REPORT OF THE
JOINT LEGISLATIVE
AUDIT AND REVIEW COMMISSION ON

Management and Use of State-Owned Passenger Vehicles

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

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Preface

Section 2.1-196.1 of the *Code of Virginia* directs the Joint Legislative Audit and Review Commission (JLARC) to monitor internal service funds. This JLARC staff review is our first comprehensive examination of the management of the State Central Garage Car Pool since it was designated as an internal service fund in 1984. In this study, we have examined the progress made in implementing the recommendations of our 1979 study of the Central Garage, and we have examined new issues brought about by the Central Garage's status as an internal service fund.

In the 1979 study we found that there was a need for improved management of the Central Garage and better utilization of the vehicles in the fleet. We found that many State employees used vehicles for commuting, but did not reimburse the State for that use. In response to that report, the Department of Transportation reorganized the Central Garage, established new utilization guidelines, and implemented commuting charges as mandated by the General Assembly.

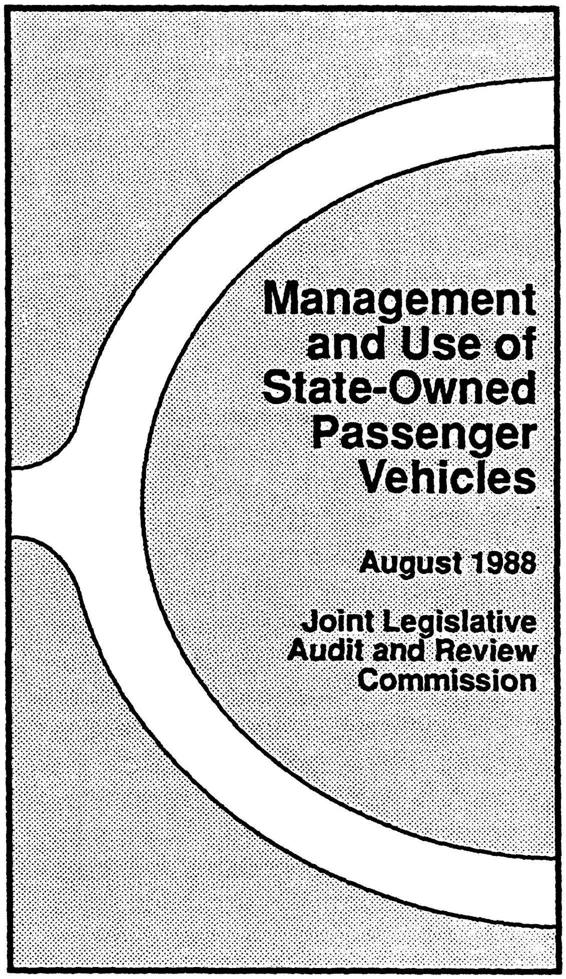
In our recent review, we found that operation of the Central Garage has improved, and that many of the recommendations of the 1979 JLARC staff report have been implemented. However, we also found that some very important changes have not been made. Utilization of the vehicles, for example, has not improved since 1979. For 1987, we found that 31 percent of the fleet was underutilized even though the required mileage was reduced from 18,000 miles in 1979 to 12,800 in 1987 We also found that most employees continue to commute without paying the required fee. In FY 1987 the State lost more than $341,000 because the commuting fee requirement is not uniformly enforced. Many of these continuing problems appear to result from confused authority and responsibility for setting and enforcing fleet policies and regulations. In this report, we recommend ways to clarify authority so that specific problems in fleet management can be addressed.

On behalf of the Commission staff, I wish to acknowledge the cooperation and assistance provided during the course of this study by the Central Garage fleet manager and his staff, the members of the Car Pool Committee, the employees of the Virginia Department of Transportation, and the State employees who participated in our survey of vehicle operators.

Philip A. Leone
Director

August 10, 1988

JLARC Report Summary



In 1984, the Central Garage became an internal service fund. Because the Joint Legislative Audit and Review Commission (JLARC) has statutory responsibility for oversight of internal service funds, JLARC staff performed this comprehensive review of fleet use and operations. The review is a follow-up of JLARC's 1979 study of the Central Garage. The findings and recommendations of this report address important management issues for the Central Garage. Based on the recommendations in this report, improved management of the Central Garage could result in annual savings of more than $2.7 million:

JLARC Recommendation	Potential Savings
Improved Utilization	$ 410,626
Collection of Commuting Fees	341,218
Correction of Commuting Fee Calculations	7,421
Reducing the Size of the Trip Pool (Capital)	364,688
Extending Vehicle Replacement to 95,000 miles	1,625,209
Total	$2,749,162

Under the provisions of Executive Order Number Thirty (1982), the Virginia Department of Transportation (VDOT) is charged with the responsibility for operating the Central Garage. Central Garage operations are managed by a full-time fleet manager. The department provides administrative support to the Central Garage in the areas of personnel, parts inventory, data processing, and billing. In addition, Central Garage relies on VDOT maintenance shops statewide for maintenance and repair of State passenger vehicles.

State employees traveled approximately 44 million miles in State-owned vehicles in FY 1987, an increase of three million miles over FY 1978. At the end of FY 1987, 2,520 Central Garage vehicles were assigned to 119 different State agencies for long-term use. The Central Garage also provides for short-term assignments through its trip pool. In FY 1987, 230 vehicles were in use in the trip pool.

Employees used these vehicles for about 8,000 trips that year, for a total of 3.5 million miles of travel.

As an internal service fund, the Central Garage provides the use of passenger vehicles to State governmental agencies on a cost-reimbursed basis. The cost of agency vehicle use is reimbursed to the Central Garage primarily through a per-mile user charge. In FY 1987, expenditures for fleet services totalled $6.2 million, and revenues from operations were approximately $8.1 million. The fixed assets of the Central Garage, including motor vehicles, are currently valued at $11.8 million.

Vehicle Assignment and Utilization (pp. 7-24)

In FY 1987 more than 2,500 vehicles were assigned to agencies for their long-term use. These assignments constitute the bulk of use of State vehicles by employees. Assignments are to be made on the basis of the mileage requirements specified in the Appropriations Act, and are intended to provide employees whose duties require substantial travel with reliable, safe, and convenient vehicles. Vehicles assigned to employees may be used only for official State business.

JLARC staff reviewed the current assignment of vehicles by the Central Garage and found that many assignments of vehicles may be inappropriate. These assignments do not meet the required mileage criteria and do not appear to be properly exempted from the assignment criteria. In addition, because assignments are based on the mileage criterion, with exceptions only for emergeny use, other valid needs may not be met. Shortcomings in the assignment process, and the resulting problems with vehicle use, are largely due to the lack of clearly defined authority and accountability for the process.

Recommendation (1). *The General Assembly may wish to amend the Appropriations Act to permit the assignment of State vehicles for valid uses other than the accumulation of a specified mileage. Assignments should be permitted for employees required by their job duties to travel constantly and frequently, or to regularly transport equipment or clients in the custody of the State. Assignments should also be made for sworn law enforcement officers or others with a documented need to respond to emergency situations. The Central Garage should define categories of special needs, include objective measures for verification of these needs, and include a special needs declaration on the vehicle application form.*

Because of problems with the assignment process, as many as 803 vehicles (31 percent) in the State fleet may be underutilized. In addition, the Central Garage currently collects insufficient information to properly enforce vehicle assignment requirements. Vehicle need is not determined systematically, because vehicle assignments are made at the demand of agencies, with little effective evaluation of the need identified by the agencies. On the other hand, as many as 558 employees were found to be using their personal vehicles for travel in excess of the revised assignment criterion, at a greater cost per mile to the State than the use of a State-owned vehicle.

Recommendation (2). *The Central Garage should develop an application instrument and a procedure to objectively evaluate vehicle need. The approval or disapproval of each application should be documented, citing the objective reasons, based on specific criteria, that explain the assignment approval or denial. The form should request information pertaining to need for the vehicle, the employee's previ-*

ous State business travel, equipment to be carried in the vehicle, expected commuting use of the vehicle, and commuting fees to be paid by the employee. The validity of operator's licenses should also be verified with the Department of Motor Vehicles at the time vehicle assignments are requested.

Recommendation (3). *The revised statutory authority for the Central Garage should specifically designate the Commissioner of Transportation as the authority to enforce and evaluate specific criteria for the assignment of vehicles.*

Recommendation (4). *The Central Garage fleet manager should begin an immediate review of all fleet vehicles which do not meet the minimum mileage criterion specified in the Appropriations Act. Underutilized vehicles for which assignments cannot be justified on the basis of special needs should be recalled and reassigned. In addition, the fleet manager should take a more active role in monitoring the utilization of fleet vehicles. For the purpose of detecting underutilization, the fleet manager should carefully monitor mileage, exclusive of commuting use, from odometer readings reported on a periodic basis. Significant underutilization should result in the removal of the vehicle, except in instances for which special assignments are justified, in writing, on an individual basis.*

Recommendation (5) *The General Assembly may wish to amend the Appropriations Act to revise the minimum mileage required for assignment of a State vehicle to 11,650 miles. The Central Garage should recommend further revisions to the General Assembly each biennium, based on revisions to the Central Garage rate structure and the personal reimbursement rate.*

Recommendation (6). *Business travel in personal vehicles should be reimbursed at the full reimbursement rate specified by the Appropriations Act up to the mileage necessary for assignment of a State vehicle. Reimbursement for travel in personal vehicles in excess of the mileage required for assignment of a State vehicle should be at a reduced rate equal to the amount charged by the Central Garage for operations.*

Recommendation (7). *The fleet manager should review annually the travel requirements of all employees reimbursed for more than the mileage necessary for assignment of a State vehicle to determine if such an assignment is appropriate.*

Commuting (pp. 24-33)

Of the 44.1 million miles driven in State-owned pool vehicles in FY 1987, JLARC staff estimate that as much as 4.5 million, or about 11 percent, was for employee travel between home and work. While much of this home-to-work travel may have been appropriate, as much as 1.3 million miles was for personal commuting to State offices throughout the Commonwealth.

Under current policies it is not clear who may commute in State vehicles, or even what use should be considered commuting. Enforcement of commuting regulations is inadequate because policies and regulations are unclear Because no central agency has responsibility for enforcing commuting regulations, there is currently no statewide information on, or monitoring of, commuting use of State-owned vehicles. Although State law requires that employees pay for such personal use of the vehicles, it appears that many employees are not paying for the personal use and that the application of the requirement is inconsistent.

