective. Each fleet vehicle is accompanied by a reminder card, which advises users of the next date or mileage interval for preventative maintenance service. In addition, management reports identify which vehicles have not received service. Fleet Services needs to prioritize preventative maintenance service, increase user contact and follow-through with scheduled services. Furthermore, we believe that noncompliance of preventative maintenance is systemic throughout the County fleet, as at least 49 (7%) of the 728 fleet vehicles, failed to receive any service during the year.

Turnaround

Fleet Services partially meets benchmarks for vehicle repair turnaround time. Turnaround time is the amount of time needed to service a vehicle. A conservative measure of direct labor hours was analyzed to determine the turnaround time for all repairs.

Turnaround time benchmarks for maintenance and repairs are 70% of services within 24 hours and 90% within 48 hours. According to our analysis Fleet Services meets the 70% benchmark for turnaround within 24 hours. However, Fleet Services does not meet the 90% benchmark within two days.

Some maintenance practices meet or exceed national benchmarks

Fleet Services downtime rate for administrative sedans meets national benchmarks. Downtime rate is the percentage of time that a vehicle is scheduled for operation but is out of service for maintenance or repair. The national downtime benchmark for administrative sedans is 2% and Fleet Services averaged 1.9%.

Fleet maintenance miles-per-mechanic-hour is 27% higher than national benchmarks. Miles per mechanic hour is the number of miles a vehicle is driven in a year divided by the number of in-house mechanic hours incurred during the year to maintain and repair the vehicle. According to national benchmarks, administrative sedans should accumulate 747 miles for every hour of labor they receive. Fleet data indicate that the County administrative sedans averaged 950 miles per mechanic hour.

Standardization of fleet vehicles could reduce costs

Managing vehicle purchases in terms of similar make, model, mechanical configuration and utility, termed 'standardization', can reduce the County's costs. Best practices literature and NAFA identifies that the standardization of fleet cars can reduce inefficiencies. The cumulative effect of standardization can result in increased buying power for vehicles and parts, reduction in the variety of parts, training and tools, and increased shop performance. Currently, no policy exists to standardize County fleet vehicles. Management believes that standardization will not lead to significant savings.

We found that full-sized administrative sedans are charged significantly more for maintenance and repairs than either midsize or compact administrative sedans. Maintenance and repair charges are related to the number of miles driven and vehicle age. Controlling for the effects of mileage and age, our results suggest that full-size vehicles are nearly twice as expensive to maintain than are compact vehicles. Furthermore, we also identified that full-sized sedans attained significantly lower miles-per-gallon and cost 56% more than compact sized sedans. Exhibit 12 displays the ranges of average costs for each vehicle size.

Exhibit 12

Costs associated with vehicle class

	Vehicle Size		
	Compact	Midsize	Full-size
Average Maintenance cost*	$456	$593	$890
Average MPG	24.9	22.7	14.1
Replacement Cost	$12,500	$13,500	$19,500

*Estimated average charge controlling for the covariates of vehicle's last 12-month mileage and age (a =.05)

Source: Fleet Command Report 121 data, February 2000

Vehicle selection should be the result of cost comparison analysis. Sport utility vehicles have an even greater purchase price and charge per mile rate than full-size sedans, which are greater than smaller classed sedans. When staff transportation is the primary function of the vehicle, we question the need for vehicles other than compact or midsize sedans (e.g., full-sized sedans and sport utility vehicles).

Accountability for parts inventory should be strengthened

The Transportation Division is responsible for managing inventories for Fleet Services, Road Maintenance, and Traffic. A purchasing specialist and warehouse supervisor performs the day-to-day warehousing activities and reports to the Transportation Operations Supervisor. The purchasing specialist is primarily responsible for purchasing inventory as needed, monitoring purchasing contracts for performance and assisting with bid specifications. The warehouse supervisor duties include receiving and storing inventory, issuing parts to mechanics, and performing periodic counts.

Fleet Service's parts inventory is used for maintenance and repairs of all fleet vehicles including heavy equipment, patrol vehicles and administrative sedans. Most of the inventory is warehoused in the Yeon building although during our review one satellite location (Hansen shop) had a small parts inventory. According to inventory records as of March 2000, there were 6,245 items of parts inventory ($275,900) at the Yeon building and 284 items ($6,800) at the Hansen shop.

Two mechanics work at the Hansen shop and primarily maintain Sheriff's Office vehicles. Mechanics request parts from the Yeon building warehouse as well as order same-day or next-day delivery of parts from local vendors. Hansen shop mechanics transfer work order information and any receipts to the Yeon building for entry into the fleet management system.

Not all parts used to maintain or repair fleet vehicles are inventoried. Increasingly, parts are purchased from local vendors on a same-day or next-day service basis. The purchasing specialist estimated that only 50% of the parts purchased are stocked.

There are significant changes taking place in F.R.E.D.S. that will impact parts inventory operations. F.R.E.D.S. has purchased a new fleet management system that was scheduled to be operational on July 1, 2000. Inventory will be managed on this new system. Beginning in July 2000, the County will be responsible for maintaining and repairing all of the Portland Public School's fleet, except school buses, at the Blanchard building.

Some management controls were in place for parts inventory. For example, at the Yeon building access to parts is generally restricted to warehouse workers during the day. Mechanics are issued all parts from a warehouse worker over the counter. Cycle counts are performed which compare amounts on hand to computer records. All receiving documents are compared by accounts payable to vendor's invoices. Any adjustments to inventory must be made by somebody other than warehouse workers. The fleet maintenance supervisor reported that parts are generally available when needed.

Although there are some controls in place, accountability for the Fleet Service's parts inventory should be strengthened. For unexplained reasons, computerized records often do not agree with the number of parts on the shelves. Management attributes some of these problems to Y2K reporting problems, but we found that they were present prior to any influence of Y2K. Adjustments to inventory are frequent and not fully investigated. During off-hours, many people have access to parts inventory. Inventory duties are not fully segregated. The combination of these factors increases the risk of loss of parts inventory.

Adjustments

We found that inventory quantities on hand often do not agree with computer records. Further, the discrepancies could not be adequately explained. One possible explanation is simple data entry errors; information may not always get properly input into the computer records. Timing problems is another possible explanation. There is a time lag between receipt of the inventory and when it is entered into the computer records. Some say that transfers of inventory between the Yeon building and the Hansen shop cause inventory discrepancies. At worst, differences in

inventory quantities may be due to theft. We were unable to completely investigate the extent of inventory discrepancies because Transportation was unable to provide us with complete inventory data due to their concerns that providing the data would corrupt their system.

Adjustments to inventory should be better tracked and analyzed. A warehouse worker provides inventory counts to the operations supervisor. When discrepancies exist between physical counts and the computer records, the adjustments are entered into the computer by the operations supervisor. A report showing that a change was made to inventory records is generated but it does not list the quantity or whether the adjustment was positive or negative. While adjustment information is stored in the fleet management system, it has not been used to analyze inventory discrepancies over time and is not readily accessible.

We were only able to obtain one month of inventory adjustments from Transportation. During this month, 85 items of inventory were adjusted totaling an absolute value of $1550. Approximately 79% of the adjustments decreased inventory. Since Transportation could not provide us with adjustment data, we could not determine whether this was a typical month. However, interviews with personnel indicate there is a high volume of adjustments.

Some of the accountability problems for inventory were attributed to the Fleet Command fleet management system. The system was in use for over 20 years and has Y2K reporting problems. A new fleet management system called Fleet Anywhere went online in July 2000 and may help remedy some current inventory discrepancies. The Fleet Anywhere system came with inventory reports, that with further investigation or modification, may be used to monitor inventory.

Transportation warehouse employees have been tracking inventory with both Fleet Command and Fleet Anywhere since March 2000. In June 2000, we counted a small sample of inventory items of mostly tires and batteries and found that Fleet Anywhere did not agree with the count for six out of ten items. We did not look at all tires or batteries so it is possible that those items were not missing, but rather improperly categorized in the computer records.

Building security

Access to parts increases the risk of loss. Some employees need to access the Yeon building 24 hours a day 7 days a week. Although access to parts inventory is restricted to three warehouse employees during the day with a parts counter, 16 other employees have access to parts inventory during off hours.

The building's security system records any entries into the Yeon building. The building is divided into six security zones and parts inventory is located within the warehouse security zone. Employees are sometimes required to perform tasks where access to the warehouse security zone is necessary. From our review of two months of security data, two authorized employees accessed the warehouse area during off hours.

Access to inventory parts should be restricted to the extent possible. Although locked doors separate the small parts room from the other warehouse sections, all employees with access to the warehouse section have a key to these doors. Access could be better limited to only warehouse workers by changing the locks to the small parts room doors. Access to tires could also be limited. Tires comprise a significant amount of inventory purchases and are located in the main warehouse area. Locked cables could be run through the tires to better limit access to only warehouse workers.

Management states they are currently working to add another security zone to better restrict access to the inventory. Management is also planning to change the locks to the small parts room doors.

Separation of duties

A few employees carry out the day-to-day warehouse operations. Warehouse employees are responsible for ordering, receiving, dispensing, recording and counting inventory. As much as possible, duties should be segregated among different people to reduce the risk of inappropriate actions or errors. We understand that strict segregation of duties is not always practical given available resources. However, lacking a complete segregation of duties, management should compensate by increasing their oversight and monitoring efforts. If used, the capabilities of the County's new information system could result in better separation of duties.

Satellite shops

Accountability for parts inventory issued through the Hansen shop needs improvement. Satellite operations pose unique challenges for properly managing parts. Paperwork must be accurately completed and entered into computer records in a timely manner. Inventory generally cannot be kept as secure as the Yeon building warehouse and duties cannot feasibly be segregated. Management must compensate with increased supervision and monitoring.

Since work order information and receipts must be transferred to the Yeon building for data entry, inventory discrepancies at the Hansen shop may be attributable to delays in recording activity into computer records. We also found that there was little oversight of Hansen shop operations. Ideally, visits should be made on a frequent and regular basis to monitor inventory transactions and resolve any problems. Since our audit, management states a warehouse worker makes trips to the Hansen shop twice a week.

The Blanchard building will become another satellite location like the Hansen shop but on a much larger scale. There is one shop foreman and three mechanics that maintain and repair vehicles at the Blanchard building.

