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Audit Report

Vehicle Utilization

May 25, 2010

Office of the City Auditor
Austin, Texas

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City of Austin

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Date: May 25, 2010
To: Mayor and Council
From: Kenneth J. Mory, City Auditor
Subject: Audit of Vehicle Utilization

I am pleased to present this audit report on vehicle utilization. Administrative Bulletin 09-01, the City's Fuel Conservation Policy, directs City departments to eliminate or transfer underutilized or otherwise unnecessary vehicles. Fleet Services is tasked with identifying underutilized vehicles on an annual basis and department directors are required to provide justification for maintaining vehicles designated by Fleet Services to be underutilized.

We found that Fleet Services has not established a methodology for performing a vehicle utilization study, and has not identified underutilized vehicles for 2009 as required by policy. In addition, Administrative Bulletin 09-01 does not provide explicit authority for eliminating or transferring vehicles once they are determined to be underutilized.

We recommend that Fleet Services Management should create an interdepartmental team to determine how Fleet Services will conduct an annual vehicle utilization study. Fleet Services should then complete the study and document the policies and procedures for doing so. In addition, the interdepartmental team should work with the City Manager's Office to determine who has the final authority on whether to eliminate or transfer underutilized vehicles and update Administrative Bulletin 09-01 accordingly.

We appreciate the cooperation and assistance we received from staff in Fleet Services as well as the Financial and Administrative Services department during this audit.

cc: Marc Ott, City Manager
Leslie Browder, Chief Financial Officer
Gerry Calk, Fleet Officer

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COUNCIL SUMMARY

This report includes the results of our audit of vehicle utilization. Fleet Services is tasked with identifying underutilized vehicles on an annual basis and department directors are required to provide justification for maintaining vehicles designated by Fleet Services to be underutilized. According to Administrative Bulletin 09-01, the City's Fuel Conservation Policy, City departments are directed to eliminate or transfer underutilized or otherwise unnecessary vehicles.

We found that:

- Fleet Services has not established a methodology for performing a vehicle utilization study.
- Fleet Services criteria for identifying underutilized vehicles are not consistent with the practices of other entities we researched.
- Fleet Services has not identified underutilized vehicles for 2009 as required by policy.
- Administrative Bulletin 09-01 does not provide explicit authority for eliminating or transferring vehicles once they are determined to be underutilized.

In order to help the City minimize the costs and environmental impact related to the City's vehicle fleet, we recommend that Fleet Services Management should create an interdepartmental team to determine how Fleet Services will conduct an annual vehicle utilization study, then complete the study and document the policies and procedures for doing so. The team should:

- Determine what information is important to key users.
- Determine what data will form the basis for the study.
- Analyze the vehicle needs of departments and use this information to establish reasonable criteria for defining underutilized vehicles.
- Implement a monitoring system.
- Assess data integrity.
- Work with the City Manager's Office to determine who has the final authority on whether to eliminate or transfer underutilized vehicles and update Administrative Bulletin 09-01 accordingly.

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ACTION SUMMARY VEHICLE UTILIZATION



Recommendation Text	Management Concurrence	Proposed Implementation Date
<p>01. Fleet Services Management should create an interdepartmental team to determine how Fleet Services will conduct an annual vehicle utilization study, then complete the study and document the policies and procedures for doing so. The team should:</p> <ul style="list-style-type: none">• Determine what information is important to key users.• Determine what data will form the basis for the study.• Analyze the vehicle needs of departments and use this information to establish reasonable criteria for defining underutilized vehicles.• Implement a monitoring system.• Assess data integrity.• Work with the City Manager's Office to determine who has the final authority on whether to eliminate or transfer underutilized vehicles and update Administrative Bulletin 09-01 accordingly.	Concur	June 2011

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BACKGROUND

This audit was included in the OCA FY 10 Annual Service Plan based on the results of a risk assessment of citywide fuel efficiency conducted in FY 09. During the risk assessment we noted issues related to vehicle utilization and take-home vehicles which may have resulted in the City incurring costs for fuel and maintenance, as well as the impact of additional carbon emissions related to some vehicles. This report addresses vehicle utilization.