Recommendation (8). *The General Assembly, with the advice and assistance of the Office of the Secretary of Transporation and Public Safety, may wish to clarify State policy on the use of State-owned pool vehicles for commuting* *by defining the types of use that constitute commuting, defining who may be permitted to use State-owned vehicles to commute, and clarifying which State employees shall be required to pay fees for their commuting use. Monitoring of commuting regulations should be established as a function of the Central Garage.*

Recommendation (9). *The Central Garage should be given statutory responsibility to collect and maintain reliable information on the use of State-owned vehicles for commuting. Employees should be required to report periodically on such use to ensure that Central Garage data are accurate. The Central Garage should report commuting data to the Department of Accounts to ensure that employees are properly charged for personal use of vehicles, and should deduct commuting mileage from total mileage when assessing the appropriateness of assignments.*

Recommendation (10). *The General Assembly may wish to provide the Commissioner of Transportation with authority to monitor and enforce the collection of commuting fees. Fees should be charged for all home-to-office travel, except in instances in which employees report directly to field locations or use their homes as their offices. Exemptions from commuting fees for employees assigned pool vehicles to respond to emergency situations should be discontinued, because their home-to-work travel still constitutes personal use.*

Recommendation (11). *The Commissioner of Transportation should develop and promulgate uniform procedures to be used by agencies in calculating commuting fees at the time of application for a vehicle assignment. The fleet manager should review all fees periodically to ensure that they accurately recover the cost of personal use of vehicles. Fees should be based on the revised schedule of rates approved by the Joint Legislative Audit and Review Commission.*

Recommendation (12). *The State Comptroller should establish guidelines for the valuation of personal use of a State vehicle that ply with Internal Revenue Service tax regulations. The State Comptroller should report, and show tax witholdings, on this income on employees' W-2 forms. Accounting for this amount by the Department of Accounts and witholding taxes on the the amount of personal use of State-owned vehicles will more adequately bring employees into compliance with IRS income tax regulations.*

Fleet Operations (pp. 35-60)

As administrator of the Central Garage Car Pool, the fleet manager's primary role is in managing the daily operations of the fleet. In this role, the fleet manager is responsible for: (1) enforcing Central Garage regulations related to the proper use of vehicles, service and preventive maintenance, and accidents in State vehicles; (2) managing the inventory of vehicles; (3) operating a pool of vehicles for short-term use; and (4) maintaining vehicles in the Central Garage fleet.

Central Garage Regulations. The JLARC staff survey of vehicle operators showed a general understanding of regulations concerning accident reporting, the use of State facilities for repairs and gasoline, preventive maintenance, and seat belt use. But many employees, including agency transportation officers, are unaware of regulations concerning the use of State vehicles. Through improved communication between users and Central Garage management, more could be done to inform users of regulations and ensure responsible use of State-owned vehicles.

Recommendation (13). *The Central Garage should ensure that regulations on the use of State vehicles are properly communicated to operators. A formal training package should be developed by* *the Central Garage for use by transportation officers, and the fleet manager should provide leadership in promoting and scheduling training for employees in all agencies.*

Recommendation (14). *To increase employees' accountability for the use of State-owned vehicles, to increase awareness of State vehicle use, and to allow for ready identification of State vehicles by the public, consideration should be given to redesigning the State vehicle license plate to include the words "Commonwealth of Virginia - Official State Use Only."*

Recommendation (15). *The standard training package to be used by the transportation officers should include information on the importance of proper scheduling of routine maintenance and service. In addition, the fleet manager should track the repairs and service performed on each vehicle, and should be proactive in scheduling service for vehicles that are overdue for preventive maintenance.*

Recommendation (16). *The fleet manager should provide training on safety to transportation officers, and fleet regulations should require that the transportation officers distribute safety information to vehicle operators on a periodic basis. This communication could take several forms: newsletters, memos, promotional safety information, formal training sessions, or films.*

Trip Pool Operations. JLARC staff examined trip pool services to determine if those vehicles are used efficiently and are an effective use of vehicles in the fleet. While the trip pool appears to serve a real need, and is largely well operated, some improvements could be made to enhance the assignment process, and the availability of and access to vehicles. Shuttle service from the Capitol Square are to the Central Garage was found to be underutilized. In addition, the size of the trip pool fleet may be larger than necessary to meet the current level of demand for the service.

Recommendation (17). *The Central Garage should ensure that all users of trip pool vehicles have valid operator's licenses. The CP-2 form should list all operators, and the agencies should verify licenses of their employees with the Department of Motor Vehicles. The authorized supervisor in each agency should certify on the CP-2 form that all operators are licensed drivers. An expired, revoked, or suspended license should be brought to the attention of an employee's supervisor, and that employee should be prohibited from operating a State-owned vehicle.*

Recommendation (18). *The Central Garage should determine if modifications to the shuttle service will result in improved utilization. For example, the Central Garage may wish to experiment with revised operating hours and schedules for the shuttle, and might consider making stops at locations in addition to Capitol Square (such as the James Monroe or James Madison buildings). Additionally, the Central Garage may wish to evaluate the use of an on-call service, instead of regularly scheduled service. If these efforts do not improve utilization, the Central Garage should examine the cost effectiveness of the service, and discontinue it if costs are shown to exceed demonstrable benefits.*

Recommendation (19). *To ensure that State employees have adequate opportunity to return vehicles prior to each weekend, the Central Garage should extend Friday hours of operation to 7:00 p.m.*

Recommendation (20). *The size of the trip pool should be more actively managed by the fleet manager On a periodic basis, the fleet manager should perform an analysis of the need for vehicles in the trip pool similar to that per-*

formed for this study by the JLARC staff. The Central Garage should consider the use of an automated system to track trip pool assignments. The data from such a system could be used to estimate the number of vehicles necessary to meet assignments, resulting in better management of fleet size. The current inventory of specialty vehicles should be maintained until the specific need for more specialty vehicles can be documented.

Vehicle Inventory. An important part of managing the vehicle inventory is the replacement of vehicles. The JLARC staff analysis of vehicle costs shows that the current replacement criteria are too low. Passenger sedans and station wagons, for example, could be kept in service for at least an additional 15,000 miles. Vans could also be kept in service longer In addition, the decisions relating to the types of vehicles to be purchased for fleet use are not systematic and objectively based.

Recommendation (21). *Pending further analysis and data collection by the Central Garage, the fleet manager should establish an interim vehicle retirement policy, with a minimum of 95,000 miles as the criterion for retirement of passenger cars, and 132,000 miles as the criterion for retirement of vans. The Central Garage should revise the formulas based on new data and refinements of the methodology, but continue to replace vehicles based on objective criteria.*

The Central Garage should generate monthly exception reports which allow them to identify vehicles which have met the retirement mileage within the past month and immediately recall these vehicles for auction. Further, the Central Garage should generate exception reports for vehicles with maintenance expenses which already exceed or will exceed with the next repair the estimated average maintenance and repair expense for the efficient life of the vehicle. These vehicles should also be recalled. The Central Garage should improve data collection efforts for mileage, operating expenses, and capital investment to continually track the above functions for each fleet vehicle.

Recommendation (22). *The Central Garage should develop systematic decision rules governing the fleet mix by vehicle size and class. The Central Garage should require justification for requests for large vehicles and vans. The preferences of operators should not be considered as a justification.*

Vehicle Maintenance. The 1979 JLARC staff report found overall satisfaction with Central Garage vehicle performance and maintenance and repair services. About 85 percent of the operators surveyed in 1979 said their assigned Central Garage vehicle provided them with "dependable transportation." In addition, 84 percent said they either (1) had no mechanical problems with their cars or (2) were able to have mechanical problems corrected satisfactorily

The 1987 JLARC staff survey of agency-assigned vehicle users also found favorable opinions of Central Garage vehicle performance and service. Eighty-six percent of the operators took their vehicles to the Central Garage or VDOT for repairs or emergency maintenance. Approximately 75 percent of agency vehicle users rated Central Garage and VDOT maintenance and repair services as either excellent or good, and 85 percent reported that mechanical problems were corrected in a satisfactory manner

Financial Management (pp. 61-78)

In the 1979 report, Management and Use of State Owned Motor Vehicles, JLARC staff recommended that the Central Garage be designated as a working capital fund (now called internal service funds). This recommendation was implemented July 1, 1984. As a result of this change, the Central Garage is no longer operated as a separate internal account of the Virginia Department of Transportation (VDOT). Instead, it is a separate internal service fund.

Financial Condition. The analysis of financial management for this study shows that the Central Garage has recovered all costs, and has generated excessive balances. The excess is primarily in the form of cash. JLARC staff also found that receivables are not being collected in a timely manner

Recommendation (23). *The Central Garage should ensure that cash balances are maintained at reasonable levels. Under normal circumstances, the Central Garage should ensure that its cash balance does not exceed an amount equal to the average of accounts receivable for the year. Such a balance would ensure adequate cash to cover expenses, while not resulting in unnecessary charges to user agencies.*

Recommendation (24). *The Central Garage fleet manager should ensure that accounts are collected promptly. The fleet manager may need to be more aggressive in contacting agencies which are consistently late in paying bills. The fleet manager may also wish to consider late fees, termination of vehicle assignments, and other sanctions for agencies which fail to pay bills within 60 days.*

Rates. To assess the appropriateness of Central Garage rates, JLARC staff reviewed in detail the projections of expenditures and utilization for the next biennium. The review found that, because of flaws in the methods used by the Central Garage to calculate costs and to estimate utilization, rates do not accurately recover the costs of fleet operations. Mileage rates tend to be higher than necessary, while minimum charges tend to be lower than necessary to recover actual replacement costs of vehicles.

Recommendation (25). *The Central Garage should revise its method of estimating future fleet utilization. The revised method should be be based more closely on the actual mileage driven in fleet vehicles in several recent fiscal years. The method should be sensitive to changes in the trend of usage, as seen in the changes in mileage from FY 1985 to FY 1986.*

Recommendation (26). *The Central Garage should revise its methods for estimating costs. Specifically, the methods used for estimating fuel and equipment purchase costs should be designed to better reflect the real needs for fleet operations.*

Recommendation (27). *The Central Garage should propose, and the Joint Legislative Audit and Review Commission should approve, a revised methodology for the development of rates by the Central Garage. The revised methodology should employ a simplified rate structure, improved projections of utilization, and more accurate estimates of operational and capital costs. Operating charges should recover the full costs of operating the vehicle fleet, including the administrative costs of the Virginia Department of Transportation. Charges for capital replacement should be set to recover the replacement value of the vehicle fleet based on a realistic replacement schedule.*

Management Authority (pp. 79-86)

The management of a large motor vehicle fleet can be successful only if authority and responsibility for management of the fleet are clearly established and understood. Managers of the fleet must have clear authority and responsibility to make and enforce regulations which promote efficient and effective fleet use. Users of the vehicles must understand the authority of fleet managers to assign vehicles on the basis of need, to monitor use, and to ensure that vehicles are properly used and maintained.

Currently, however, management authority for the State's passenger vehicle fleet is not well defined. The most important contributing factor to the problems related to assignment of vehicles, utilization, and commuting is the lack of clearly defined authority and accountability The problems addressed in this report exist to a large extent because no single public official is responsible for management of the fleet.

Because the Car Pool Committee, which has primary responsibility for the management of the fleet, has not discharged the responsibilities given it by Executive Order Number Thirty, it is not clear who has authority to manage the fleet or to enforce assignment and utilization policies. As a result, fleet management in Virginia government has focused on daily operations; there is no executive direction and little enforcement of critical policies related to assignment, utilization, and commuting. These problems have been recognized by the Department of Transportation, prompting the department and the Office of the Secretary of Transportation and Public Safety to propose revisions to the executive order which establishes the Central Garage.

Recommendation (28). *The General Assembly may wish to amend the* Code of Virginia *to establish the Central Garage Car Pool as a division of the Department of Transportation. Other provisions currently contained in executive order should also be established in law. The Code should assign exclusive authority for management and operation of the fleet to the Commissioner of Transportation. Management of the fleet, including assignment of vehicles, review of utilization, and operation of the Central Garage should be delegated to a Fleet Administrator. The Car Pool Committee should be abolished or assigned an advisory role. Methods for appeal of the decisions of the Commissioner should be specified.*

The Code *should also specify the responsibilities of agencies and operators of vehicles with regard to their compliance with policies and regulations issued by the Central Garage. Transportation officers should be established formally as the liaisons with the Central Garage, but enforcement responsibilities assigned to transportation officers should be discontinued.*

Table of Contents

I. Introduction

In 1984, the Central Garage became an internal service fund. Because the Joint Legislative Audit and Review Commission has statutory responsibility for oversight of internal service funds, JLARC staff completed this review of fleet use and operations as a follow-up of the 1979 study of the Central Garage.