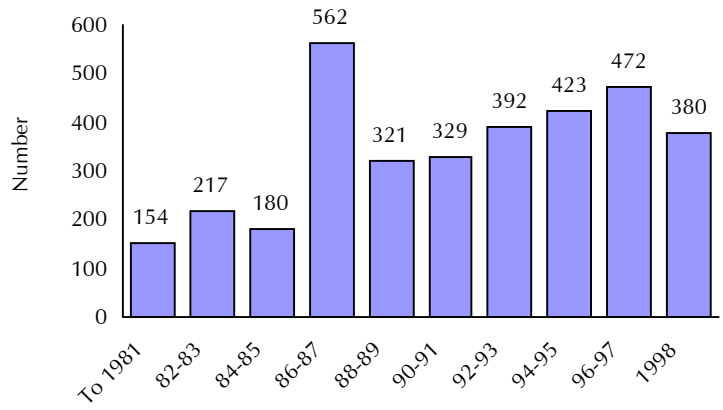
Significant portion of parts inventory appears obsolete

We found that a significant portion of the parts inventory appears obsolete and suspect that Fleet Service's inventory is overvalued on the County's financial statements. Management stated that parts inventory is overstocked but many parts may be used for older vehicles that are kept until the last vehicle of its line is disposed. Whether overstocked or obsolete, parts inventory requires attention.

We examined parts inventory on hand as of 3/31/00 and checked for any activity from January 1999 through March of 2000. During this 15 month timeframe, 3,431 items valued at $150,444 (55%) had no activity. We further analyzed the inventory by the date the inventory was last issued for use on a vehicle. Exhibit 13 below shows that many of the inventory items have not been used in the last decade.

Inventory count by last issue date as of 3/31/00

Exhibit 13



Source: Auditor's Office Analysis

Obsolete and overstocked inventory wastes both space and employee time. Obsolete and overstocked inventory could be taking up approximately 50-67% of the parts area in the warehouse. Obsolete inventory must also be regularly counted which has an employee resource cost.

Management was aware of these problems and made some efforts to dispose of parts inventory. Since 1998, approximately $26,500 of parts inventory has been auctioned or otherwise sold. According to warehouse personnel, problems date back to inventory transferred to the Yeon building from Rocky Butte over 10 years ago. We were also told that the purchasing specialist's predecessor would reorder inventory based on reorder reports without reviewing the future need for the item. The current purchasing specialist reviews history before purchasing parts.

Many parts in the March 2000 inventory should be expensed instead of inventoried and billed to specific vehicles. From a review of the 6,245 inventory items on hand at 3/31/00, we found 1,093 items with a value below 50 cents totaling $10,968. We believe that the cost of tracking small items such as nuts and bolts at this level outweighs any benefits.

During our review of the inventory, we also found 267 old items with a zero quantity that could be deleted from inventory. Exhibit 14 below summarizes our results.

Exhibit 14

Reported inventory (3/31/00) compared to adjusted

	Number	Percent	Value	Percent
Parts inventory	6,245	100%	$275,903	100%
Potential adjustments	(4,791)	76.7%	($161,412)	58.5%
Adjusted	1,454	23.3%	$114,491	41.5%

Source: Fleet Command inventory data and Auditor's Office analysis

We believe that obsolescence could be a problem for Transportation's other inventories as well. We did a quick review of Roads Maintenance and Traffic inventories for March 2000. Although the nature of this inventory differs from parts inventory, our review indicated that obsolescence may be a problem.

Warehouse policy and procedures needed

Warehouse operations do not have any written policies and procedures. Policies and procedures are needed to provide guidance to employees and to better define their responsibilities. They are especially important because warehousing operations involves two different divisions and multiple management levels. We found that written criteria is needed in determining:

- When to purchase parts on a just-in-time basis versus inventorying the part
- When inventory should be considered obsolete
- Whether low-cost parts should be expensed instead of inventoried
- When to reorder parts inventory

Warehouse employees stated that obsolete inventory could be reduced if there was a procedure in place to remove inventory when the last associated vehicle was eliminated. We were told that there is an informal policy in place.

Although there are some established practices in place such as inventory cycle counts that current employees perform, these practices could be discontinued if current employees leave. Procedures should be written which include description of duties, adjustments and access to inventory, inventory disposal, satellite shop operations and inventory count.

Fuel costs and risk could be reduced by increased management

Fleet Services manages and provides fuel for County vehicles. The fueling system is divided into several sections. Fuel can be obtained at six County stations (Yeon, downtown motor pool, Oxbow Park, Blue Lake Park, and Road Maintenance in districts 1 and 5), through Pacific Pride stations, or through regular public gas stations. The majority of fuel is obtained from three sources. Two are County operated, the Yeon building (36%) and the downtown motor pool (26%), and others are various Pacific Pride locations (30%).

The tracking of fuel transactions currently depends upon where fuel is obtained. Fueling responsibilities are scattered between F.R.E.D.S, Fleet Services and Transportation employees. No one person is responsible for managing the fuel system. Because fueling processes are separated, analysis and monitoring is fragmented, and does not occur on a system-wide level or may not occur at all. For example, no comprehensive fuel report has been developed to monitor all fueling activities. As a result, inappropriate fuel activity could occur and go undetected.

Some controls over fueling are in place. For example approximately 62% of fueling transactions occur at either the Yeon building or downtown motor pool. Personnel are present at these two locations during the day. Further, all critical data such as vehicle, location, date and time, gallons pumped, charges and driver identity is captured and electronically transferred to the fleet management system. A daily report is produced and reviewed for user entry errors and multiple vehicles using the same account. Information from the four other County stations is manually tracked and entered into the fleet management system.

In contrast to County fueling sites, we found that there is a higher risk of errors or abuse at Pacific Pride fueling locations because data is manually entered, individuals do not have to identify themselves when obtaining fuel, and fuel reports are not produced for analysis. We were told that several access cards have been lost and could be used by anyone with knowledge of the system if found before reported. These lack of controls, when combined with a significant increase in gasoline prices, results in a risk that fuel could be purchased for non-County vehicles and remain undetected.

Routine advisories to users could potentially reduce charges. We estimate fuel at Pacific Pride stations costs 21 cents per gallon more than County stations. We found that it may be possible to purchase more fuel from County pumps at the cheaper price. Both Pacific Pride and County pumps are cheaper than commercial stations. The top three Pacific Pride fueling stations were located within 4.5 miles of a County station. When practical, employees should consider fueling at County pumps.

With a better management structure, the County could manage risk and costs of this service. Pacific Pride does have the capability to identify the individual obtaining fuel and the new fleet management system has the capability to electronically receive Pacific Pride fueling transactions. Combination of this data with the fueling data already electronically received along with regular oversight would better insure against loss and allow cost savings.

County exposed to loss from fleet incidents

We found that the County is exposed to increased risk of loss from fleet incidents. Information about accidents and damages, citizen complaints, and traffic citations is not systematically gathered and used to identify, assess and respond to fleet risks. Furthermore, the County does not have comprehensive procedures to address problem drivers.

Gathering incident information identifies fleet risk. According to automobile insurers surveyed, risk can be assessed based on prior insurance history, the past three years of moving violations, and losses due to accidents or damages. As shown in Exhibit 15, we gathered and consolidated information from multiple sources regarding fleet incidents in the County over the past 2.5 years.

Exhibit 15

County Fleet Incidents

	Category			
	Accident - Damage	Citizen Complaint	Photo Radar Ticket	Total
Number of incidents	401	45	9	455
Percentage of total	88%	10%	2%	100%
Monthly average	13.8	1.6	0.75	16

Source: Fleet Services accident database, citizen complaint file, and photo radar log (1/98-5/00)

Of the 455 incidents, we were able to associate 332 incidents to County employee drivers. The remaining 123 incidents could not be identified because the driver's name was not available. Two-hundred sixty employees were involved in the 332 incidents.

While 80% of drivers were involved in only one incident, 20% were involved in multiple incidents. However, the 20% of employees (51) that had multiple incidents were involved in 37% of the incidents (123). Four employees were involved in four separate incidents each. Employees with multiple incidents should be further investigated and monitored to determine whether corrective action is warranted. Further, the County needs to develop criteria to categorize accidents as preventable or non-preventable.

We estimate that the average cost to the County for accidents/ damages is approximately $866 per incident. We analyzed 98 accidents/damages from July 1999 to May 2000. Of the 98 cases, 48 of the incidents incurred damages totaling $41,563 in County vehicle damage. Costs do not include damages to other's property, personal injury or workers compensation losses. Risk Management reported those costs totaled $252,582 during FY99-00. These costs result from liability and workers compensation claims and expenses associated with these claims.

Fleet risk has not been managed because no single entity is clearly responsible for this task. As a result, risk management is fragmented. For example, we found that:

- There is no centralized County call center for complaints. Because of this, complaints do not always reach Fleet Services or may be diverted to other departments in the County.
- No specific policy regarding unacceptable employee driving behavior exists.
- There is no clear charge to pro-actively manage Countywide vehicular risks.
- Data collected is stored in various formats (databases, paper logs, etc.).
- Data about driver behavior cannot be integrated because no unique identifier for drivers has been specified to collect this information.

The result is that information is not integrated to comprehensively identify and assess fleet risk. Thus, an employee with a couple of accidents, citizen complaints, and tickets would go unnoticed.

Fleet risk could further be reduced by a simple examination of drivers' licenses. According to recent research, one of every five fatal car crashes in the United States involves a driver who is not properly licensed. Administrative procedures require that employees must have a valid drivers license to operate a County vehicle and require employees to notify their managers when a status change has occurred in their licensing. Our investigation revealed that employee services or department managers may not routinely check licenses. In addition, motor pool attendants do not check drivers' licenses before issuing a vehicle. Without monitoring of licenses the risk of loss to the County is increased.

Objectives need to be realigned with public interest

Fleet Services should change their objectives and adopt procedures that supports effective management of fleet resources. Currently, they operate under a philosophy that views departments as their primary customer. Fleet Services states that they manage the supply of vehicles while departments manage the demand. As a result, there is no Countywide system to balance supply with demand and achieve efficiencies. County departments have considerable authority in determining fleet size, assigning take-home vehicles, and deciding fleet alternatives. This is contrary to Executive Order 150, which holds Fleet Services responsible for managing those activities.

To accomplish the objective of efficient fleet utilization, Fleet Services should make Multnomah County citizens their primary customer. The mission of F.R.E.D.S. (Fleet, Records, Electronics and Distribution Services) is to support County departments by providing cost-effective operational support services. Balancing cost efficiencies and user desires is a stated organizational value. Management has attempted to achieve this balance by providing an annual vehicle review, a rate structure that encourages appropriate user behavior, purchasing pre-owned vehicles and retaining surplus cars. These strategies have not been effective. As a result, we believe user satisfaction may override consideration of the publics' interest.