Administrative Bulletin 09-01 issued by the City Manager and effective March 6, 2009, provides guidance for identifying and eliminating or transferring underutilized or otherwise unnecessary vehicles. The bulletin will be discussed in the audit findings section.

The benefits of identifying underutilized vehicles are clear. Selling these vehicles could yield salvage value, and redeploying them to departments with needs could reduce or eliminate the need for new vehicles. In addition, fewer vehicles in the fleet could reduce fuel and maintenance costs as well as total carbon emissions. The City has set a goal of making the City's vehicle fleet carbon neutral by 2020.

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OBJECTIVES, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the City policies on vehicle utilization provide adequate guidance to management on how these programs should be administered, and whether management is following the policies.

Scope

The audit focused on the City's current policies related to vehicle utilization. We reviewed data and reports from FY 2008 and 2009.

Methodology

To accomplish our objective, we completed the following:

- Conducted interviews of all relevant departments.
- Obtained City policies on vehicle usage and tested to ascertain if vehicle utilization policies are being followed.
- Reviewed the available reporting and data analysis completed by Fleet Services related to vehicle utilization.
- Reviewed the definition of underutilized vehicles from other government entities.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our data testing for this audit was limited to assessing the queries made by Fleet Services on its data base, and the extent to which the information provided by Fleet Services accurately reflected the results of those queries. We did not test the accuracy or completeness of the data contained in the Fleet Services data base, M5.

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AUDIT RESULTS

Fleet Services has not fully complied with Administrative Bulletin 09-01 which requires that underutilized vehicles be identified and eliminated or transferred. However, Fleet Services does not have authority to require departments to eliminate or transfer vehicles determined to be underutilized. In addition, the City may be underestimating the number of underutilized vehicles because the criteria for defining an underutilized vehicle are not in line with the practice of other entities we researched.

FINDING 1: Fleet Services has not established a methodology for performing a vehicle utilization study.

Per Administrative Bulletin 09-01, the City's Fuel Conservation Policy, City departments are directed to eliminate or transfer underutilized or otherwise unnecessary vehicles. Fleet Services is tasked with identifying underutilized vehicles on an annual basis and department directors are required to provide justification for maintaining vehicles designated by Fleet Services to be underutilized.

Fleet Services collects vehicle usage data, but has not established a methodology for reporting the data to departments for use in the decision-making process. For example, the Administrative Bulletin does not establish a deadline for completing the annual vehicle utilization study, so utilization information is not tied to the capital budgeting process. Fleet Services personnel stated that they did not have the personnel to dedicate to the study, and they were waiting for an update to another administrative bulletin to be completed, which might affect how the study would be conducted. Fleet Services personnel also stated that the study was not the department's highest priority in 2010.

Fleet Services completed a 2008 vehicle utilization study, but we noted several issues related to that study, including:

- The procedures listed in a Fleet Services fleet utilization policy were not followed.
- Actual mileage was not used. Instead, mileage was estimated from fuel usage and based on average miles per gallon for the vehicle types. Fleet Services used this methodology because mileage data in its database was not accurate due to manual entry errors.
- The criteria used for defining underutilized vehicles were not based on industry practice (see Finding 2 below) and was the same for all vehicles.
- Thirty percent of the vehicles identified as underutilized were placed in service during the year the study was conducted and may not have been in operation long enough to pass the threshold for underutilization.
- The study identified only underutilized vehicles. Vehicles with high use levels were not identified. If underutilized vehicles were transferred to other departments, vehicles with high use levels would be the most likely targets for replacement.
- Copies of the utilization study were provided to departments in PDF format, which reduced the usefulness of the information because it did not allow departments to sort and analyze the data.
- Reports of underutilized vehicles sent to departments did not match the Fleet Services master report because the reports were completed at different times.