The 1979 JLARC report, Management and Use of State-Owned Motor Vehicles, presented the findings and recommendations of the staff review of the Central Garage. The study found that State vehicles were underutilized and that assignment criteria were not defined or applied to ensure economic utilization of the vehicles. JLARC staff recommended that the Central Garage and the Car Pool Committee review vehicle utilization on a continuing basis and adopt appropriate assignment criteria. The report also found that some commuting in State vehicles did not appear to be related to employees' duties and recommended that State policy on commuting be clarified, commuting fees be made mandatory, and commuting use of State passenger vehicles be properly authorized and annually recertified.

STUDY BACKGROUND

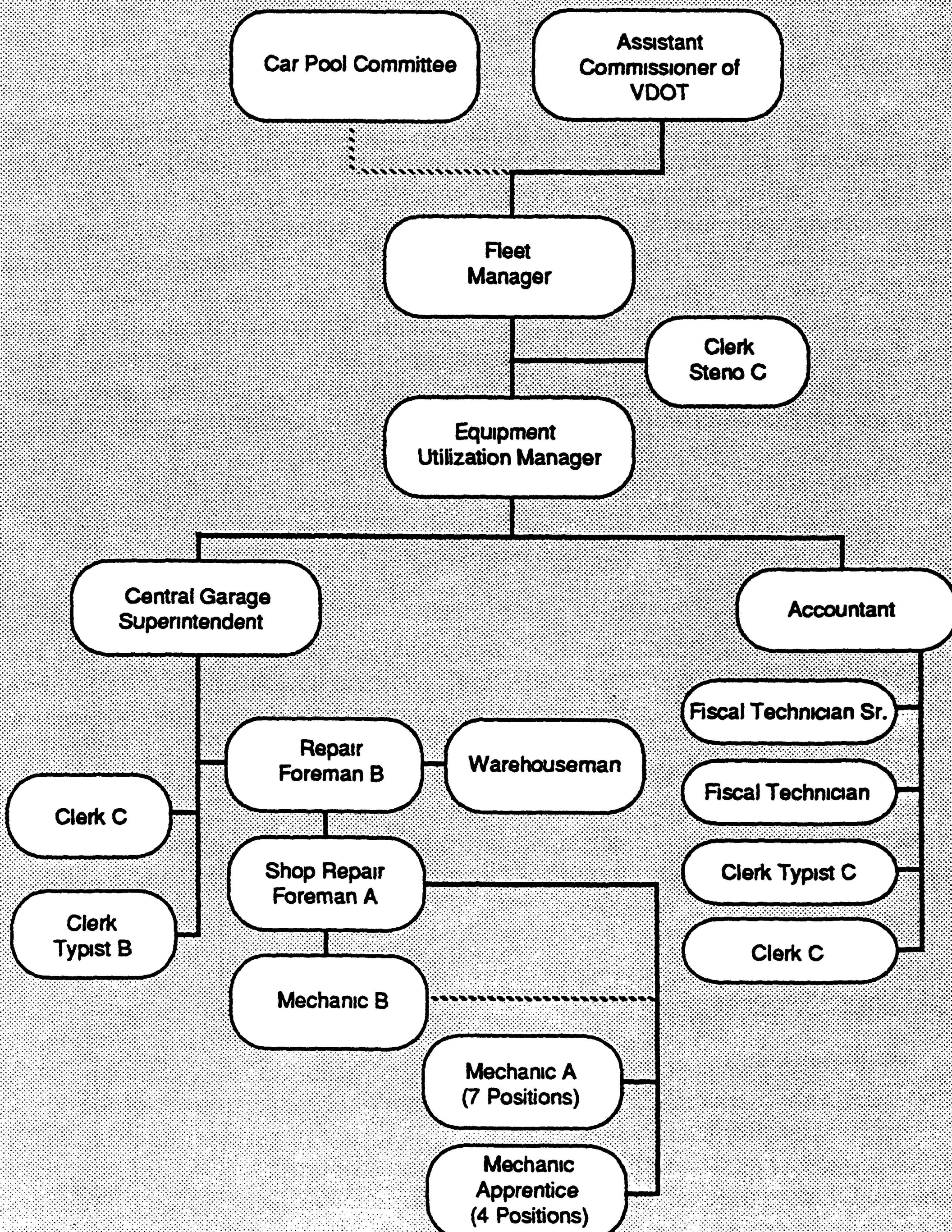
The Virginia Department of Transportation (VDOT) has operated the Central Garage Car Pool since 1948. In 1964, administration of the Central Garage Car Pool was placed under the direction of a Car Pool Committee appointed by the Governor, although the motor pool was still recognized as a unit of the Virginia Department of Highways (now the Department of Transportation). In 1971, an executive order directed centralization of authority and management of State-owned passenger vehicle assignments, maintenance, and repair. This order directed State agencies to turn control of their State vehicles over to the Central Garage.

Central Garage Operations

Under the provisions of Executive Order Number Thirty (1982), VDOT is charged with the responsibility to operate the Central Garage (Appendix A). Central Garage operations are managed by a full-time fleet manager (Figure 1). The fleet manager reports to the Assistant Commissioner at VDOT, and has a staff of 25 positions assigned full-time to the Central Garage. The department provides administrative support to Central Garage in the areas of personnel, parts inventory, data processing, and billing. In addition, Central Garage relies on VDOT maintenance shops statewide for maintenance and repair of State passen-

Figure 1

Organizational Structure of the Central Garage



Source: JLARC staff analysis of Central Garage organization.

ger vehicles. VDOT has statutory authority to act as the State's central purchasing agent for all State vehicles, gasoline, and automotive goods.

Currently, the Central Garage Car Pool operates from a centralized facility located at 2400 West Leigh Street, in Richmond. The facility includes the administrative offices of Central Garage, a maintenance shop, a car wash, gas pumps, and storage lots for vehicles. The trip pool fleet for short-term assignments is also housed at and assigned from this facility

Since 1979, accounting for Central Garage services has been brought into line with standard practices related to fund types. As a result of a 1979 JLARC recommendation, the Central Garage was designated an internal service fund in 1984.

Internal service funds are funds used to account for the financing of goods or services provided by one government agency primarily or solely to other agencies on a cost-reimbursed basis. When properly managed, internal service funds provide several important benefits. First, the funds ensure that the costs of services are properly identified and accounted for in a consistent manner. Second, they are a mechanism to equitably recover the costs of goods or services from user agencies. And finally, they provide the means for executive and legislative oversight of business-like operations, to ensure that essential services are provided in the most effective and cost-efficient manner.

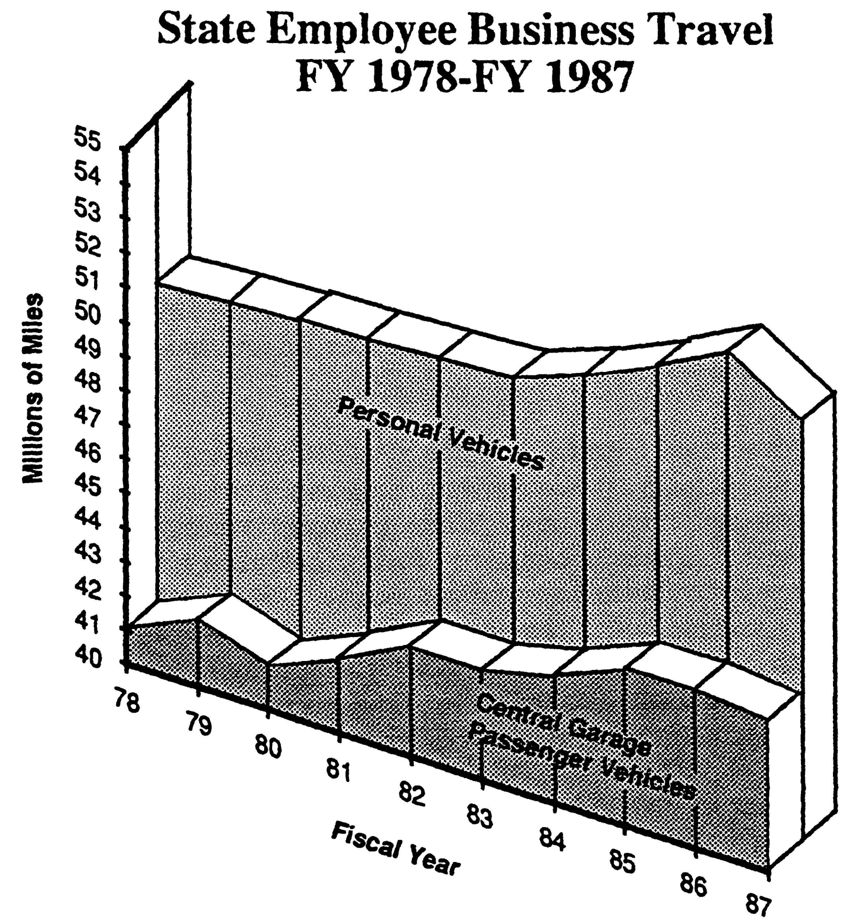
As an internal service fund, the Central Garage provides the use of passenger vehicles to State governmental agencies on a cost-reimbursed basis. The cost of agency vehicle use is reimbursed to the Central Garage primarily through a per-mile user charge. In FY 1987, expenditures for fleet services totalled $6.2 million, and revenues from operations were approximately $8.1 million. The fixed assets of the Central Garage, including motor vehicles, are currently valued at $11.8 million.

Employee Travel and Use of Vehicles

State employees travelled approximately 44 million miles in State-owned vehicles in FY 1987, an increase of three million miles since FY 1978 (Figure 2). Travel in personal vehicles increased during this period, from 51 million miles in FY 1978 to more than 52 million in FY 1987

The increase in the mileage for the Central Garage fleet has been modest, about eight percent since 1979. However, the number of vehicles in the fleet has grown by more than 18 percent, from 2,453 vehicles in FY 1978 to 2,900 vehicles in FY 1987 Consequently, the average annual mileage per vehicle has declined from more than 17,000 miles in FY 1978 to about 15,200 miles in FY 1987 The composition of the fleet has also changed, from a fleet consisting

Figure 2



Source: Central Garage and Department of Accounts.

exclusively of full-size sedans and station wagons to one consisting primarily of compact sedans.

At the end of FY 1987, 2,520 vehicles were assigned to 119 different State agencies. The largest users of vehicles were the Department of Transportation with 481 assigned vehicles; the Department of Corrections with 443 vehicles; the Department of Mental Health, Mental Retardation and Substance Abuse Services with 146 vehicles; and the Department of Agriculture and Consumer Services with 122 vehicles. These four agencies accounted for 20.5 million miles of travel, or about half of all mileage driven in Central-Garage vehicles in FY 1987

The Central Garage also provides for short-term assignments through its trip pool. In FY 1987, 230 vehicles were in use in the trip pool. Employees used the vehicles for about 8,000 trips that year, for a total of 3.5 million miles of travel. The largest users of the service were the Departments of Education; Health; and Mental Health, Mental Retardation and Substance Abuse Services.