Important fleet management activities have been misplaced at the department level. Fleet Services has information and the expertise to manage fleet, whereas departments do not. To compound this, responsibilities outlined in Executive Order 150 cannot be carried out effectively because Countywide processes have not been established. Without strong policy and procedures

at the County level, departments have little guidance and Fleet Services has diminished ability to effectively manage these critical activities.

Centralization of fleet management never implemented

Strong processes will need to be established at the Countywide level. For example, departments should be required to justify obtaining and retaining their vehicles. Departments should also have strict criteria for acquiring take-home vehicles and guidance for analyzing fleet alternatives.

In response to the 1982 audit of Fleet Services, Executive Order 150 (Appendix A) was issued to improve the administrative framework for managing fleet. The Order delegated authority to the fleet manager for most fleet responsibilities and called for the establishment of a Fleet Users Committee to approve or disapprove of fleet policies and procedures. Order 150 also held departments responsible for policy compliance.

At that time, the fleet manager stated that the authority, responsibilities, and administrative structure – such as those outlined in Executive Order 150 – were necessary to efficiently manage fleet and address audit findings. The Fleet User's Committee described in Executive Order 150 does not exist, and if any Countywide policy and procedures were developed to manage fleet efficiency, they have long since disappeared.

Exhibit 16 and 17 illustrate the responsibilities as outlined in Executive Order 150 compared to current day practices.

Exhibit 16

Executive Order 150 outline of responsibilities

Fleet Services	Departments
Manages County fleet size	Comply with Fleet policy and procedures
Determines County fleet alternatives	Determines which employees are reimbursed for personal use vehicles
Manages process for take-home vehicles	
Determines type of vehicle	
Acquires/disposes vehicles	
Maintains/repairs vehicles	
Manages fueling	
Collects cost, fuel and mileage data	
Distributes costs to departments	
Manages a motor pool	
Rotate vehicles	
Administers driver's training programs	

Exhibit 17

Current practices description of responsibilities

Fleet Services	Departments
Acquires/disposes vehicles	***Manages their fleet size***
Maintains/repairs vehicles	***Determines their fleet alternatives***
Manages fueling	***Decides who gets a take-home vehicle***
Collects cost, fuel and mileage data	***Determines type of vehicle***
Distributes costs to departments	Determines which employees are reimbursed for personal use vehicles
Manages a motor pool	

As these two tables illustrate, each department is responsible for determining its own fleet size, type of vehicle, take-home vehicles, and fleet alternatives. All of these decisions made individually by departments collectively determine the County's fleet size and composition. This style of fleet management does not serve the best interests of the County or the public.

The actual implementation of Executive Order 150 would improve current practices. However, we believe that a Fleet User's Committee is not an appropriate policy-setting group for Fleet Services. Such a group would bring each department's perspective to the discussion, but the individual perceptions of users, rather than Countywide cost efficiencies, could guide policy decisions.

Fragmented program management and accountability exists

Lines of authority and communication are not clear for fleet operations and management. Fleet Services is one of four programs in the F.R.E.D.S. Division of DES. Some fleet responsibilities are assigned to employees who do not report directly to the F.R.E.D.S. manager. In some cases responsibility is split among several employees who do not report to the same manager.

Best practices suggest that there should be an on-floor shop supervisor for every 8-10 employees. In Fleet, there are 12.5 repair staff and one shop lead who also has repair responsibilities. Scheduling of repairs, which should be assigned within the Fleet repair organization, is handled by staff in the F.R.E.D.S. administration office. According to best practices, someone with repair experience can best handle this function.

Employees do not always have clear lines of communication to fleet management. For example, six different employees are involved with the collection of fueling information, across two

divisions. There is no management responsibility assigned to comprehensively monitor or analyze data. In addition, we found one case where management reports are routed to three different employees, none of whom analyze the reports, but each of whom assumes the others do.

Without the capacity to monitor operations, make corrections and analyze trends, effectiveness and efficiency may suffer. Because of DES personnel reassignments and special tasks, administrative resources dedicated to Fleet Services are spread too thin to effectively manage the County's fleet. There is not a full-time Fleet Services manager, instead the F.R.E.D.S. manager is responsible for managing Fleet Services. In addition, the F.R.E.D.S. manager was recently moved to the position of DES Deputy Director, retaining all responsibilities associated with F.R.E.D.S. Most other jurisdictions have a dedicated fleet manager responsible for all areas of fleet operations, and we recommend that occur in Fleet Services.

Internal communication problems, as well as leadership and overall organizational confusion were observed. A number of Fleet Services employees have been pulled away from daily duties by special projects. We believe these are concerns that compound performance inefficiencies, contribute to a poor working environment, and negatively impact moral. The F.R.E.D.S. 1999 strategic plan recognized the need to improve internal communication, but internal communication has become worse. For example staff meetings went from monthly in 1999 to only two meetings in the first six months in 2000.

The F.R.E.D.S. strategic plan also identified unclear staff leadership as a problem. We found that employees in maintenance, administration, and warehouse were still confused as to supervisory, peer, and subordinate relationships and that line staff were informally managing other line staff.

Recommendations

1. To achieve a Countywide administrative policy regarding fleet goals and objectives, the County Chair should reaffirm and update Executive Order 150 and remove the Fleet Users Committee.
2. Fleet Services should review their mission and objectives to better achieve a balance between good stewardship of public funds and user satisfaction.
3. To realize one-time savings, Fleet Services management should eliminate approximately 76 to 96 administrative sedans over the next two years. The majority of these vehicles should be from County departments and first be eliminated from older, higher mileage cars.
4. To manage Fleet resources in a more cost-effective, compliant, and equitable manner, clear Countywide procedures regarding fleet size, fleet type and take-home vehicle use should be approved and ultimately enforced through an exception process by the appropriate elected official.
5. Fleet Services should develop procedures that:
   a. Set vehicle assignment criteria for obtaining and retaining vehicles including utilization based upon minimum mileage and availability
   b. Require departments to formally justify adding new and replacement vehicles
   c. Limit vehicle acquisitions to compact or mid-size sedans when employee transportation is the primary function of the vehicle
   d. Develop stronger criteria for take-home vehicle use including commuting limits, and emergency and non-emergency definitions and guide elected officials in an approval process.
   e. Monitor take-home vehicle use written logs, to determine if it serves the purpose for which it was assigned

f. Require departments to formally demonstrate the need for take-home vehicle assignment and benefit to the County
g. Regularly evaluate fleet resources on a Countywide basis and remove or rotate under-utilized vehicles

6. Fleet Services should work with departments to develop strategies to adapt to a smaller fleet size such as sub-motor pools, improved methods for scheduling, rentals, buses, bicycles and the most cost-effective combination of personal vehicle reimbursement and County vehicle availability.

7. To improve maintenance and repair operations, Fleet Services should increase management oversight, develop formal shop procedures that match best practices, and use available data to benchmark performance.

8. The Transportation Division should work with Fleet Services to:

   a. Improve the accountability and security of parts inventory
   b. Develop the new Fleet Anywhere system to allow better monitoring, and to identify or dispose of obsolete and overstocked items

9. To reduce the risk of errors or abuse, analysis and monitoring of fueling activities should be improved at a system-wide level.

10. To improve Fleet Services ability to monitor fueling activities, all fuel transactions should be automated and driver identification should be required.

11. To identify and assess fleet risks, Fleet Services should centrally gather information regarding accidents and damages, citizen complaints, and traffic citations.

12. To better respond to fleet risks, Fleet Services should work with Risk Management to develop procedures to manage problem drivers.

13. To improve lines of authority and accountability, the Department of Environmental Services and Fleet Services should:
    a. Dedicate a full-time manager to fleet operations
    b. Consolidate maintenance and repair employees under one supervisor and clarify management/subordinate relationships

c. Increase process inefficiencies by consolidating fragmented fuel functions and reducing the number of employees needed to perform duties
d. Ensure that administrative support resources are sufficient to comprehensively monitor and analyze operations

14. The Finance Division should ensure that County take-home vehicle procedures are sufficiently detailed to allow interpretation of IRS procedures that determine exemptions of personal use.

15. The Finance Division should ensure that employee payroll deductions for take-home vehicles are strictly enforced. Departments and elected officials should provide adequate records to the Finance Division.

Appendix A

Executive Order 150

MULTNOMAH COUNTY, 0REGON

EXECUTIVE ORDER NO. 150

It appearing to the County Executive that a need exists for an enhanced administrative framework defining more clearly the rules, responsibilities and procedures regarding fleet use and management, now, therefore, it is hereby

ORDERED that fleet management in Multnomah County be accomplished in accordance with the guidelines set forth herein and the administrative procedures and internal policies that are developed to supplement this Executive Order. This Order, the supplemental administrative procedures, and internal policies shall be applicable to all County vehicles assigned to, used, or operated by County departments, division, sections, offices, or employees, or by any group, district, agency or program not governed by the County Executive but to whom the County Executive extends the privilege of County Fleet Services. These rules do not apply to elected officials.

I. Definitions

For the purpose of this Executive Order, certain terms are defined as follows:

Vehicles	All County owned or leased motor vehicles
County Executive	County Executive of Multnomah County
County	County of Multnomah, Oregon
Fleet Management Section	A section of the Department of Environmental Services, Division of Operations and Maintenance

II. Fleet Administration

A. All vehicles shall be deemed to be administratively located in the Department of Environmental Services. Purchase or acquisition of all vehicles shall be made by the Fleet Management Section through the Purchasing Division. Title to all County vehicles will be received and accepted by the Fleet Management Section, regardless of the individual or unit to which the vehicle is assigned, and regardless of the source of funding for purchase of the vehicle. All vehicle leases will be initiated and approved by the Fleet Management Section.

B. The Fleet Administrator shall have the authority and responsibility for the following:

1) To determine vehicle specifications; the appropriate retention period or turnover rate for vehicles; the appropriate assignment of vehicles to departments, programs, and individuals; the appropriate method of disposition of surplus vehicles; the number and type of new vehicles required to maintain an efficient and economical fleet; the number, size, and location of fleet circulating pools to be operated by the County; the contractual or mass transit alternatives to vehicle purchase and maintenance; the appropriate method for recovering all Fleet Management expenses through user charges; and the appropriate method and location of fueling.

2) To call together, on periodic basis, the Fleet Users' Committee, and with the concurrence of the appropriate, Department Directors, to appoint the members of the Committee, except that the permanently appointed members are the Director of Operations and Maintenance, the County Department Directors or their designated representatives, and the representatives of high volume user programs.

C. The Fleet Administrator shall further have authority and responsibility for:

Rotating vehicles between users to allow for equalized replacement scheduling; administering County diver training programs as necessary; notifying the appropriate supervisor of any complaints received concerning County drivers or any reported use of County vehicles in violation of the established rules governing the fleet, and the overall management of he County's fleet.