Without an established and consistent methodology for completing the utilization studies, there is no assurance that City departments are aware whether they have underutilized vehicles in their fleets. If a department has more vehicles than necessary, it is incurring unnecessary costs for fuel and maintenance. In addition, there may be opportunities to transfer underutilized vehicles between departments and reduce vehicle acquisition costs. Exhibit 2 later in this report provides some data on the cost of operation for underutilized vehicles.

FINDING 2: Fleet Services criteria for identifying underutilized vehicles are not consistent with the practices of other entities we researched.

Fleet Services defined an underutilized vehicle for the 2008 utilization study as a light duty vehicle with less than 2,400 miles of use within the previous 12 months, estimated by fuel usage and based on historical average miles per gallon. We were unable to identify standard industry criteria for defining an underutilized vehicle. However, we conducted research to identify the current practices of other entities.

Based upon this data, Austin had the lowest mileage used as criteria for underutilized vehicles for the entities we researched that had criteria (See Exhibit 1 below.)

EXHIBIT 1

City of Austin criteria for underutilized vehicles is lower than other entities

<u>Entity</u>	<u>Criteria (miles per year)</u>
City of Austin	2,400
State of California GSA	6,000
Multnomah County, Oregon	6,000
Metro Nashville and Davidson County	6,000
King County, Washington	7,200
State of Texas	11,000
University of Texas system	11,000
United States Government (passenger)	12,000
United States Government (light trucks under 12,500 lbs.)	10,000

Source: OCA research of other entities (unaudited).

We noted that several entities stated that they did not have criteria for underutilized vehicles. Other entities do not rely solely on mileage, but consider other factors including cost models or a mix of factors. In the City of Houston, each department manages their own fleet operation. We contacted the Houston Public Works department and noted that they do not base criteria on annual miles. Instead, they use a methodology that considers age, usage, and assignment factors to rotate low mileage vehicles from a fleet pool to replace high mileage vehicles to achieve better overall utilization. In a municipal setting, an effective utilization model should accommodate the unique usage patterns of the diverse user departments.

If the threshold for considering a vehicle underutilized is too low, a vehicle may remain with a department when it should be eliminated from the fleet or transferred to another department that needs the vehicle.

Based on data from the Fleet Services 2008 vehicle utilization study, 9.8% of the City fleet was considered underutilized under the 2,400 mile criteria. Using criteria of 6,000 miles, 37.2% of the City’s light duty fleet (vans, sedans, pick-up trucks) would be considered underutilized, and 66.8% would be considered underutilized using criteria of 11,000 miles.

Exhibit 2 below shows estimates of the annual cost of operating City vehicles that would be defined as underutilized using various mileage criteria. The estimates were developed based on cost factors developed by Fleet Services. These cost estimates underscore the need for Fleet Services to complete a 2009 utilization study in order to minimize costs.

EXHIBIT 2

Cost savings could be achieved if underutilized vehicles were eliminated from the City fleet

Utilization Criteria	Number of Vehicles	Maintenance/ Fuel Cost	Capital Cost	Combined Cost
2,400 miles or less	219	81,942	50,028	131,970
6,000 miles or less	829	744,437	463,120	1,207,557
11,000 miles or less	1,488	2,142,669	1,333,210	3,475,879

Source: OCA analysis based on Fleet Services’ 2008 Vehicle Utilization Report data (unaudited).

FINDING 3: Fleet Services has not identified underutilized vehicles for 2009 as required by policy.

As of March 2010, Fleet Services had not conducted the required annual vehicle utilization study for 2009. As stated earlier, Fleet Services personnel stated the study had not been completed due to staffing issues, and because they were waiting for an update to another administrative bulletin to be completed.

Until the study is completed there is no way to know if the City fleet could be utilized more efficiently, or whether cost savings and reduced carbon emissions could be achieved. As shown in Exhibit 2 above, it is possible to achieve cost savings by removing underutilized vehicles from the City fleet.