JLARC REVIEW

JLARC is required by Section 2.1-196.1 of the *Code of Virginia* to oversee State internal service funds. This study was initiated as a follow-up of the 1979 study of the Central Garage. This is the first review of fleet operations by JLARC since the Central Garage was designated as an internal service fund.

Research Activities

JLARC staff used a number of research methods in the performance of this review Staff employed structured interviews, surveys, field observations, reviews of procedures and documents, and quantitative analysis. A detailed explanation of the study methods is contained in a separate technical appendix to this report.

Interviews. Structured interviews were conducted with the staff of both the Central Garage Car Pool and VDOT. Central Garage personnel interviewed included the fleet manager, the trip pool superintendent, and the accountant. Members of the Car Pool Committee, including the chairman, were also interviewed. JLARC staff conducted telephone interviews with 19 agency transportation officers.

To assess the status of public fleet management nationwide, JLARC staff solicited information from the National Association of Fleet Administrators (NAFA) and the National Conference of State Fleet Administrators (NCSFA). JLARC staff contact with state fleet administrators included: (1) attendance at the NCSFA annual conference in 1987, (2) telephone interviews with state fleet administrators in eight southern states, and (3) an on-site review of operations at the Motor Fleet Management Division of the North Carolina Department of Administration.

Surveys. To gather data on issues for which otherwise limited information was available, JLARC staff administered three separate surveys. Two of the surveys went to operators of agency-assigned vehicles. More than 2,100 vehicle operators in 118 State agencies received a short survey in August of 1987 This survey solicited information on the use of specific vehicles and included questions on tenure of assignment; home storage of vehicles; and frequency, justification, and authorization for commuting use of the vehicles. Information on commuting mileage and reimbursements was also gathered.

JLARC staff implemented a concurrent survey effort on the use and condition of agency assigned vehicles. This longer, multi-page survey was sent to a random sample of 420 employees who used State vehicles in FY 1986. This survey included questions on vehicle use, condition, and performance as well as on vehicle use regulations.

A third survey effort focused on trip pool use and operations. In September of 1987, Central Garage trip pool staff distributed the survey to 500 State employees who used trip pool vehicles. The survey explored trip pool use, user compliance with vehicle regulations, and user satisfaction with vehicle condition and trip pool operations.

Field Observations. JLARC staff observed maintenance operations at both the Central Garage and two VDOT locations, and attended a State vehicle auction. Staff also monitored trip pool assignment procedures at the Central Garage.

Procedures and Document Review. Various procedures and documents used by the Central Garage Car Pool were reviewed and assessed. JLARC staff reviewed "Application for Assignment" (CP-3) forms for FY 1986 and 1987 to track assignment procedures and justifications for assignments. "Monthly Mileage Reports" (CP-6) were reviewed to assess billing procedures and to identify vehicle operators and locations.

Quantitative Analyses. Several quantitative analyses were undertaken in reviewing the Central Garage. JLARC staff examined the rate-setting methodology used by the Central Garage to ensure that appropriate charges are being made for fleet services. This task included developing independent estimates of Central Garage vehicle utilization and costs, and applying guidelines for setting an appropriate level for cash resources to be held as surplus. To assess compliance with the minimum mileage criteria, vehicle efficiency standards, and vehicle replacement criteria, JLARC staff developed an independent database from VDOT automated data. To this database JLARC staff applied regression analyses and other basic statistical operations.

Report Organization

The following chapters present JLARC staff's findings, conclusions, and recommendations related to the management of the State's passenger vehicle fleet. In Chapter II, issues related to the assignment and utilization of vehicles are discussed, and commuting use of State-owned vehicles is reviewed. Chapter III is a review of fleet operations, including enforcement of regulations, operation of the trip pool, and management of the vehicle inventory Chapter IV is an analysis of Central Garage finanacial management and rates. Chapter V concludes the report by focusing on the need to better define the authority and responsibility for important management functions related to the administration of the fleet.

II. Vehicle Assignment and Utilization

In FY 1987 more than 2,500 vehicles were assigned to agencies for their long-term use. These assignments constitute the bulk of use of State vehicles by employees. Assignments are to be made on the basis of the mileage requirements specified in the Appropriations Act, and are intended to provide employees whose duties require substantial travel with reliable, safe, and convenient vehicles. Vehicles assigned to employees may be used only for official State business.

JLARC staff reviewed the current assignment of vehicles by the Central Garage to determine if assignments are made on the basis of demonstrated need, and are in compliance with current policies and regulations. The review also focused on the extent to which assigned vehicles are properly used. The findings of the review indicate that many assignments of vehicles are not appropriate, and as a result, a large number of vehicles in the State fleet are underutilized. Shortcomings in the assignment process, and the resulting problems with vehicle use, are largely due to the lack of clearly defined authority and accountability for the process. In recognition of this problem, the Department of Transportation and the Office of the Secretary of Transportation and Public Safety have proposed revisions to the executive order which creates the Central Garage.

The Central Garage currently collects insufficient information to properly enforce requirements concerning vehicle assignments. Vehicle need is not determined in any systematic way, because many vehicle assignments are made at the demand of agencies, with little effective evaluation of need identified by the agencies. Unnecessary assignment of State vehicles is the cause of vehicle underutilization, which is substantial among vehicles currently in the fleet.

VEHICLE ASSIGNMENTS

Under the provisions of the Appropriations Act (§4-5.06 c.2) vehicle assignments are to be made on the basis of the mileage to be driven in the vehicles:

> A vehicle shall not be permanently assigned to a state employee if the vehicle is normally driven for fewer than 12,800 miles per year on official business; an exception to this limitation may be made in instances of special needs requiring the assignment, as to employees whose duties are related to public safety and life-threatening situations. Employees using permanently assigned vehicles to and from the places of official employment and home shall be required to pay at least $40 per month in accordance

with uniform regulations issued by the Governor setting forth mileage charges to all agencies; vehicles assigned for emergency purposes to respond to public safety and life-threatening situations are excluded from this directive.

The minimum mileage criterion of 12,800 miles resulted from JLARC staff's analysis of the economics of vehicle utilization in FY 1978. In the 1979 study of the Central Garage, JLARC staff determined the minimum mileage point by calculating the annual mileage at which the rate of personal reimbursement equaled the charge for operating a State vehicle. This mileage point became the minimum mileage criterion.

A JLARC staff survey of a sample of assigned vehicle users found that about one-third of the assigned vehicle fleet is used for internal agency pools. The remainder of the assignments are made to individual employees, although most operators indicated they too shared the vehicles with coworkers. Fifteen percent of the individual assignments, however, are used exclusively by the employees to whom the vehicles are assigned.

Client visits, client transportation, and travel to meetings or conferences were the most frequent uses of the assigned vehicles. Agency-assigned vehicles were used by employees throughout the State in the performance of their specific duties to advance agency missions. At least 297 vehicles were assigned to employees who worked out of their homes, and 979 vehicles were assigned to employees who had constant field-work duties.

Vehicle Assignment Process

State vehicles are assigned to agencies based on requests submitted to the Central Garage. Under the current process, individual agencies identify their own needs for transportation internally. If a need for a State vehicle is identified, a request is submitted to the fleet manager. The fleet manager is responsible for reviewing the request and assigning a vehicle to the agency. The complete process is illustrated in Figure 3.

Agency requests for permanent vehicle assignments have been routinely approved for the past four years. Responsibility for approval of requests — a Car Pool Committee function under the provisions of Executive Order Number Thirty — is now informally vested with the fleet manager. The fleet manager reported to JLARC staff that vehicle assignments are rarely disapproved. In fact, the assignment of State vehicles now appears to be made without any effective independent review to ensure that assignments are appropriate.

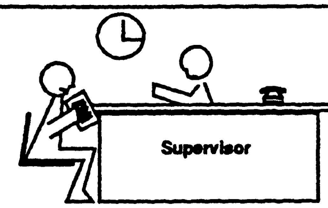
Problems with the assignment process appear to result from the lack of clear authority for the process. More specifically, the problems relate to: (1) a

Figure 3

The Assignment Process

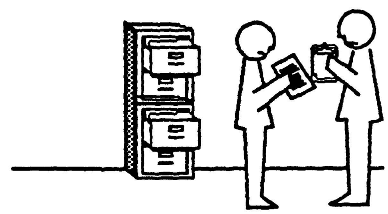
Step 1

Employee and/or Supervisor identifies a job-related transportation need.



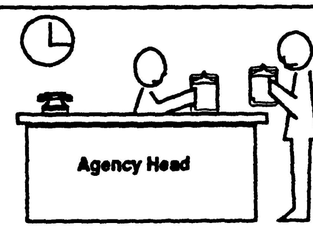
Step 2

Supervisor discusses need with Agency Transportation Officer and submits required forms.



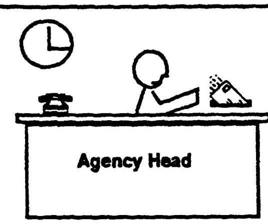
Step 3

Agency Transportation Officer recommends the application for approval by the Agency Head.



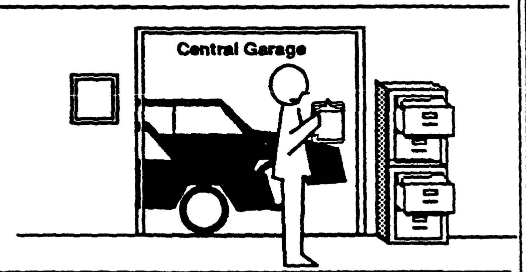
Step 4

Application approved by Agency Head is forwarded to the Fleet Manager at the Central Garage Car Pool.



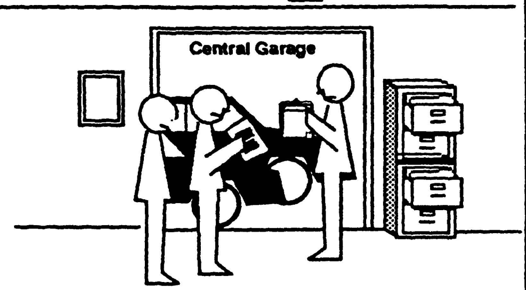
Step 5

Fleet Manager reviews the application and notifies Agency Transportation Officer by letter of assignment approval or disapproval.



Step 6

If assignment is approved, Agency Transportation Officer notifies employee's supervisor, and the supervisor oversees the employee's pick up of the vehicle from Central Garage.



Source: JLARC staff graphic

lack of criteria based on factors other than mileage, (2) inadequate information on the assignment request application, and (3) inadequate review of requests by the fleet manager.

Assignment Criteria. The first, and most serious, problem with the current process is that assignments may be made only on the basis of the 12,800 mile criterion in the Appropriations Act, or on the basis of special exemptions which are broad and subject to varying interpretation. The Act recognizes very limited exceptions for special uses. Exception to the mileage criterion is made only for "instances of special needs requiring the assignment, as to employees whose duties are related to public safety and life- threatening situations." In FY 1987, only seven percent of the assignments requested were justified on the basis of these exemptions.

But a review of assignment applications indicates that other valid needs should be, and are met. In many instances, however, it appears that agencies do not provide accurate information in the application process in order to obtain an assignment to meet those needs.