D. The Fleet Users' Committee shall be responsible for reviewing and approving or disapproving fleet related administrative procedures prior to submission to the County Executive. Any member of the Fleet Users' Committee or the Fleet Administrator may request review of, and approval or disapproval of any proposed or existing internal policy. Approval or disapproval shall be made by a majority of those members present.

E. The Department Directors shall have the authority and responsibility to determine which of their employees shall be authorized to receive reimbursement for use of their private vehicles.

The Department Directors will further be responsible for assuring that their user programs comply with the Fleet Management related administrative procedures and internal policies.

III. Fleet Maintenance

The Department of Environmental Services, Operations and Maintenance Division, shall provide service maintenance and repair for all County vehicles, except when the Division's workload would result in excessive down time. In such instances, or when cost savings may be achieved, the Fleet Administrator may, after consultation with the Director of Operations and Maintenance Division, Department of Environmental Services, have such services performed by outside contractors, providing such contracting is not in conflict with any then current Agreement with County employment bargaining units.

The Division of Operations and Maintenance shall also determine the appropriate inventory levels for gas, oil, parts, and tires. The Division of Operations and Maintenance shall further be responsible for assuring all appropriate fleet data is compiled and entered into the automated fleet management system.

IV. Repealer Clause

This Executive Order supersedes and repeals Executive Orders 95, 95A, and amended 95A, and any other Executive Order delegating authority for fleet management.

Appendix B

A reduction in fleet size from 76 to 96 vehicles will result in estimated savings of $559,694 to $850,667 over the next two years. According to our analyses, savings would result from not replacing vehicles. Additional savings would be realized from salvage value of disposed vehicles, and cost per mile savings resulting from the shift to more efficient cars.

Savings calculations for a reduction of 76 vehicles finds that 50 vehicles are surplus while the remaining 26 vehicles are scheduled for replacement. Surplus vehicles are not intended to be replaced or may have already been replaced, thus the elimination of these vehicles will not result in a replacement savings. However, one-time savings of $377,000 would result from not paying to replace the 26 vehicles scheduled for replacement (see Exhibit 18). The newest vehicles are from 1992 with an additional two years remaining on their replacement cycle. Accordingly, the replacement savings would be realized over the next two years.

Exhibit 18

Replacement Savings from 76 vehicles

	Vehicle Class			
	Full-size	Mid-size	Compact	Total
Number	5	17	4	26
Savings per vehicle	$19,500	$13,500	$12,500	
Total	$97,500	$229,500	$50,000	$377,000

Source: Department program vehicle logs and downtown motor pool trip tickets (3-6-00 to 3-17-00)

Salvage value of the vehicles can also be recovered. Our calculations identified the typical vehicle as a 1992, mid-sized sedan with 64,000 miles. A conservative typical trade-in value was found to be approximately $1,425. We estimate that a one-time salvage value savings of $108,300 could be realized with a 76-vehicle reduction.

Over the next two years savings of $74,394 can also result from the shift to newer, more efficient vehicles. Using data from

Fleet Services, we determined that the average maintenance and operation cost of the 76 vehicles was $0.262 per mile. With the elimination of the 76 older administrative sedans, average cost per mile of administrative sedans would be reduced to $0.124. If the 268,500 miles driven miles driven last year by the 76 vehicles were transferred to the remaining more efficient administrative sedans, we estimate an on-going yearly savings of approximately $37,197 would be realized.

Using the savings calculation methodology above, we estimated savings if 96 vehicles were eliminated. We estimate that not replacing 44 vehicles will save $620,000 (see Exhibit 19). Salvage value for the 96 vehicles amounts to $136,800. An on-going savings of $43,933 per year for using more efficient fleet vehicles was calculated, equaling $93,867 over the next two years.

Exhibit 19

Replacement savings from 96 vehicles

	Vehicle Class			
	Full-size	Mid-size	Compact	Total
Number	5	35	4	44
Amount of replacement	$19,500	$13,500	$12,500	
Total	$97,500	$472,500	$50,000	$620,000

Source: Department program vehicle logs and downtown motor pool trip tickets (3-6-00 to 3-17-00)

Responses to the Audit

Beverly Stein, Multnomah County Chair

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M E M O R A N D U M

To : Suzanne Flynn
From : Beverly Stein
Date : September 12, 2000
Re : Fleet Audit

Thank you for the opportunity to review your draft of the Fleet Services Audit**.** I agree with much of your analysis and I will move quickly to implement your major recommendations, with the understanding that full implementation of some changes will take time.

OVERALL GOAL: IMPROVE BALANCE BETWEEN CUSTOMER SERVICE AND COST EFFICIENCY

Your audit findings highlight the need for a greater balance in how we administer Fleet Management. In the past, Fleet operated primarily as a customer driven organization, responding to the program needs of County employees. Our highest value has been to make vehicles available to best serve our clients. Our goals have been to:

1. maximize responsiveness to the community, for instance by having our probation officers visit ex-offenders in their homes - sometimes with cars adequate for transport of offenders if needed,
2. maximize our responsiveness to clients such as those seen by case managers in Aging Services,
3. minimize the number of employees who need to drive to their workplace,
4. maximize the efficient use of employee work time, recognizing that we have direct service employees located in many locations, to more effectively serve the public, and
5. maintain stability and reduce rates charged to users.

Your audit indicates that we can strike a better balance between the availability and the most efficient deployment of our sedans. I agree.

ACTION PLAN

1. IMPLEMENT STRONGER CENTRAL MANAGEMENT ROLE

In the past, Fleet has relied on Departments to monitor vehicle usage and to work efficiently to minimize costs. Your findings indicate that you believe that greater efficiencies are possible, and that these efficiencies can best be implemented through **more centralized management** which has the authority to determine the number of vehicles assigned and the ability to find efficiencies that cut across departmental lines.

To implement this stronger role, I have issued **a revised Executive Rule** that creates a stronger, more centralized Fleet operation. The Fleet Services Manager will issue **new utilization and vehicle purchase standards** for departments. These standards will consider both mileage and percentage of days actually used. Decision making for the placement of vehicles for the Departments will rest with Fleet.

2. REDUCE OUR RESERVE VEHICLES

On October 21, 2000, the County will sell at a **public auction at least 41 vehicles – over 80% of the reserve sedans** considered in the audit. These are vehicles that are reaching the end of their useful service life to the County. Many of these vehicles are older vehicles that have provided back up for County operations. The sale will yield one time only revenue.

3. REVIEW VEHICLE DEPLOYMENT FOR FURTHER SAVINGS

In addition, I will ask Fleet Services to **reevaluate current vehicle placement** in the numerous County service sites to determine maximum cost efficiency.

This analysis will consider tradeoffs involved in employees using personal cars, better scheduling procedures, and other modes of transit. This analysis will be completed by January 1, 2001 and should result in freeing up additional sedans.

Long term cost reductions will only come when sedans are eliminated that Departments have assumed an ongoing use for and pay annually into a replacement fund. If efficiencies result from those vehicles not being needed, departments can reduce that ongoing expenditure from their budget.

4. DEVELOP STRONGER STANDARDS FOR TAKE HOME CARS

I will ask Fleet Services to coordinate the development of **clearer guidelines on the assignment of take home vehicles.** Take home vehicles are traditionally assigned to County personnel who are on call during evenings for emergencies, often related to public safety, property maintenance, or transportation. Departments will retain responsibility for **the monitoring of these vehicles and justifying their use annually** to Fleet Services. Because most of these vehicles, which were the focus of your audit, are under the control of the Sheriff and District Attorney, Fleet's role here can only be advisory.

5. STRENGTHEN THE DIRECT MANAGEMENT OF FLEET

I will ask DES to create a **Fleet Operations Manager** position using existing Fleet program resources. I will work with DES in the preparation of next year's budget to determine whether other administrative changes are needed. I am reluctant to increase administrative costs without a clarification of roles and responsibilities within Fleet and full implementation of the new management information system discussed in your audit.

6. APPLY AUDIT LEARNINGS TO THE ENTIRE FLEET

I will ask DES and FREDS to **apply the learnings from the audit throughout Fleet** to determine what additional efficiencies are possible. That will involve developing and applying utilization and take home cars guidelines to the entire fleet – not just sedans - to determine if there are comparable savings in other areas.

7. ENSURE COMPLIANCE WITH IRS REGULATIONS

Our Finance Director **will insure that County policies and procedures are fully compliant with IRS regulations** on the use and reporting of take home cars as a potential taxable benefit. The Director will also see that the policies are strictly monitored and enforced.

8. DEVELOP POLICIES TO MINIMIZE COUNTY LIABILITY

Our Risk Manager will **assess and develop policies designed to minimize the County's liability** from drivers of the County fleet, including potential liability issues raised by the use of take home cars. Specifically, Risk will develop standards for acceptable driver safety performance and properly enforce them. Also, Risk will implement a system automatically informing the County if an employee loses his/her license. In the long term, Risk will study how to determine whether accidents were preventable and how to respond appropriately.

9. WORK CLOSELY WITH SHERIFF AND DISTRICT ATTORNEY

Many of the issues you raise relate to vehicles used by employees under the administrative control of other Elected Officials – the Sheriff and District Attorney. However, I am confident that these officials are as concerned as I am about efficient use of this resource and will seriously consider the new guidelines that are developed. FREDS will work closely with them to develop policies on the take home cars under their control and I will work with those officials on the budget implications of their decisions.

10. EVALUATE LONG TERM POTENTIAL FINANCIAL IMPACT

We cannot accurately judge the financial impact of these actions. The one time revenue from selling reserve vehicles is relatively certain. Less certain is the calculation of savings in removing vehicles scheduled for replacement or in transferring vehicles to avoid the expense of purchasing new cars.

Fleet Services has operated on a lean central administrative structure. Several of your recommendations indicate that additional or reprioritized staff is needed to maximize efficient operations. Increased Fleet administrative staff may have to be balanced against overall savings and impact on rates.

Our real measure of success will be our ability to increase our utilization rates, both in terms of miles driven and percentage of days the cars are in use, without impacting the delivery of direct services to the public.

I am encouraged by your informal assessment of the quality of employees at Fleet Services. **You have highlighted needed systems improvements that we can make and implement with our experienced, quality workforce.** I thank you for your work on behalf of all County taxpayers.

Multnomah County Sheriff's Office

12240 N.E. GLISAN ST. PORTLAND, OREGON 97230

DAN NOELLE
SHERIFF

(503) 255-3600
TTY (503) 251-2484

September 7, 2000

Suzanne Flynn
Multnomah County Auditor

Re: Auditor's Report of Fleet Services

Dear Suzanne:

I support the Auditor's effort to provide a report and recommendations on Fleet Services in Multnomah County. In response to this report, I would make the following observations.