FINDING 4: Administrative Bulletin 09-01 does not provide explicit authority for eliminating or transferring vehicles once they are determined to be underutilized.

Per Administrative Bulletin 09-01, underutilized or otherwise unnecessary vehicles shall be eliminated or transferred from a department’s fleet. Fleet Services is responsible for identifying underutilized vehicles on an annual basis. Department directors are required to provide justification if they wish to keep vehicles determined to be underutilized.

However, neither Fleet Services nor any other person or department is empowered under the bulletin to require a department to eliminate or transfer an underutilized vehicle when there is disagreement on whether keeping the vehicle is justified. Absent any clear line of authority, Fleet Services has accepted the justifications from departments and has not required that vehicles be eliminated or transferred.

Fleet Services identified 219 vehicles as underutilized in its 2008 study. It sent notices to departments requiring that they justify the use of 167 of those vehicles. Of those 167, Fleet Services reached agreement with departments on only 11 to be removed from the City fleet. This highlights the need for Fleet Services to work with departments to determine a methodology and criteria for determining underutilized vehicles, and to complete the annual utilization study.

Recommendation:

To help the City minimize the costs and environmental impact related to the City's vehicle fleet,

01. Fleet Services Management should create an interdepartmental team to determine how Fleet Services will conduct an annual vehicle utilization study, then complete the study and document the policies and procedures for doing so. The team should:
 - Determine what information is important to key users.
 - Determine what data will form the basis for the study.
 - Analyze the vehicle needs of departments and use this information to establish reasonable criteria for defining underutilized vehicles.
 - Implement a monitoring system.
 - Assess data integrity.
 - Work with the City Manager's Office to determine who has the final authority on whether to eliminate or transfer underutilized vehicles and update Administrative Bulletin 09-01 accordingly.

MANAGEMENT RESPONSE: Concur

Fleet Services Division will create an interdepartmental team to develop guidelines and recommendations for an annual vehicle utilization study. In addition, the team will provide input into consideration of a monitoring system. Fleet Services Management will work with the City Manager's Office regarding the appropriate level of authority on transferring or eliminating underutilized vehicles.

NOTE: While finding #2 noted that the criteria for identifying underutilized vehicles was not consistent with other entities researched by the audit team, it should be noted that all of the comparative entities cited are significantly larger geographical areas than the City of Austin. Since utilization is both a factor of accumulated mileage, and frequency of use, the committee will be asked to come up with appropriate criteria based on multiple factors.

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APPENDIX A
MANAGEMENT RESPONSE

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ACTION PLAN
Fuel Management – Vehicle Utilization

Rec #	RECOMMENDATION TEXT	Concurrence	Proposed Strategies for Implementation	Status of Strategies	Responsible Person/ Phone Number	Proposed Implementation Date
01	<p>Fleet Services Management should create an interdepartmental team to determine how Fleet Services will conduct an annual vehicle utilization study, then complete the study and document the policies and procedures for doing so. The team should:</p> <ul style="list-style-type: none"> • Determine what information is important to key users. • Determine what data will form the basis for the study. • Analyze the vehicle needs of departments and use this information to establish reasonable criteria for defining underutilized vehicles. • Implement a monitoring system. • Assess data integrity. • Work with the City Manager's Office to determine who has the final authority on whether to eliminate or transfer underutilized vehicles and update Administrative Bulletin 09-01 accordingly. 	Concur	<p>Fleet Services Division will create an interdepartmental team to develop guidelines and recommendations for an annual vehicle utilization study. In addition, the team will provide input into consideration of a monitoring system.</p> <p>Fleet Services Management will work with the City Manager's Office regarding the appropriate level of authority on transferring or eliminating underutilized vehicles.</p>	Planned	Bruce Kilmer 974 - 1531	<p>Committee Meetings begin 06/10</p> <p>Committee report finalized – recommendations to CMO 05/11</p> <p>Initial Utilization study using recommended methodology 06/11</p>