JLARC staff reviewed CP-3 forms (Application for Assignment of Passenger Vehicle) for fiscal years 1986 and 1987 The CP-3 form requests agencies to estimate the mileage to be driven in the vehicle. The mileage estimate is used to determine if the request meets the minimum required by the Appropriations Act. In the review of forms for FY 1986 and FY 1987, between 93 percent and 97 percent of the applications reported an estimate of mileage in excess of the required minimum (Table 1). But an agency's assertion of intended compliance with the mandated annual business mileage minimum is an ineffective means for assessing need. Agencies know the mileage requirement and could reason that if

Table 1

Appropriations Act Justifications for Vehicle Assignments

	FY 1987 95 Cases		FY 1986 126 Cases	
Justification	# Cases*	% Cases	# Cases*	% Cases
Expected to meet minimum mileage	91	96%	117	93%
Public safety duties	6	6%	22	17%
Emergency purposes	1	1%	4	3%

*Sum of cases exceeds total cases due to multiple reasons cited.

Source: JLARC staff analysis of Car Pool Assignment forms.

they responded with any predicted mileage less than 12,800 annual business miles, their application might be rejected.

In fact, the inadequacy of this process is clearly seen in the analysis of actual utilization of vehicles in FY 1986 and FY 1987. As discussed in greater detail later in this chapter, data for agency-wide utilization of vehicles for the two years show a substantial level of non-compliance with the minimum mileage criterion. Of the 126 vehicles newly assigned in FY 1986, 93 percent justified eligibility on the basis of meeting the minimum mileage criterion, but 72 percent actually did so in FY 1987. Still, based on the stated needs for the vehicles seen in the CP-3 forms, not all of those vehicles that did not meet the mileage criterion were necessarily assigned inappropriately.

Based on a survey of vehicle operators, several categories of need appeared valid, regardless of the mileage driven. The criteria below were developed by JLARC staff as illustrations of potentially valid employee assignments. Assignment of a vehicle should be made on the basis of need demonstrated by mileage to be driven or compliance with one or more of the following criteria:

(1) Documented use related to job duties requiring constant and frequent travel, whether or not in excess of the minimum mileage. This criterion recognizes the need for an assignment when travel is a part of employee's job duties, and may be required by the employee's position description. University admissions recruiters, health inspectors, and campus police officers are examples of employees who might receive an assignment under this category.

(2) Documented use related to an employee's unique transportation needs, such as the regular transportation of equipment or clients in the custody of the State. Assignments based on this criterion should be made only after clear, documented need has been established. For example, assignments for transporting equipment should require documentation of the type, size, and weight of the equipment, as well as a description of how the equipment is used in the employee's job. Any hazards associated with the equipment should be specified (i.e., sharp edges, hazardous chemicals). The size and weight of the equipment are factors which could be used by the fleet manager in deciding whether the assignment of a vehicle is appropriate, or if the equipment should be transported by other means.

    The assignment for transportation of clients should not be made for employees who occasionally transport clients, but rather for the regular transportation of clients in the custody of the State, such as prison inmates or mental health hospital patients. Documentation of need should include the institution to which the assignment will be made, the nature of the transportation, frequency of travel, and the average number of passengers transported.

(3) Documented use to provide active remedial assistance in response to an emergency situation. Employees requesting assignment under this criterion should describe their emergency duties and document the actual emergencies to which they have responded in the previous fiscal year. Recent changes in job duties that necessitate emergency response should be detailed. For example, sworn law enforcement officers with regular patrol or field duties should be exempt from the mileage criterion, and assigned a vehicle on the basis of the need to respond to emergencies. The need for the assignment would be documented by providing such information as the officer's badge number, a description of the patrol route, the frequency of emergency responses, and special equipment in the vehicle.

Recommendation (1). The General Assembly may wish to amend the Appropriations Act to permit the assignment of State vehicles for valid uses other than the accumulation of a specified mileage. Assignments should be permitted for employees required by their job duties to travel constantly and frequently, or to regularly transport equipment or clients in the custody of the State. Assignments should also be made for sworn law enforcement officers or others with a documented need to respond to emergency situations. The Central Garage should define categories of special needs, include objective measures for verification of these needs, and include a special needs declaration on the vehicle application form.

Insufficient Data. The second problem with the assignment process is the failure of the CP-3 assignment form (Exhibit 1) to solicit pertinent, useful assignment data. The "Application for Assignment" form solicits details of the proposed vehicle's use and on the agency's existing vehicle complement. For 65 of 137 forms reviewed by JLARC staff, the applications were incomplete, with these crucial decision-making data omitted. Still, the JLARC staff review of the 221 requests submitted during FY 1986 and FY 1987 found that no requests were denied.

In addition, the form does request basic information on type of vehicle requested, need and prospective geographical location for the vehicle, and agency vehicle history The form does not solicit information on "special need" exemptions, specific duties of employees and their corresponding transportation-related needs, equipment to be carried in the vehicle, date the vehicle is needed, duration of need, expected commuting use, tax liability for personal use, and driving record of proposed operator.

Exhibit 1

Central Garage Vehicle Assignment Application

C.P -3
(Rev. 6-14-83)

CENTRAL GARAGE CAR POOL

APPLICATION FOR ASSIGNMENT OF PASSENGER VEHICLE

Date________________

TO: Fleet Manager, Central Garage Car Pool
1221 E. Broad St., Richmond, Va. 23219

FROM:____
Name of Agency — Agency Comptroller Code

In conformance with Central Garage Pool Regulations, it is requested that a pool vehicle be assigned to ____.
Employee & Position

☐ sedan ☐ station wagon ☐ cargo van ☐ 12 passg. van ☐ 15 passg. van

Headquarters of vehicle____.

Point vehicle will be stored at night____.

A brief description of the duties of this employee and specific reasons why the assignment of a pool vehicle is considered necessary____
____
____
____
____.

The estimated average number of miles to be driven(monthly-annually) by this employee____________________.

How many pool vehicles does your agency now have?____________________

What is the lowest annual mileage of any assigned vehicle? ____________________

How many vehicles were used less than 12,800 miles last fiscal year?____________________

Why is it not possible to meet your transportation requirements with the currently assigned vehicles? ____
____
____
____
____

Recommended by____________________
Transportation Officer

Approved by ____________________
Agency Head

Approved
Disapproved ____________________
Executive Secretary
Central Garage Car Pool Committee

Source: 1986 Central Garage Car Pool Handbook.

Inclusion of such items on the form would allow for a more informed review of the application. Specific information such as that described above would allow the fleet manager to judge the appropriateness of an assignment and enable him to prioritize the requests, especially with respect to the date the vehicle is needed.

In contrast to the form used in Virginia, the form used in North Carolina requests detailed information about vehicle use, commuting, commuting fees, and billing. The form is included at the end of this report as Appendix B. JLARC staff developed an example of an assignment application form (Exhibit 2) drawing on the strengths of both the CP-3 form and the North Carolina Motor Fleet Management form. This example should be used by the Central Garage as a guide in the development of a new application instrument tailored to the agencies' and Central Garage's needs.

Recommendation (2). The Central Garage should develop an application instrument and a procedure to objectively evaluate vehicle need. The approval or disapproval of each application should be documented, citing the objective reasons, based on specific criteria, that explain the assignment approval or denial. The form should request information pertaining to need for the vehicle, the employee's previous State business travel, equipment to be carried in the vehicle, expected commuting use of the vehicle, and commuting fees to be paid by the employee. The example form included in this report could be field tested by the Central Garage as a first step in developing a new form to collect the information. The validity of operator's licenses should also be verified with the Department of Motor Vehicles at the time vehicle assignments are requested.

Assignment Review and Approval. Executive Order Number Thirty (1982) charges the Car Pool Committee with the responsibility to "enforce specific criteria for the permanent assignment of vehicles applicable to individual users and using agencies." The committee's informal delegation of assignment authority to the fleet manager has been without any guidelines on the manager's enforcement powers. In fact, the fleet manager still considers the enforcement powers to be with the Car Pool Committee. The result is that neither the Car Pool Committee nor the fleet manager is fulfilling the assignment review duties of the executive order.

The fleet manager reported to JLARC staff he does not research or investigate assignment requests from agencies. More than half the applications approved in the past two fiscal years were not filled out completely, so it appears that no critical analysis of the information on the application form is made. The approval amounts to a "rubber stamp" approval. An agency's assessment of need, therefore, is not corroborated by any independent source.

The mission of the Central Garage as stated in the Executive Budget is to "provide passenger type vehicle transportation for state employees in accor-

Exh. 2

CENTRAL GARAGE CAR POOL

APPLICATION FOR ASSIGNMENT OF STATE PASSENGER VEHICLE

FORM MUST BE COMPLETED IN FULL

Agency:	Agency Address (Street, City, Zip):			
Person Assigned to or Responsible for Vehicle:	Drivers License Number:	Position Title:	DPT Approved Job Classification:	Work Phone:
Work Address (Street, City, Zip):		Department or Institution:		Billing Code:

Assignment Type: ☐ Individual ☐ Temporary Individual ☐ Internal Agency Pool

Application Type: ☐ New Request ☐ Information Update ☐ Request for exchange of Vehicles

Vehicle Type Needed: ☐ Sedan ☐ Sta Wagon ☐ Other:________

Date Needed:

Number of months needed:

Reason why current assignment unsatisfactory:

Equipment stored in vehicle:
Name ________ Manufacturer________
Size (inches) ________ Weight (lbs) ________
Why equipment is used: ________
Safety Hazard associated with the equipment (i.e., sharp edges, chemicals) ________

JUSTIFICATION FOR ASSIGNMENT *(Select and complete Section 1 or Section 2)*

1 ☐ Projected business travel > mandated annual business mileage minimum: *(Please complete the following)*

A Mileage fiscal year to-date in personal reimbursement = ________miles

Mileage previous fiscal year in personal reimbursement = ________miles

B Central Garage Trip Pool Vehicle miles travelled fiscal year-to-date= ________ miles

Central Garage Trip Pool Vehicle miles travelled previous fiscal year = ________miles

C Describe any recent change in responsibilities that affect mileage accumulation:________

2 ☐ Projected business travel < mandated annual business mileage minimum Applicant requests exemption from mandated mileage minimum *(Please choose exemption(s))*

☐ Vehicle used by a sworn law enforcement with regular patrol or field work duties

☐ Special equipment in vehicle (see equipment record above)

☐ Transportation of state responsibility patients or inmates;
Frequency of trips =________, average number of passengers per trip =________,
route description:________

☐ Emergency duties:
Number of responses to emergencies fiscal year to date =________, describe these emergencies:________

Number of responses to emergencies in the previous fiscal year=________,describe these emergencies:________

Describe any recent change in responsibilities that affect mileage accumulation:________

☐ Miscellaneous exemption; unique vehicle related agency function
describe function ________
estimated mileage________frequency of travel________
travel route ________

INDIVIDUAL ASSIGNMENT ONLY

1 Does the employee wish to commute between home and work in this vehicle?

☐ NO Vehicle to be parked at office Specify location:________.