The Multnomah County Sheriff's Office 1999 Agency Manual outlines in detail the criteria for assignment of take home county vehicles. The policy is reviewed on an annual basis. We are in the process of updating the Agency Manual. We will analyze County policy and Sheriff's Office policy to determine that we are acting within County guidelines and that our policy ensures the best possible application of public safety standards to the citizens we serve.

We are also in the process of determining our need for administrative vehicles as we move part of our staff to the Multnomah Building. To date we have eliminated three administrative vehicles that were not on the replacement schedule. Our Auxiliary Services Manager has been assigned to study the mileage and usage of the remaining administrative fleet. Where possible, we will utilize the County administrative fleet located in the Multnomah Building. It is anticipated that as we begin to understand our administrative vehicle needs at both the Hansen Building and the Multnomah Building, we may be able to eliminate more vehicles.

I have also asked my staff to again study the usage and assignment of all vehicles used by our office. As you may be aware, we trimmed approximately $600,000 in fleet costs during the last three years. My staff and I remain committed to operating our fleet of vehicles in the most cost efficient manner as possible. I appreciate the effort of the Auditor's Office to assist us in this area.

Sincerely,

DAN NOELLE,
Sheriff

Department of Environmental Services

MULTNOMAH COUNTY OREGON

1600 SE 190th Avenue, Suite 224
Portland, Oregon 97233
(503) 248-5000 phone
(503) 248-3048 fax

September 8, 2000
Suzanne Flynn,
Multnomah County Auditor

Re: Management Response to Fleet Audit

Dear Ms Flynn:

We appreciate the efforts that the Auditor's Office has put into this report and have found several issues raised that can be used to improve the County's use of Fleet Services. This memo will: identify the major issues raised in the audit and the Department of Environmental Service's planned actions; review the specifics of the report and provide additional information and background related to the issues; and respond specifically to each of the recommendations included in the audit report

MAJOR ISSUES and PLANNED ACTIONS

The audit report identifies **seven significant issue areas** and presents some opportunities to improve in each area. Many of these issues arise out of the County's current system in which the Departments manage the demand for fleet services and Fleet Services manages the supply of fleet services. The auditor's recommendation to resolve these issues through a change to the basic emphasis of Fleet Services from a purely support service to a support and control organization is a significant change and can be expected to increase administrative efforts both in Fleet Services and in the departments. A cost/benefit analysis has not been done to demonstrate that this approach will result in long-term net savings.

#1 Fleet Size

The first issue raised in the report is the number of administrative sedans needed in the County fleet. The Auditor's view is that the County fleet is underutilized and that there are significantly more vehicles than are needed to operate the County programs. Many of the vehicles identified as excess are older "reserve"

or "surplus" sedans that have been retained by departments after having been replaced through the County's fleet replacement program. **The audit recommends the County reduce the fleet size by first addressing these older higher mileage sedans.**

DES agrees that fleet size can and should be reduced and that the reduction in the number of the older "reserve" sedans should be the first to be reviewed and considered for reduction. In October, Fleet Services will sell at auction 41 older vehicles from the fleet. We will complete a review of the rest of the sedan fleet by January, 2001 to determine how many additional vehicles can be cut from the remaining inventory. To establish and maintain an appropriate balance between departmental operational needs and overall fleet efficiency, **Fleet Services will establish utilization policies, standardized vehicle logs, and an ongoing methodology to review vehicle utilization and fleet size.**

#2 Take-Home Cars

The second issue area identified involves take-home cars and a lack of sufficient policy criteria, monitoring methodology, and review processes to ensure that the take-home vehicle assignments are an appropriate and practical response to County needs. **DES agrees** that additional policies and procedures are needed to provide guidance to elected officials and departments in appropriate assignment of take-home vehicles. **Fleet Services will develop a written policy, monitoring methodology, and review process** for use by the departments and elected officials to aid in achieving this goal. It should, however, remain clear that the policies developed would only be advisory to the Sheriff and District Attorney whose agencies' vehicles were the focus of this portion of the audit.

#3 Fleet Maintenance

DES agrees that there are opportunities for improvement in fleet maintenance practices. **DES also believes** that comparisons to national benchmarks and internal measures made in both the audit report and this response when looked at in a comprehensive manner clearly show that **Fleet Services produces very good outcomes** in terms of costs, vehicle availability, and customer satisfaction. The audit points to the need for clearer organizational structure and additional management and administrative capacity to improve management oversight of the mechanic staff, monitor operations, and analyze trends. **We agree that additional capacity is required** to implement the Auditor's recommendations.

#4 Parts Inventory

The audit did not find any abuses although it suggests that: accountability for the parts inventory be strengthened; warehouse security be increased; and that the inventory size be reduced. **DES agrees that the suggested changes would be improvements and will be implemented.**

#5 Fuel Management

DES agrees that fuel management deserves further study and cost/benefit analysis. Additional efforts in these areas may produce benefits, but may also require additional administrative focus, staff time, and money. **DES is reviewing the fuel management structure and will develop and implement a plan of improvements by the end of the fiscal year.**

#6 Driver Incident Data
The sixth issue area involved the potential benefits of increased organization and analysis of vehicle accidents, traffic citations, and citizen complaints related to drivers. **DES agrees** that this is an area deserving additional attention. We feel that this would best be addressed by having: **Fleet Services gather the data and provide it to Risk Management; Risk Management develop policies related to problem drivers, analyze the data, and identify problem drivers; and the departments deal with the problem drivers.**

The **final issue** area involves the overall structure and philosophy of how fleet services in Multnomah County are administered and fleet related decision making occurs. The report describes that "Fleet Services has the expertise and data to best manage fleet vehicles and to make decisions that serve the County's and public's interest." It further states that "Strong and comprehensive procedures are needed to manage fleet resources in a cost effective and equitable manner." In the current approach, the departments manage the demand for fleet services and Fleet Services manage the supply of fleet services. The audit suggests that this approach has not been effective because certain fleet management activities are misplaced at the department level, as opposed to centralized. **We agree that policies, procedures, and compliance requirements in a number of areas could significantly improve the operation and management of the County's fleet. DES also agrees that Fleet Services has the technical expertise and data to develop these tools and that use of the tools can improve the departments ability to manage their demand for fleet services. A better combination of Fleet Services expertise and the departments' thorough knowledge of direct service delivery requirements can improve vehicle utilization and overall fleet use.**

The development, monitoring, compliance review, and enforcement of these policies and procedures will require additional administrative effort in the departments and Fleet Services. It will also require, as the audit suggests, additional staff in Fleet Services.

BACKGROUND
DES believes that a few root causes of the issues raised in the audit can be identified and that the following information can provide a better context for reviewing the specific issues.

Administration in Fleet Services and FREDS overall is spread too thin to accomplish the level of management oversight recommended in the audit. Fleet Services' thin administration has led to insufficient guidance being provided to the departments and elected officials in the form of formal written policies and procedures to adequately aid them in managing the demand for fleet services. We further believe that the excessive retention of previously replaced vehicles has contributed to under-utilization of some fleet vehicles and to raising the average repair and maintenance cost per mile.

Over the years decisions have been made at DES to add significant responsibilities and scope of work to FREDS without the significant addition of administrative and management staff. The

description below related to the creation of FREDS as an organization may provide some insight into why this has occurred.

While we believe that the thin administration mentioned in the audit may be the cause of some of the other issues raised, we also believe that the "**thin" administration is not an oversight, but a conscious decision** made with the creation of the Fleet, Records, Electronic and Distribution Services Division (FREDS). FREDS was organized under the guiding principle that any money spent on support services is money not being spent on direct services and that the provision of direct services to the public is the purpose of the County. The FREDS Manager has held the view that additional administrative and management staff should only be hired if it could be demonstrated that the annual cost of the additional staff would be offset annually by an equal amount of savings. This approach leads to less management, as well as, less staff than other organizations might devote to the services.

FREDS mission is to support County programs and other requesting government agencies in their delivery of services through the provision of cost effective operational support services. Rather than organize Fleet Services under a Fleet Manager, Records Management under a Records Manager, Electronic Services under an Electronic Services Manager, Distribution Services under a Distribution Manager, and a departmental budget and finance organization under a Budget and Finance Manager, DES has chosen to put all of these responsibilities under a FREDS Manager. Most organizations of Multnomah County's size would have separate managers over each of these five programs. We like to think of it as five managers for the price of one.

It is and has been recognized that the level of management provided to each of the FREDS' sections is less under this structure than under a structure with five managers, but we believe that the savings have outweighed the benefits of increased management. We also believe that this audit has pointed out that this effort to minimize management and administrative costs may have reached and exceeded it's limits. This was particularly true during the audit when FREDS was also implementing a new fleet management information system, preparing for MERLIN implementation, negotiating with Portland Public Schools on the provision of fleet services, preparing to go through significant staff changes, and adding DES budget and finance to our responsibilities.

REVIEW OF REPORT SPECIFICS

The rest of this memo will discuss the specifics raised in the audit and describe the Department of Environmental Services response to the Auditor's Office's recommendations.

Fleet Size and Vehicle Utilization

As mentioned above, we agree with the audit's conclusion that the number of administrative cars in the County can be reduced, but further study is required before determining the level of fleet reductions possible without impacting service delivery to the public.

Fleet Services has used a basic mileage measurement to identify vehicles that are underutilized. We report to the departments each year during the budget development our recommendations that further analysis be performed on all vehicles driving less than 4800 miles to determine if the vehicles could be eliminated from the fleet. We changed our rate structure a few years ago to encourage the departments to reduce the number of vehicles driven less than 4800 miles by establishing a minimum monthly usage charge that assumes 400 miles are driven each month.

In many cases it was reported to Fleet Services by the departments that the field office approach used as a method to be close to their clients resulted in many trips of short duration to be needed. This seemed logical. The Auditor took the next logical step to validate or invalidate the reports of many short trips with few miles driven. They took a sample of eight sites with low mileage utilization and looked at how frequently the vehicles were actually driven. Their analysis indicated that the vehicles were not only having limited use in terms of miles driven, but also in terms of number of trips driven. We believe, however, that further study is needed before fully implementing the Auditor's recommendation .

First, we feel that studying a longer period of time than the single two week period in March that the Auditor had available would be prudent before such important decisions are made. Such a short period at so few sites can be easily impacted by minor events. For example, if an unusual number of staff were in training or on vacation or sick leave the numbers would be distorted. If the services provided had any seasonal influences, the sample time period may or may not reflect this. We think that a longer experience period would help us analyze the size of vehicle reductions possible.