☐ NO Home is office

☐ YES Reason required to drive after duty hours:________

Round trip distance = ________miles

2. Does employee request exemption of commuting fees? (Subject to fleet manager s approval)

☐ YES, check qualifications which are applicable

☐ Clearly marked police or other emergency vehicle

☐ Unmarked law enforcement vehicle driven by full time sworn law enforcement officer

☐ Employee travels directly to field locations from home

☐ Other:________

☐ NO Employee authorizes semi monthly payroll deduction of commuting fee

Social Security Number ________

CENTRAL GARAGE USE ONLY

COMMUTING FEE CALCULATION

$$\frac{\boxed{}\ \text{Roundtrip miles} \times 220\ \text{annual workdays} \times \boxed{\$}\ \text{per mile user charge}}{24\ \text{annual pay periods}} =$$

☐ $ Commuting fee per pay period

Benefit per federal law = $________

15

Exhibit 2 (continued)

CERTIFICATION *(Obtain all signatures before submitting to Central Garage Car Pool)*

INDIVIDUAL ASSIGNMENTS:

I certify all given information is true and correct I understand that if any part of this information changes, I must complete a new form I authorize payroll deduction of commuting fees if applicable. I certify that my driver's license is valid and I authorize the Central Garage Car Pool and my agency of employment to periodically validate my license information and obtain my full driving record I understand that compliance with the Appropriations Act and with Central Garage Car Pool Vehicle Use Regulations is mandatory

Signature of Assignee ______________________ *Date* ______________

INTERNAL AGENCY POOL ASSIGNMENTS:

I certify all given information is true and correct. I understand that if any part of this information changes, I must complete a new form I understand that compliance with Appropriations Act and with Central Garage Car Pool Vehicle Use Regulations is mandatory Internal pool vehicles will not be used for habitual home to work travel Vehicle operators will be made aware of regulations concerning State vehicle use. A procedure will be implemented to insure that all internal pool vehicle users have a valid driver's license License status will be determined periodically, and drivers with invalid licenses will not be allowed to operate State vehicles

Signature of employee responsible for internal pool ______________________ *Date* ______________

AGENCY/UNIT SIGNATURE:

The individual understands that compliance with the Appropriations Act and with Central Garage Car Pool Vehicle Use Regulations is mandatory and that the Central Garage Car Pool will periodically redetermine assignment Vehicle shall be used, maintained and serviced according to regulations We certify that named agency/individual meets all assignment qualifications

Unit Head/Supervisor ______________________ *Date* ______________ *Agency Head* ______________________ *Date* ______________

Source JLARC staff analysis of application forms dance with their duty requirements." The vehicle assignment process is critical in the implementation of this goal. The fleet manager, however, does not ensure compliance with specific criteria and does not serve as an independent check on agency decisions and actions regarding State vehicles. The result has been the misassignment of cars and uneconomical usage. The fleet manager should be proactive in validating that travel is an essential duty requirement.

Recommendation (3). The revised statutory authority for the Central Garage should specifically designate the Commissioner of Transportation as the authority to enforce and evaluate specific criteria for the assignment of vehicles.

VEHICLE UTILIZATION

The appropriate assignment of vehicles in the State fleet is important because it is the first step in ensuring economical and effective use of resources. When the assignment process does not adequately identify unnecessary or inappropriate assignments, the utilization of vehicles will decline. Underutilization of vehicles is a critical problem in fleet management because it requires a greater investment in motor vehicles, results in higher operating costs, and reduces the availabilty of vehicles for valid uses.

Because of problems in the assignment of vehicles at the Central Garage, large numbers of vehicles in the State fleet are underutilized. For the overall fleet, for example, the average mileage per vehicle has declined from about 17,000 miles in 1978, to approximately 15,200 miles in 1987 And the number of vehicles in the fleet has grown by 18 percent, while mileage driven has increased by only eight percent.

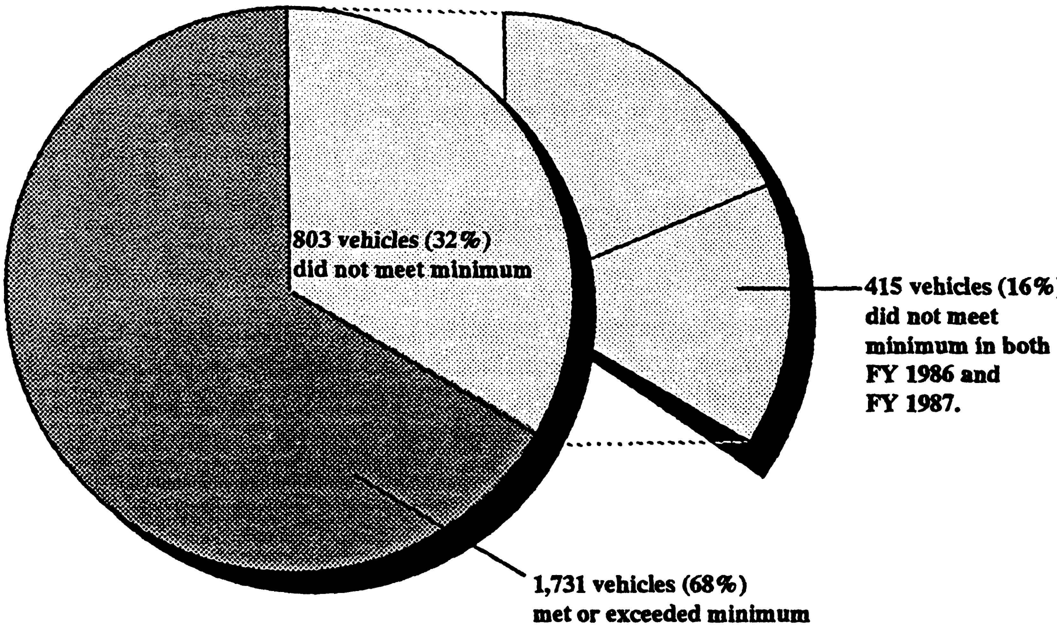
Compliance with Minimum Mileage Criterion

Agency compliance with the minimum mileage standard presently in effect was examined using mileage reported for FY 1987 The Appropriations Act sets the minimum at 12,800 miles annually Cars and vans which were sold during FY 1987 were not analyzed. The JLARC staff review was based on the utilization of 2,534 permanently assigned passenger cars which were assigned to agencies for all of FY 1987 Vehicles with less than 12,800 miles, the minimum stated in the Appropriations Act, were considered underutilized because few assignments are made on the basis of public safety exemptions.

General Compliance. The average annual mileage for passenger cars was 15,028 miles in FY 1987 While the average was above the minimum required mileage, almost 32 percent (803 vehicles) did not meet the minimum (Figure 4). The JLARC staff analysis shows that 415 vehicles, or 16 percent of the

Figure 4

Compliance With Minimum Mileage Criterion FY1987



Note: Includes only vehicles assigned to a single agency for all of FY1987

Source: JLARC staff analysis of VDOT automated data.

entire fleet, did not meet the minimum mileage criterion for both FY 1986 and FY 1987 The average mileage for an underutilized car was 8,710 miles, which is 4,090 miles (32 percent) below the minimum stated in the Appropriations Act. Some of these assignments might be justified on the basis of the exemptions specified in the Appropriations Act, but the number that qualify cannot currently be measured because the necessary information about the assignments is lacking.

JLARC staff found a wide variation among agencies in the extent to which vehicles are underutilized. Underutilization rates of 50 percent or more were found in 31 agencies with more than one vehicle in service (Table 2). Among the agencies with the largest number of assignments, underutilization rates ranged from 19 percent at the Department of Agriculture and Consumer Services, to 43 percent at the Department of Corrections. Six agencies had underutilization rates of 100 percent; that is, every vehicle assigned to the agencies was driven less than the required minimum.

Table 2

Utilization of Assigned Passenger Cars by State Agencies in FY 1987

Agency	Number of Vehicle Assignments	Percent Driven Below 12,800 Miles	Agency	Number of Vehicle Assignments	Percent Driven Below 12,800 Miles
Department of Aviation	2	100	Piedmont Geriatric Hospital	3	33
Virginia State School at Hampton	2	100	Southern Va. Mental Health Institute	3	33
Virginia Rehabilitation Center for the Blind	3	100	Department of Health	116	32
Southeastern Virginia Training Center	4	100	Department for Visually Handicapped	43	30
Virginia Treatment Center for Children	2	100	Southside MHMR Support Unit	14	29
Office of Secretary of Economic Develop.	2	100	Virginia Employment Commission	8	25
Department of Labor & Industry	42	90	Department of General Services	8	25
Old Dominion University	20	70	James Madison University	22	23
Virginia School for the Deaf & Blind	3	67	Virginia Institute of Marine Science	13	23
John Tyler Community College	3	67	Clinch Valley College	9	22
Northern Virginia Training Center	3	67	Department of Social Services	100	22
Virginia Parole Board	6	67	Department of Emergency Services	14	21
Paul D. Camp Community College	5	60	Supreme Court of Virginia	5	20
Capitol Police	5	60	Department of Economic Development	15	20
Office of Attorney General	14	57	Virginia Military Institute	10	20
Department of Commerce	21	57	Longwood College	15	20
Rehabilitative School Authority	9	56	Tidewater Community College	5	20
Virginia Commonwealth University	11	55	Department of Transportation	584	20
George Mason University	13	54	Catawba Hospital	5	20
Department of Information Technology	13	54	Southwestern Virginia Training Center	5	20
Medical Assistance Services	13	54	Agriculture & Consumer Services	127	19
Mary Washington College	8	50	Eastern State Hospital	27	19
Norfolk State University	16	50	Southwestern State Hospital	6	17
Virginia State University	18	50	Department of Criminal Justice	8	13
Department of Education	2	50	College of William & Mary	24	13
Radford University	20	50	Alcoholic Beverage Control	40	13
Christopher Newport College	6	50	Department of Health Regulatory Boards	17	12
Wytheville Community College	4	50	Central Virginia Training Center	9	11
Germanna Community College	4	50	Marine Resources Commission	56	9
Virginia Port Authority	2	50	Western State Hospital	11	9
Northern Virginia Mental Health Institute	4	50	Department of Taxation	30	7
Department of Forestry	25	48	Division of War Veterans Claims	3	0
Woodrow Wilson Rehabilitation Center	11	45	Minority Business Enterprises	4	0
Virginia Community College System	9	44	New River Community College	3	0
State Corporation Commission	40	43	Southside Virginia Community College	5	0
Northern Virginia Community College	7	43	Danville Community College	2	0
Department of Corrections	445	43	Piedmont Community College	2	0
Housing & Community Development	17	41	Patrick Henry Community College	2	0
Conservation & Historic Resources	29	41	Virginia Western Community College	3	0
Virginia Museum of Fine Arts	5	40	Dabney S. Lancaster Community College	2	0
Rappahannock Community College	8	38	Central Virginia Community College	2	0
Air Pollution Control Board	16	38	Southwestern Virginia Community College	4	0
Water Control Board	30	37	Virginia Highlands Community College	4	0
Virginia Rehabilitative Services	66	36	Mt. Empire Community College	2	0
Department of Motor Vehicles	92	33	Department of Waste Management	2	0
Department of Mines, Mineral, & Energy	15	33	Jamestown-Yorktown Foundation	2	0
Mental Health & Mental Retardation	15	33	DeJarnette Center for Human Development	3	0
Thomas Nelson Community College	3	33	Department of Fire Programs	7	0

The examples below were typical of the low utilization of vehicles by some State agencies.

In FY 1987, five vehicles assigned to the Department of Corrections were among the least used vehicles in the fleet. The five vehicles were assigned to the department for the entire year, yet the mileage for the five vehicles combined did not meet the required minimum. The vehicles and their FY 1987 mileages were:

1981 Chevette	*1,895 miles*
1981 Horizon	*2,048 miles*
1983 Reliant	*2,144 miles*
1980 Chevette	*2,387 miles*
1981 Horizon	*2,616 miles*

* * *

Two 1983 Dodge vans were assigned to the Southeastern Virginia Training Center. One van travelled 1,552 miles in FY 1987, while the other was driven 2,192 miles during the year.