Secondly, the data available to the auditor was incomplete and potentially inaccurate. As the auditor points out, consistent use of vehicle checkout logs does not occur. Some offices in the sample used logs and others do not. We also have been told that the logs that were utilized as the data source were not consistently used in the field offices. So people took trips without recording the trip on the logs. These situations could significantly influence the outcome of the sample study. Implementation of required use of vehicle logs will improve the quality of information over what was available to the Auditor.

The third area of concern is whether the fleet sites used as a sample are representative of the countywide fleet. We do not believe that they are and that further study is needed. The sample departmental sites were, we believe, originally selected to validate or invalidate the theory presented by departments that cars with limited mileage have significant usage in terms of time in use. The Auditor, therefore, looked at sites with sedans that had low mile utilization. Of the 68 administrative sedans at the eight sites 87% of the sedans had less than 4800 miles of annual use. A quick review of a map provided by the Auditor showing where administrative sedans are assigned and data from Fleet Services shows that the 65 sedans at MCSO sites and the District Attorney sedans have 28% falling in the category of under 4800 miles of use. We believe that this huge variation between the two sample groups indicates that neither would be representative of the countywide fleet and that further study is needed. A review of all County sites, which was not possible during the audit will resolve this issue.

Again we want to emphasize our belief that the Auditors conclusion the County fleet is underutilized is accurate, but that the vehicle reduction needed may be overstated. The specific actions to be taken to analyze the amount of under utilization existing in the County fleet are described in the "Audit Recommendations and DES' Responses" found later in this memo.

Take-home Cars

The assignment of take-home vehicles has traditionally been primarily for emergency response during non-working hours related to public safety, property maintenance, and road and bridge maintenance. The assignment has also been made when travel directly to a job site rather than an office site would save money or improve service. **We agree that improvements would result from formalizing assignment policies, documenting the benefit to the County of each take-home assignment, monitoring the actual benefits and costs, and reevaluating the need for the take-home car annually.** Fleet Services will work with the departments, MCSO, and District Attorney to develop policies and procedures that will be used by the departments and be available to be used by the elected officials.

Fleet Maintenance Performance

Supervision

We agree that shop supervision is thin and that additional supervision would reduce some problems through increased direct management of the mechanics, but feel that the benefits would be outweighed by the additional expenses. The audit report points out that maintenance supervision is at best 25% of recommended levels of direct oversight. (This is consistent with the overall FREDS approach to minimizing administrative and management staff.) We recognize that the increased direct management resulting from additional supervision could reduce the noted safety and personal use issues mentioned. It would also increase the personnel costs, so we have looked for alternative solutions to the two problems cited. We have implemented a new shop safety inspection schedule with inspections performed every two weeks in addition to the OSHA required quarterly inspection schedule. We have asked the Auditor to review our current policy of restrictions on use of shop equipment and advise us on improvements that could be made.

Performance Indicators

We believe that Fleet Maintenance performance indicators when viewed in the context of Multnomah County's fleet age, utilization, and replacement schedule reveal above average outcomes.

Indicator	National Benchmark	County	Comparison
• **Downtime**	**2%**	**1.9%**	**5% better than benchmark**
• **24 Hour Turnaround Time**	**70%**	**70%**	**Meets benchmark**
• **48 Hour Turnaround Time**	**90%**	**Not stated**	**Does not meet benchmark**
• **Miles Driven per Mechanic Labor Hour**	**747 miles**	**950 miles**	**27% higher than benchmark**
• **Maintenance and Repair Cost per Mile**	**$0.081**	**$0.0726***	**10% better than benchmark**

***Adjusted for low utilization and surplus cars- See below explanation**

Maintenance and repair costs per mile are, as the Audit points out, a typical fleet performance measure. It is one of a number of important indicators that need to be viewed together because they have such close inter-relationships to create a complete view of performance. As with most things striking the right balances between indicators is the key to success. For example, vehicle repair costs and vehicle replacement schedules have a direct relationship. We could dramatically reduce our vehicle repair costs by replacing sedans every 4.5 years rather than every nine years, but that would double our replacement charges. If we assumed that we could reduce our repair cost to half of the benchmark rate mentioned in the audit by reducing our vehicle replacement schedule in half to 4.5 years and we further assumed a 10,000 miles of annual usage, we would have repair costs reductions of $ 585 per year but increased our replacement charge for a subcompact by $1389 per year. Clearly a more expensive approach. The point of this example is that we have to look at a full picture of performance indicators and circumstances rather than look at them in isolation.

As a further illustration, let's examine the maintenance and repair costs with consideration given to the under utilization of some vehicles and the retention of older "reserve" vehicles. The maintenance and repair costs cited at $0.099 per mile reflects a fleet that has some underutilized sedans and which contains a significant number of old "reserve" (replaced and retained) vehicles. As Appendix B of the Audit points out, eliminating 76 of the least utilized and oldest vehicles would lower the operating and maintenance cost of sedans to $0.124 per mile. Our average operating cost per mile for the administrative sedan classes was $.0514 per mile during the audit period. Subtracting this from the $0.124 per mile operating and maintenance cost would result in a maintenance and repair cost of $.0726 per mile or 10% better than the $.081 per mile benchmark cited. Since the benchmark organization used would most likely not have significant under-utilization and "reserve" vehicles, it makes sense to us to adjust the data to properly compare to the benchmark. As a measure of fleet maintenance cost performance, this is a benchmark comparison of which the County should be proud.

While we can be proud of the cost per mile benchmark, it would not be meaningful without looking at downtime, turnaround time, and a breakdown measurement. By this we mean that a low maintenance cost per mile would not mean much if the vehicle was constantly breaking down, sitting in the shop frequently for long periods of time and repaired in a "bandaid" manner to keep the cost per mile down.

The Audit report did look at our downtime and mentions that it is 1.9% for administrative sedans, 5% better than the national benchmark. They also looked at turnaround time and noted that we met the national benchmark of 70% of repair orders being completed in 24 hours, but have some work to do to meet the other turnaround time benchmark mentioned of 90% completed within 2 days. We will need to explore methods of improving this second benchmark. The audit report also cites a miles per mechanic labor hour and shows that we beat this national benchmark by 27%. These last three comparisons to national benchmarks are even more impressive considering that they have not been adjusted to reflect our retention of older "reserve" sedans. **We feel that the audit data show that the fleet maintenance performance is overall very high and above national benchmarks in most areas.**

Customer Measures

Fleet Services charge system is based on best practices and rates charged to customers have improved significantly over time. Fleet Maintenance customer satisfaction is high with over 97% positive responses in all areas measured.

As noted earlier, FREDS and Fleet Services is a customer service focused and driven organization. We look not only at our internal costs, but how those costs impact the customer. Our rate structure system is designed to match best practices by: identifying the total cost of fleet management; operating through an internal service fund; utilizing an internal market system through charges; charging fixed rates for ownership costs for replacement and administration; charging per mile charges for operating and maintenance expenses; and having direct charges for accidents, damage and abuse. This structure is designed to promote responsible and appropriate fleet use by the customer programs. In addition to these system approaches, it is important from a customer standpoint a good rate structure should be predictable and stable. The County's charge rates accomplish this goal.

Since charge rates are structured and calculated differently by different organizations, comparisons between organizations require significant research and adjustments to be credible. For this reason, many organizations compare their performance internally over time. Fleet Services has been tracking our charge rates since 1983 and the results are shown below. The table shows the percentage change in rates charged between FY83/84 and FY99/00. Rates are adjusted for inflation. See Attachment 1 for complete details.

Fleet Rates - % Change FY 83/84 to FY99/00

Vehicle Type	Mileage Rate	Replacement Rate	Overhead Charge	Total charge for 7000 Miles of Use
Subcompact	-50.46%	+27.23%	-33.32%	-23.59%
Midsize	-46.42%	-8.75%	-33.32%	-30.08%

Another area that we consider when monitoring our performance is customer satisfaction. We do this by using data from Customer Reports. We provide a Customer Report to the person picking up each vehicle brought in for service or repair. The customer can return the card with comments which are reviewed by the FREDS Manager, data input into a spreadsheet, reviewed by the Customer Service Representative and returned to the mechanic providing the service. The intent is to provide the customer with a method of pointing out problems, the division with customer satisfaction data, and the mechanic feedback on their performance. While returns of the cards have dropped off since the program was initiated in late 1996, 489 cards have been returned. The table below shows a summary of results received to date. While there is room for improvement particularly in the number of responses, we are proud of positive ratings of over 97% in all areas.

Fleet Services Customer Report Summary

	Problem Fixed		Timely Service		Courteous Staff		Overall Performance			
	Yes	No	Yes	No	Yes	No	Excellent	Good	Fair	Poor
% of Total	98 %	2%	98%	2%	99%	1%	73%	24%	2%	1%
Count to Date	476	11	480	9	477	4	355	119	10	5

We believe that the information included in the audit report and other information mentioned above shows that as measured for costs, downtime, turnaround time, and customer satisfaction fleet maintenance performance is very good and improving. We also believe that the audit has highlighted to us a number of areas that may or may not impact these general performance areas, but would improve our organization. The difficulty will be balancing the costs and benefits of making the changes.

The audit reveals that we do not have good compliance with our preventative maintenance program. This is an area that will be improved with the implementation of a preventative maintenance notification system available in our new fleet management information system, FleetAnywhere. Staff have been assigned to not only implement the new notification system, but to review the PM schedule itself. With the lack of compliance with the PM program, we would have expected the cost and downtime measures to be bad. Since as shown above these measures are very good, we need to explore this further.

Parts Inventory

Accountability and Security of Inventory

The audit report identified concern over inventory count discrepancies and inventory adjustment practices. The recent additions of Portland Public Schools, Fleet Anywhere and SAP has caused us to begin a process to document roles and responsibilities of warehouse personnel. **We are confident these written procedures will remedy these concerns. We will target having written procedures developed and in place by January 1, 2001.**

Sketches and ideas have been drafted to address another concern noted in the audit report regarding building security. **Security improvements will target additional physical restrictions to restrict access of non-warehouse personnel throughout the warehouse.** This effort will focus to reduce concern of theft in the assessment of inventory discrepancies. The implementation of these improvements shall be performed by December 1, 2000.

Inventory Monitoring and Disposal

The migration of inventory into the FleetAnywhere system has already influenced some operational processes. Segregation of job duties has been established to support the system requirements of SAP and FleetAnywhere. Our initial focus targeted a process that will stand the test of a financial audit. Both SAP and FleetAnywhere adopt similar logic in how goods are procured to their eventual sale. We will continue to implement new processes and procedures that support FleetAnywhere, SAP and the warehouse personnel roles and responsibilities to satisfy a financial or operational audit test. These processes will provide some latitude and exception for our remote sites. At the Hansen Station and Blanchard building we will ensure we have adequate warehouse presence and oversight to monitor inventory movement.