* * *

Old Dominion University used one assigned vehicle to travel 1,983 miles in FY 1987

* * *

An assigned vehicle at Radford University was used 2,238 miles in FY 1987.

Excluding Mileage for Commuting. The data used for the general analysis of compliance with the current 12,800 annual business mileage minimum discussed above are not exclusive of commuting mileage. However, commuting is not considered mileage attributable to State business and should, therefore, be subtracted from the data when assessing underutilization.

In order to assess the impact of commuting on compliance with the required minimum mileage, JLARC staff subtracted estimates of commuting mileage based on survey results for FY 1986 from the total mileage reported for FY 1987. For this analysis, commuting mileage was any mileage for travel between home and office, except for employees who report directly to the field, or for whom their home is their office. Twenty vehicles which would otherwise have met the minimum failed to meet the mandated business mileage minimum when commuting mileage was subtracted.

While JLARC analysis did not find the general level of compliance with the minimum mileage criterion strongly affected by removal of commuting miles, for several assignments the removal of commuting mileage raises questions about the appropriateness of the assignments. Inclusion of commuting mileage in mileage totals can misstate business mileage and permit the agencies to circumvent the minimum mileage requirement.

Recommendation (4). The Central Garage fleet manager should begin an immediate review of all fleet vehicles which do not meet the minimum mileage criterion specified in the Appropriations Act. Underutilized vehicles for which assignments cannot be justified on the basis of special needs should be recalled and reassigned. In addition, the fleet manager should take a more active role in monitoring the utilization of fleet vehicles. For the purpose of detecting underutilization, the fleet manager should carefully monitor mileage, exclusive of commuting use, from odometer readings reported on a periodic basis. Significant underutilization should result in the removal of the vehicle, except in instances for which special assignments are justified, in writing, on an individual basis.

Special Assignment Vehicles. Special assignment vehicles include vehicles such as vans which are included in the fleet to meet a special need — usually either expanded passenger or cargo capacity. Such vehicles cannot adequately be judged by the same criterion as standard passenger sedans and station wagons without understating their usefulness. For example, a fifteen-passenger van being used 10,000 miles per year, and therefore not in compliance with the mileage criterion, may actually carry a passenger load equivalent to two or three passenger sedans. In FY 1987, 32 percent of the vans in use were not driven mileage in excess of the 12,800 minimum. However, fleet vans may be providing effective transportation for special needs. Therefore, the minimum mileage criterion should not generally be applied to assignments of vans. Instead, the fleet manager should carefully assess the special transportation needs of agencies requesting assignments of vans.

Revision of the Minimum Mileage Criterion. The minimum mileage criterion specified in the Appropriations Act was established in 1980, and is based on the rate structure in use at that time. But the rates have been changed since 1980, and with the revision to the rate structure recommended in Chapter IV of this report, the assumptions underlying the development of the minimum will not be valid. Therefore, JLARC staff revised the minimum mileage criterion based on the revised rates recommended for the 1988-1990 biennium. The calculation of the revised mileage standard is shown in Exhibit 3.

The revised mileage standard was derived using the same formula on which the original criterion was based, substituting FY 1989 rates. The revised mileage criterion is 11,649 miles for passenger cars. This mileage represents the point below which it is more economical for the State to have employees use personal vehicles for business travel, and reimburse them for the mileage driven.

Exhibit 3

Determination of Revised Minimum Mileage Criterion for Passenger Cars Using FY 1989 rates

$$\text{Breakeven mileage} = \frac{\text{Annual Replacement Charge For State-Owned Vehicles}}{\text{State Reimbursement for Personal Vehicles Per Mile} - \text{Central Garage Operating Cost Per Mile}}$$

$$11{,}649 \text{ miles} = \frac{\$1{,}523.77}{\$.225 - \$.0942}$$

Source: JLARC staff analysis of Central Garage financial data.

To assess the impact of the revised standard, JLARC staff compared FY 1987 actual performance to the revised standard.

Application of Revised Minimum Mileage Criterion. The application of the revised standard of 11,649 miles to the actual performance of vehicles in FY 1987, instead of the existing 12,800 mile criterion, results in a lower rate of underutilization. But even under this substantially lower standard, the analysis of annual mileage found significant underutilization of vehicles. For FY 1987, 629 passenger cars which were assigned to a single agency for the entire year did not meet the revised minimum. This represents a potential loss to the State of $410,626, which is the difference between what the agencies would pay in Central Garage rental charges for these assignments and the cost of reimbursement for use of personal vehicles for this same mileage. The additional cost for the State vehicle is the result of minimum charges for replacement of vehicles, which are flat rates not based on mileage. These minimum charges, in effect, result in costs per mile greater than either the nominal Central Garage rate or the personal reimbursement rate.

Recommendation (5). The General Assembly may wish to amend the Appropriations Act to revise the minimum mileage required for assignment of a State vehicle to 11,650 miles. The Central Garage should recommend further revisions to the General Assembly each biennium, based on revisions to the Central Garage rate structure and the personal reimbursement rate.

Personal Vehicle Mileage

While a substantial number of vehicles are currently underutilized, many State employees may be using their personal vehicles for travel in excess of the minimum mileage necessary for assignment of a State vehicle. State employees were reimbursed $11,020,729.48 for official business travel in personal vehicles in FY 1987 The estimated mileage for business use of personal vehicles is about 52 million miles. In cases where employees are travelling less mileage than the required minimum, including users of a trip pool vehicles, the choice of using a personal vehicle saves the State money However, for employees who drive more than the mileage necessary to avoid minimum charges for replacement costs, the choice to use a personal vehicle is by definition more costly to the State than if that employee had used a Central Garage vehicle.

JLARC staff collected reimbursement data for FY 1987 from the Department of Accounts in an attempt to estimate the number of employees whose personal mileage exceeded the revised minimum mileage criterion. Data limitations allow only an estimate of the maximum number of cases showing reimbursements greater than $2,446.29, which is the amount an employee would be reimbursed for driving more than 11,649 miles in a personal vehicle. As many as 558 employees may have driven a personal vehicle more than 11,649 miles. The actual number of employees exceeding the revised criterion is probably less than this amount since some of the records have been found to represent reimbursement for more than a single individual.

State policy regarding reimbursement for official travel in a personal vehicle has changed over time. Under current State practices, barring regulations within an agency, there is no longer any incentive to use State vehicles even though they may be a less costly means of travel. Consequently, the State incurs greater cost for personal reimbursements of business mileage.

In the past, the Appropriations Act included safeguards against extraordinary personal reimbursements. The 1982 Appropriations Act included the following requirement:

> For the use of personal automobiles in the discharge of official duties....the reimbursement shall be at the rate of 20 cents per mile for the first 15,000 miles and 11 cents per mile for additional miles of such use in each fiscal year or, in the instance of a state employee, for the first 15,000 miles in a fiscal year at the rate charged by the Central Car Pool unless the head of the state agency concerned certifies that a state-owned vehicle was not available or that he considers use of a personal automobile to be of advantage to the state.

In 1983 the Appropriations Act language was modified, deleting the requirement of certification by the agency head of the unavailability of a State vehicle. So currently, the only disincentive to use of a private vehicle is in cases where annual business mileage exceeds 15,000 miles and the reimbursement rate is reduced to 11 cents. This practice follows common federal tax guidelines, so it is not unique to the State.

Recommendation (6). Business travel in personal vehicles should be reimbursed at the full reimbursement rate specified by the Appropriations Act up to the mileage necessary for assignment of a State vehicle. Reimbursement for travel in personal vehicles in excess of the mileage required for assignment of a State vehicle should be at a reduced rate equal to the amount charged by the Central Garage for operations. For FY 1989 the reduced rate is estimated to be $.09 per mile.

Recommendation (7): The fleet manager should review annually the travel requirements of all employees reimbursed for more than the mileage necessary for assignment of a State vehicle to determine if such an assignment is appropriate.

COMMUTING

As already noted, not all of the mileage driven in State vehicles is for official business. Of the 44.1 million miles driven in State-owned pool vehicles in FY 1987, JLARC staff estimate that as much as 4.5 million, or about 10 percent, was for employee travel between home and work. While much of this home-to-work travel may have been appropriate, as much as 1.3 million miles was for personal commuting to State offices throughout the Commonwealth (Figure 5). Although State law requires that employees pay for such personal use of the vehicles, it appears that many employees are not paying for the personal use.

Enforcement of commuting regulations is inadequate because of policies and regulations that are unclear. Because no central agency has responsibility for enforcing commuting regulations, there is currently no statewide monitoring of commuting use of State-owned vehicles.

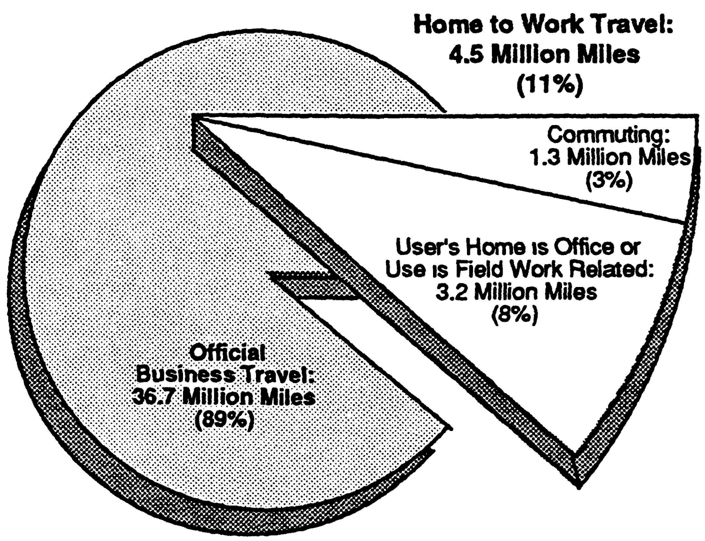
Policies and Regulations on Commuting Use

Policies and regulations on commuting use of State vehicles are scattered among several sources including the Appropriations Act, the Car Pool operators handbook, the State Travel Regulations Guide, and memoranda issued by the Car Pool Committee chairman. While these different policies are generally consistent, some confusion regarding the responsibility for enforcement of commuting regulations currently exists.

The General Assembly has authorized State agencies to charge employees for commuting in State-owned vehicles since 1972. Provisions for implemen-

Figure 5

Home to Work Travel in State Passenger Vehicles FY 1986



Source: JLARC staff analysis of survey results.

tation of the commuting fee currently in place were introduced in the 1980-82 budget bill, and enacted as §4-9.07 of the 1980 Appropriations Act. Since 1980, the language has been changed only slightly The current Appropriations Act requires that:

> Employees using permanently assigned vehicles to and from the places of official employment and home shall be required to pay at least $40 per month in accordance with uniform regulations issued by the Governor setting forth mileage charges to all agencies; vehicles assigned for emergency purposes to respond to public safety and life-threatening situations are excluded from this directive.

The Car Pool Committee initially played a role in defining how the provisions of the Appropriations Act were to be implemented. Memoranda issued in 1980 by the Car Pool Committee chairman set out some guidelines for agencies to use in dealing with commuting use of vehicles. In one memorandum to all agency heads, the chairman explained that commuting fees were to be applicable to "those employees driving a sedan or station wagon who, on a routine basis, uses

[sic] the vehicle for transportation purposes between home and office." The memorandum explained general guidelines on implementation of the fee. The charge was not to apply to employees who worked out of their homes, did not normally report to an official place of employment, were in "travel status," were issued a trip pool car, or were law enforcement officials. The chairman stated:

> It is not the intent of Section 4-9.07 to allow a state employee to elect to take a state car or station wagon home and pay the charge. State employees may drive state cars or station wagons between home and office only if the employees' duties require such use as set forth in writing by agency heads and this in itself does not relieve an employee from paying the charge.