We do want to recognize that we will continue to reduce inventory that has no useful value or purpose to the County. In achieving this goal we will develop written procedures that will tie into the vehicle/equipment auction program. It will act as a notification process to alert all Fleet related personnel of equipment that is targeted for auction. In our efforts to address nonessential inventory, we also recognize that reducing the volume of inventory will have a positive effect on personnel resources and inventory space needs.

Fuel

The audit mentions improvements needed in fuel management. **A review of all of the fueling systems has been assigned to staff with a recommendation on improvements due in December**. The current situation has evolved over time and has areas that can be improved. Given how thin our administrative staff is, choices are always made as to where to focus our attention. Fuel administration has not been high on the priority list partially because we knew that some changes that are needed will require a significant amount of administrative effort and may have only minimal, if any, improvements to our costs.

While the fuel from County fuel sites, Pacific Pride sites, and credit card purchases are processed separately, there is not a duplication of effort or inefficiency in the structure. Fuel is ordered by one person and paid for by another, which is a typical and desired separation of duties. Chip keys are programmed by one person and distributed along with Pacific Pride cards, by the Customer Service Representative. The credit cards are verified and paid by a single person. The Pacific Pride and credit card data are then input by a separate person. While these processes are spread around, there is no additional effort or duplication. However as mentioned before, The implementation of Fleet Anywhere will reduce the amount of effort required for data input.

Until December of 1998, almost all of the county fuel was purchased at County stations. We did have some credit card use by undercover officers in the MCSO who for safety purposes could not fuel at County sites. We also had a minor amount of fuel purchased at Pacific Pride stations. The Pacific Pride contract was initially developed for the Expo Center County (now Metro) staff that

had to drive to downtown to fuel at a County station. We reasoned that spending an extra 30-45 minutes of staff time to save a couple dollars on a fill-up was not a good use of tax dollars. This approach was gradually expanded and used by other programs located away from County fueling sites.

In 1998, we were faced with a major decision of upgrading the Hansen Fueling Station tanks to new EPA standards, having MCSO staff drive to the Yeon Shops for fuel, or contracting out more of our fueling. Since the MCSO will be moving from the Hansen Building and having the MCSO staff drive to Yeon would have been an expensive waste of staff time, we opted to contract out that portion of our fueling to Pacific Pride. This created additional administrative effort and an increased per gallon cost, but was viewed as our cheapest alternative. When the relocation site for the Law Enforcement portion of the MCSO is finalized, we will review the costs and benefits of installing fuel tanks at that new site.

The priority of the fuel review was raised with the recent signing of an IGA with the Portland Public Schools. As of July 1, 2000 we have responsibility for fuel management at the PPS site and this adds to the complexity of effort that already existed. We hope to have a revamp of the fueling systems and our management of it completed this fiscal year. Some of the issues raised in the audit will help us in this effort. We also intend to implement the audit's suggestion that we send periodic advisories to County staff reminding them of the cost savings to the County of using County fueling sites over commercial stations.

Driver Incidents

Fleet Services currently collects information on vehicle accidents, traffic citations, and citizen complaints about drivers and works closely with Risk Management on accident information and processing. As the audit points out there is not currently a single database into which all three types of driving issues are combined. We agree that this would be a positive step. We also agree that additional analysis and use of this data would be a positive step for the County. As mentioned earlier, we feel that this would best be addressed by having: Fleet Services gather the data and provide it to Risk Management; Risk Management develop policies related to problem drivers, analyze the data, and identify problem drivers; and the departments deal with the problem drivers.

AUDIT RECOMMENDATIONS AND DES' RESPONSES

1. "To achieve a Countywide administrative policy regarding Fleet goals and objectives, the County Chair should reaffirm and update Executive Order 150 and remove the Fleet Users Committee."

RESPONSE: See Chair Stein's response

2. "Fleet Services should review their mission and objectives to better achieve a balance between good stewardship of public funds and user satisfaction."

RESPONSE: See Chair Stein's response

3. "To realize one-time savings, Fleet Services management should eliminate approximately 76 to 96 administrative sedans. The majority of these should be from County departments and first be eliminated from older, higher mileage vehicles."

   RESPONSE: We agree that a number of administrative sedans should be eliminated from the fleet. Forty one sedans will be sold at auction by the end of October, 2000. Utilization standards will be formalized in September, utilization data will be collected on an ongoing basis, and an initial review of three months of utilization data will be conducted in December with a further fleet reduction anticipated in January. Ongoing reviews will be performed quarterly. We also expect that the move of the MCSO Administration to the Multnomah Building where a pool of vehicles is available may eliminate another 5 vehicles.

4. "To manage Fleet resources in a more cost-effective, compliant manner, clear county-wide procedures regarding fleet size, fleet type, and take-home vehicle use should be approved and ultimately enforced through an exception process by the appropriate elected official."

   RESPONSE: We agree with this recommendation and will implement it, when sufficient administrative capacity is added.

5. "Fleet Services should develop procedures that:
   a. Set vehicle assignment criteria for obtaining and retaining vehicles including utilization based upon minimum mileage and availability;"

   RESPONSE: We agree that development of these criteria would be a useful tool to improve the ongoing management of the fleet size.

   b. "Require departments to formally justify adding new and replacement vehicles;"

   RESPONSE: We believe that having a formal process to justify adding new vehicles is appropriate. We believe that the procedures developed in response to recommendation 4 would address replacement vehicles without the need for additional staff effort at the departments.

   c. "Limit vehicle acquisition to compact or mid-size sedans when employee transportation is the primary function of the vehicle;"

   RESPONSE: This generally is the current practice. There are some exceptions to this practice now that would make sense to continue. For example of the 26 full-size vehicles in the Department of Community Justice all but 2 are "cage cars" used for prisoner transport. We have attempted to utilize midsize cars for this function in the past and found it not to be successful. These cage cars were included as administrative cars in the audit, but would probably be better described as specialty vehicles. The policies to be developed in response to

Recommendation 4 related to fleet type should address this recommendation sufficiently.

d. "Develop strict criteria for take-home vehicle use including commuting limits, emergency and non-emergency definitions;"

RESPONSE: We agree that strict criteria should be developed for take-home vehicle use and Fleet Services will develop a clear set to be followed. We will review the policies and best practices of other agencies to decide what criteria should be included. Since Fleet Services can only enforce policies for vehicles under the supervision of the Chair and the only vehicles reviewed in the audit were assigned to the MCSO and District Attorney, we will work with these elected officials to develop criteria that can be used effectively for all county vehicles.

e. "Monitor take-home use written logs, to determine if it serves the purpose for which it is assigned;"

RESPONSE: We recommend an annual review be performed by the departments and a reauthorization be performed at that time.

f. "Require departments to formally demonstrate the need for take-home vehicle assignment and benefit to the County;"

RESPONSE: This would be the basis for the criteria developed in "d." above.

g. "Regularly evaluate fleet resources on a county-wide basis and remove or rotate underutilized vehicles;"

RESPONSE: We agree that given the appropriate level of administrative capacity this would be of benefit to the County.

6. "Fleet Services should work with departments to develop strategies to adapt to a smaller fleet size such as sub-motor pools, improved methods of scheduling, rentals, buses, and the most cost-effective combination of personal vehicle reimbursement and County vehicle availability."

RESPONSE: We agree that given the appropriate level of administrative capacity this would be of benefit to the County.

7. "To improve maintenance and repair operations, Fleet Services should increase management oversight, develop formal shop procedures that match best practices, and use available data to benchmark performance."

RESPONSE: We agree this would be of benefit to the County.

8. "The Transportation Division should work with Fleet Services to:"

a. Improve the accountability and security of parts inventory;"

RESPONSE: To address accountability issues the Transportation Division will work with Fleet Services to better define warehouse staff roles and responsibilities as well as develop written procedures for the warehouse operation. We target having the written procedures developed and implemented by January 1. 2001. Security improvements are being developed that will target physical restrictions to restrict access to non-warehouse personnel. Implementation of these improvements will be performed by December 1, 2000.

b. "Develop the new Fleet Anywhere system to allow better monitoring, to identify and dispose of obsolete and overstocked items.'

RESPONSE: The migration of inventory into the FleetAnywhere system has already influenced some operational processes and we will continue to implement improvements. We will continue to reduce inventory that has no useful value or purpose to the County. To help accomplish this we will develop written procedures that will tie into the vehicle/equipment auction program. It will act as a notification process to alert all Fleet related personnel of equipment that is targeted for auction.

9. "To reduce the risk of errors or abuse, analysis and monitoring of fueling activities should be improved at a system-wide level."

   RESPONSE: We agree and have assigned staff to develop a recommendation by December 31, 2000 on how best to accomplish this improvement. Implementation could be completed by the end of the fiscal year.

10. "To improve Fleet Services ability to monitor fueling activities, all fueling transactions should be automated and driver identification should be required."

    RESPONSE: Implementation of FleetAnywhere will allow almost all of the fueling transactions to be automated. The issue of driver identification will be addressed in the study mentioned in response to recommendation #9.

11. "To identify and assess fleet risks, Fleet Services should centrally gather information regarding accidents and damages, citizen complaints, and traffic citations."

    RESPONSE: We agree that having all of the information in one location would be useful. Fleet Services will collect the information and provide it to Risk Management for analysis and action.

12. "To better respond to fleet risks, Fleet Services should work with Risk Management to develop procedures to manage problem drivers."

RESPONSE: DES believes that the development and implementation of procedures to manage problem drivers should be the responsibility of Risk Management. Assistance should be provided by Fleet Services, Labor Relations, Employee Services, and the departments.

13. "To improve lines of authority and accountability, the Department of Environmental Services and Fleet Services should:

    a. Dedicate a full-time manager to fleet operations"

    RESPONSE: See Chair Stein's response.

    b. "Consolidate maintenance and repair employees under one supervisor and clarify management/subordinate relationships"

    RESPONSE: The only maintenance and repair position that was not under the Fleet Maintenance Supervisor at the time of the audit was the Customer Service Representative. That position has been restructured and is now reporting to the Fleet Maintenance Supervisor. Some of the management/subordinate relationships were also clarified during that change in reporting relationships. More clarification of the relationships in Fleet Services will be occurring.

    c. "Increase process inefficiencies by consolidating fragmented fuel functions and reducing the number of employees needed to perform duties"

    RESPONSE: The fuel management structure is being reviewed and recommendations for improvements, including centralizing data in a single location, will be implemented prior to the end of this fiscal year. We do not, however, believe that significant labor savings will occur other than from the data input reduction that is planned with the implementation of FleetAnywhere.

    d. "Ensure that administrative support resources are sufficient to comprehensively monitor and analyze operations"

    RESPONSE: This is key to full implementation of the recommendations included in the audit report. While this is particularly true in Fleet Services, there will be additional administrative efforts required in the departments. DES does not know if this additional effort is possible within the administrative capacity of the various departments.

14. "The Finance Division should ensure that County take-home procedures are updated to align with IRS procedures that determine taxability of personal use."

    RESPONSE: See Chair Stein's response.

15. "The Finance Division should ensure that employees payroll deductions for take-home vehicles are strictly enforced."

    RESPONSE: See Chair Stein's response.

Again we thank the Auditor's Office for the effort put into this report and the thoughtful recommendations presented.

Sincerely,

Tom Guiney
Deputy Director, DES
Manager FREDS Division, Department of Environmental Services

Larry F. Nicholas
Director,
Department of Environmental Services

ATTACHMENT 1

RATE COMPARISONS-SUBCOMPACT SEDANS FY83/84 TO FY99/00

Listed below is information about the Fleet Services Charge Rates for Subcompact sedans and how those rates have changed over time in current and 1983 constant dollars.

FY	MILEAGE RATE (Current $)	MILEAGE RATE (1983 $)	REPLACEMENT RATE (Current $)	REPLACEMENT RATE (1983 $)	OVERHEAD RATE (Current $)	OVERHEAD RATE (1983 $)	EQUIPMENT MECHANIC HOURLY WAGE*	1983 $ ** ADJUSTMENT FACTOR
83/84	$0.16	$0.160	$624.00	$624.00	$360.00	$360.00	$11.50	1
84/85	$0.15	$0.144	$603.00	$527.88	$284.00	$248.85	$11.96	1.040
85/86	$0.15	$0.139	$706.00	$651.57	$384.00	$354.90	$12.44	1.082
86/87	$0.15	$0.135	$704.00	$631.96	$384.00	$344.70	$12.81	1.114
87/88	$0.15	$0.131	$849.00	$743.43	$420.00	$367.78	$13.13	1.142
88/89	$0.13	$0.110	$744.00	$631.58	$420.00	$356.54	$13.55	1.178
89/90	$0.13	$0.105	$833.00	$677.24	$444.00	$360.98	$14.19	1.234
90/91	$0.13	$0.101	$888.00	$681.85	$468.00	$364.20	$14.78	1.285
91/92	$0.13	$0.101	$1,005.00	$782.73	$420.00	$328.79	$14.78	1.285
92/93	$0.13	$0.097	$1,072.00	$802.08	$444.00	$332.21	$15.37	1.337
93/94	$0.13	$0.092	$1,072.00	$758.32	$444.00	$313.25	$16.30	1.417
94/95	$0.13	$0.089	$1,111.00	$764.80	$456.00	$313.82	$16.71	1.453
95/96	$0.13	$0.082	$1,244.00	$786.81	$456.00	$288.45	$16.18	1.581
96/97	$0.13	$0.080	$1,244.00	$765.31	$480.00	$295.39	$16.89	1.628
97/98	$0.13	$0.078	$1,344.00	$802.08	$420.00	$250.65	$18.27	1.878
98/99	$0.13	$0.075	$1,344.00	$778.64	$420.00	$243.32	$19.85	1.726
99/00	$0.13	$0.074	$1,360.00	$793.91	$420.00	$249.06	$20.12	1.750
							* Includes 6% PERS	
% CHANGE FY83/84 TO FY 99/00								
	-13.33%	-59.46%	122.69%	27.23%	16.67%	-33.32%	74.96%	74.96%

TOTAL COST PER MILE *** FY	TOTAL COST 7000 MILES ANNUAL USE	COST/MILE 7000 MILES ANNUAL USE	1983 $ COST/MILE 7000 MILES ANNUAL USE	TOTAL COST 15000 MILES ANNUAL USE	COST/MILE 15000 MILES ANNUAL USE	1983 $ COST/MILE 15000 MILES ANNUAL USE
83/84	$2,034	$0.291	$0.291	$3,234	$0.216	$0.216
84/85	$1,967	$0.281	$0.270	$3,167	$0.211	$0.203
85/86	$2,138	$0.305	$0.282	$3,339	$0.223	$0.206
86/87	$2,138	$0.305	$0.274	$3,339	$0.223	$0.200
87/88	$2,319	$0.331	$0.290	$3,519	$0.235	$0.205
88/89	$2,074	$0.296	$0.252	$3,114	$0.208	$0.176
89/90	$2,187	$0.312	$0.254	$3,227	$0.215	$0.175
90/91	$2,207	$0.324	$0.252	$3,307	$0.220	$0.172
91/92	$2,336	$0.334	$0.260	$3,739	$0.249	$0.194
92/93	$2,426	$0.347	$0.259	$3,824	$0.255	$0.191
93/94	$2,426	$0.347	$0.245	$3,776	$0.252	$0.178
94/95	$2,477	$0.354	$0.244	$3,826	$0.255	$0.176
95/96	$2,610	$0.373	$0.236	$3,961	$0.265	$0.168
96/97	$2,634	$0.376	$0.231	$3,959	$0.264	$0.162
97/98	$2,674	$0.382	$0.226	$4,096	$0.273	$0.163
98/99	$2,674	$0.382	$0.221	$4,075	$0.272	$0.157
99/00	$2,719	$0.388	$0.222	$4,133	$0.276	$0.157
% CHANGE FY83/84 TO FY 99/00						
	33.68%	33.68%	-23.88%	27.80%	27.80%	-26.99%

*** Inflation adjustments to 1983 $'s are based on Local 88 Equipment Mechanic wage increases.

*** Total Cost Per Mile includes overhead, replacement and Odell mileage charges.

RATE COMPARISONS-MIDSIZE SEDANS FY83/84 TO FY98/99

Listed below is information about the Fleet Services Charge Rates for Midsize sedans and how those rates have changed over time both in current and 1983 constant dollars

FY	MILEAGE RATE (Current $)	MILEAGE RATE (1983 $)	REPLACEMENT RATE (Current $)	REPLACEMENT RATE (1983 $)	OVERHEAD RATE (Current $)	OVERHEAD RATE (1983 $)	EQUIPMENT MECHANIC HOURLY WAGE*	1983 $ ** ADJUSTMENT FACTOR
83/84	$0.18	$0.180	$812.00	$812	$360.00	$360.00	11 $	1.000
84/85	$0.18	$0.173	$803.00	$829	$264.00	$253.85	11.96	1.040
85/86	$0.18	$0.166	$1,061.00	$981	$384.00	$354.90	12.44	1.082
86/87	$0.17	$0.153	$1,190.00	$906	$384.00	$344.70	12.81	1.114
87/88	$0.17	$0.149	$1,028.00	$900	$420.00	$367.78	13.13	1.142
88/89	$0.15	$0.127	$974.00	$827	$420.00	$356.84	13.55	1.178
89/90	$0.15	$0.122	$974.00	$792	$444.00	$360.98	14.19	1.230
90/91	$0.15	$0.117	$1,027.00	$799	$468.00	$364.20	14.76	1.285
91/92	$0.15	$0.117	$1,189.00	$825	$420.00	$328.78	$14.78	1.285
92/93	$0.15	$0.112	$1,166.00	$865	$444.00	$332.21	$15.37	1.337
93/94	$0.15	$0.106	$1,156.00	$816	$444.00	$313.25	$15.30	1.417
94/95	$0.15	$0.103	$1,158.00	$798	$456.00	$313.82	$15.71	1.459
95/96	$0.15	$0.093	$1,481.00	$924	$468.00	$292.45	$15.15	1.581
96/97	$0.15	$0.092	$1,556.00	$957	$480.00	$295.30	$15.69	1.625
97/98	$0.15	$0.090	$1,622.00	$958	$420.00	$250.89	$15.27	1.678
98/99	$0.15	$0.087	$1,656.00	$901	$420.00	$243.52	$15.86	1.726
99/00	$0.15	$0.085	$1,456.00	$832	$420.00	$240.06	$20.12	1.750

* Includes 6% PERS

% CHANGE FY83/84 TO FY 98/99								
	-16.67%	-46.42%	80.64%	-8.74%	16.67%	-33.33%	74.46%	74.96%

TOTAL COST PER MILE ***

FY	TOTAL COST 7000 MILES ANNUAL USE	COST/MILE 7000 MILES ANNUAL USE	1983 $ COST/MILE 7000 MILES ANNUAL USE	TOTAL COST 15000 MILES ANNUAL USE	COST/MILE 15000 MILES ANNUAL USE	1983 $ COST/MILE 15000 MILES ANNUAL USE
83/84	$2,392	$0.342	$0.342	$3,972	$0.265	$0.248
84/85	$2,177	$0.311	$0.299	$3,817	$0.241	$0.232
85/86	$2,705	$0.386	$0.357	$4,145	$0.276	$0.255
86/87	$2,644	$0.363	$0.344	$4,044	$0.270	$0.242
87/88	$2,636	$0.377	$0.330	$3,996	$0.267	$0.233
88/89	$2,444	$0.349	$0.296	$3,644	$0.243	$0.206
89/90	$2,466	$0.353	$0.287	$3,696	$0.246	$0.199
90/91	$2,545	$0.364	$0.283	$3,745	$0.250	$0.194
91/92	$2,658	$0.380	$0.296	$3,849	$0.257	$0.200
92/93	$2,650	$0.378	$0.283	$3,850	$0.257	$0.192
93/94	$2,650	$0.379	$0.267	$3,850	$0.257	$0.181
94/95	$2,662	$0.380	$0.262	$3,862	$0.257	$0.177
95/96	$2,957	$0.424	$0.286	$4,187	$0.279	$0.176
96/97	$3,086	$0.441	$0.271	$4,286	$0.286	$0.176
97/98	$3,092	$0.442	$0.264	$4,292	$0.286	$0.171
98/99	$3,026	$0.432	$0.250	$4,226	$0.282	$0.163
99/00	$2,926	$0.418	$0.239	$4,126	$0.275	$0.157

% CHANGE FY83/84 TO FY 98/99						
	22.33%	22.22%	-30.06%	12.36%	12.36%	-36.78%

** Inflation adjustments to 1983 $'s are based on Local 88 Equipment Mechanic wage increases.
*** Total Cost Per Mile includes overhead, replacement and O&M mileage charges.