In a later memorandum, the chairman stated that the commuting provisions in the Appropriations Act "shall be strictly enforced." The memorandum also stated that "these regulations will be monitored carefully by the Fleet Manager." Yet the fleet manager reported to JLARC staff that he had no responsibilities in the area of commuting — not for collection of fees, nor for monitoring of commuting use.

Some of the current lack of enforcement of commuting policies is as a result of conflicting statements regarding who is responsible for enforcement. Despite the chairman's memorandum citing the fleet manager's role in monitoring commuting use, Executive Order Number Thirty, which establishes authority for the management of State-owned vehicles, does not include regulations on commuting use, or establish any authority for monitoring. On the other hand, the Central Garage Car Pool operator handbook appears to assign responsibility for oversight of commuting to agency heads:

> All agency, department or institution heads are charged with responsibility to enforce any regulations necessary to bring about proper use of vehicles assigned to their department or agency Employees using permanently assigned automobiles to and from the place of official employment and home shall be required to pay a minimum monthly charge in accordance with uniform regulations issued by the Governor setting forth mileage charges to all agencies.

As a result of this delegation of responsibility, the Central Garage fleet manager now plays no role in the monitoring of commuting or in the enforcement of commuting policies and regulations.

Because of the lack of monitoring of commuting, some inappropriate use of State-owned vehicles can occur. In one instance, JLARC staff found that vehicles were used by non-State employees for commuting:

The Department for the Visually Handicapped contracts with a non-profit corporation to provide business counseling services to Virginia businesses. Since 1979, three employees of the contractor have been assigned State-owned vehicles, which were used for travel to businesses throughout the State. These three contractor employees have also used the vehicles to commute since 1979. The commuting use of the vehicles totalled 33,080 miles in FY 1986, at a cost to the State of $5,624. The department reported to JLARC staff in May of 1988 that commuting use of the vehicles has been stopped.

Recommendation (8). The General Assembly, with the advice and assistance of the Office of the Secretary of Transporation and Public Safety, may wish to clarify State policy on the use of State-owned pool vehicles for commuting by defining the types of use that constitute commuting, defining who may be permitted to use State-owned vehicles to commute, and clarifying which State employees shall be required to pay fees for their commuting use. Monitoring of commuting regulations should be established as a function of the Central Garage.

Commuting Use of State Vehicles

Because of a lack of current, reliable information on the use of vehicles for commuting, JLARC staff surveyed State passenger vehicle operators. More than 1,800 surveys were completed by State employees who used agency-assigned State passenger vehicles in FY 1986. A portion of surveys were returned unanswered because the employees who operated the vehicles in the study year were no longer with the agencies. The results of the survey indicate that in FY 1986, 32 percent of the State-owned passenger vehicles were used for travel between employees' home and work locations more than five days a month. Extrapolated to the entire fleet, an estimated 827 vehicles in FY 1986 were regularly used for home-to-work travel. This home-to-work travel amounted to 4.5 million miles, or about 11 percent of total miles travelled in all assigned vehicles in FY 1986.

The most serious problems related to commuting use of State-owned vehicles are: (1) the diversion of vehicles from appropriate assignments by overstating mileage utilization in the case of the commuter, (2) the failure to recover commuting related costs from employees, (3) inaccurate computation of commuting fees paid by employees, and (4) the inaccurate reporting of the value of commuting use as federally taxable income. These problems are the result of inattention to commuting by agency heads, the Central Garage Car Pool Committee, and the fleet manager.

Misstating Utilization. The Central Garage is not required to keep records on commuting mileage. As a result, it is unable to deduct commuting mileage from the reported mileage for each vehicle to calculate official business use, which it should be using to monitor the appropriateness of assignments. While the average mileage for the entire fleet is not greatly affected by the inclusion of commuting mileage, the utilization of many individual vehicles is strongly affected.

Table 3 is a listing of assigned vehicles for which the operators reported that they commuted more than 20 miles one-way, at least 16 days per month in FY 1986. In 15 of the 19 cases, commuting mileage is estimated to comprise more than half of the total mileage for the year. For all of the cases, three-quarters of the total mileage driven was estimated to be for commuting.

JLARC analysis indicates that 311 employees commuted during FY 1987 and justified the commuting on the basis of "emergency responsibilities" or unspecified reasons not covered under Central Garage Car Pool Committee directives. These vehicles averaged 4,283 commuting miles per year. Thus, the official business mileage actually driven was far less than the reported mileage on the Central Garage database. But because of the lack of reliable commuting data, the fleet manager cannot evaluate these assignments effectively

Recommendation (9). The Central Garage should be given statutory responsibility to collect and maintain reliable information on the use of State-owned vehicles for commuting. Employees should be required to report periodically on such use to ensure that Central Garage data are accurate. The Central Garage should report commuting data to the Department of Accounts to ensure that employees are properly charged for personal use of vehicles, and should deduct commuting mileage from total mileage when assessing the appropriateness of assignments.

Recovery of Commuting Costs. Because of the lack of clear authority for the Central Garage to monitor commuting fees, application of the requirement for fees has been inconsistent. In many instances it is difficult to understand why some employees are required to pay fees, while other employees with similar duties and vehicle uses do not pay fees. The examples of three agency heads illustrates this point:

> *The head of the largest State agency commuted 22 miles daily in FY 1987 For this use, the agency head paid commuting fees totalling $900 for the year Use of the vehicle was clearly appropriate because of the need to respond to emergencies, and to travel to field offices located throughout the State.*

* * *

> *Another agency head also had an assigned vehicle to respond to emergencies and to travel to field offices. This agency head also*

Table 3

Highest Reported One-Way Commuting Distances for FY 1986

Agency	One-Way Commuting Mileage	Total Vehicle Mileage	Estimated Annual Commuting Mileage	Estimated Annual Amount Reimbursed To Agency
Dept. of Corrections	87	34,962*	34,962**	$0
Dept. of Corrections	52	21,808	21,808**	0
Dept. of Corrections	52	33,001	22,880	0
Dept. of Corrections	50	25,248*	22,000	0
Dept. of Corrections	48	19,211	19,211**	0
Dept. of Corrections	44	16,540	16,540**	0
Dept. of Corrections	42	26,177	18,480	0
Dept. of Rehab. Services	42	28,178	18,480	0
Dept. of Corrections	40	21,351	17,600	0
Dept. of Alcohol Beverage Control	40	17,809	17,600	0
Dept. of Corrections	39	18,982	17,160	0
Dept. of Forestry	30	14,516	13,200	0
Marine Resources Commission	27	15,426	11,880	480
Dept. of Transportation	25	24,850	4,583***	0
Dept. of Economic Development	24.2	19,456	10,648	0
Rappahannock Community College	24	22,370	10,560	0
Dept. of Transportation	22	20,204	9,680	1,536
Dept. of Corrections	21.3	14,146	9,372	0
Dept. of Corrections	20	20,345	8,800	0
Total		414,580	305,444	$2,016

*A full year of mileage accumulation was unavailable for FY 1986; therefore, FY 1986 mileage is shown.

**JLARC staff estimate all vehicle mileage is the result of commuting. The initial staff estimate had commuting mileage exceeding the actual vehicle mileage, therefore, commuting mileage has been set equal to the actual mileage.

***Commuted for five months only

Source: JLARC staff survey of vehicle users, August 1987, and VDOT automated data.

commuted in the vehicle in FY 1987, travelling 14 miles daily. No commuting fee was paid for this use.

* * *

The head of another State agency commuted 42 miles each day in FY 1987 This agency head did not reimburse the State for any of this commuting mileage, which cost the State $1,571.

These examples show how employees who use vehicles for very similar purposes may have regulations related to commuting fees applied to them in an inconsistent manner.

In using survey data to assess the commuting fees lost by the State in FY 1986, JLARC staff focused on the employees using a State vehicle for commuting six or more days per month. This group represented users whose frequent commuting use should have resulted in their paying the State for their personal use of the State vehicles. Those employees using State vehicles less than six days per month were assumed not to be using the vehicles for any substantial personal use.

The survey results indicate that operators of more than 75 percent of the vehicles used for commuting six or more days a month did not reimburse the State for that use of the State vehicle. These employees traveled more than 1.3 million miles between home and work in FY 1986.

This did not include employees whose homes were their offices, or who had extensive field work duties. Because these uses of a State vehicle between home and work do not constitute "commuting" or "personal" use of the vehicle, JLARC staff subtracted the mileage for these two groups from the estimate of fees which agencies may have failed to collect. The exemption from commuting fees for vehicles assigned for emergency response was considered inappropriate because the actual use of the vehicle for emergencies is intermittent or occasional. Thus, most of home-to-office travel for these employees is personal in nature. Full application of the commuting fees to all commuters would have meant that these employees were responsible for fees on 2,007,170 miles of personal travel in FY 1986 at a cost of $341,218. This amount was not reimbursed to the State.

Two cases illustrate commuting use by employees exempt from paying commuting fees because of "emergency duties".

In FY 1986, the superintendent of a correctional field unit used a State-owned vehicle to commute 39 miles one-way on a regular basis. The superintendent's home was in another state. No reimbursement was made for the commuting use of the vehicle *under Department of Corrections policy This commuting use cost the State $2,917*

* * *

One rehabilitation counselor employed by the Department of Rehabilitative Services used a State-owned vehicle to commute on a regular basis in FY 1986. The one-way distance from the employee's home to the office was 42 miles. No commuting fee was paid by the counselor, although the cost to the State was $3,142 for the year

While the assignment of the vehicles to the employees in these cases may have been appropriate, the use of the vehicles for commuting substantial distances at State expense is questionable. By developing more specific criteria on the payment of fees, questions raised by these cases can be addressed.

Recommendation (10). The General Assembly may wish to provide the Commissioner of Transportation with authority to monitor and enforce the collection of commuting fees. Fees should be charged for all home-to-office travel, except in instances in which employees report directly to field locations or use their homes as their offices. Exemptions from commuting fees for employees assigned pool vehicles to respond to emergency situations should be discontinued, because their home-to-work travel still constitutes personal use.

Compliance With Commuting Fee Specifications. Of the 128 employees surveyed who indicated they reimbursed their agencies for commuting use of a State vehicle, only half reported the correct amounts paid in commuting fees based on their reported one-way commuting mileages. In 60 cases, the amounts paid were not in compliance with the guidelines for determining commuting fees.

Overpayments ranged from $.25 to $47.50 per pay period, resulting in total overpayments to agencies of almost $3,000 in FY 1986 (Table 4). Underpayments ranged from $.06 to $133 per pay period, resulting in an annual loss to the State of more than $10,389. The net loss to the State from inaccurate calculation of commuting fees was $7,421 in FY 1986.

Recommendation (11). The Commissioner of Transportation should develop and promulgate uniform procedures to be used by agencies in calculating commuting fees at the time of application for a vehicle assignment. The fleet manager should review all fees periodically to ensure that they accurately recover the cost of personal use of vehicles. Fees should be based on the revised schedule of rates approved by the Joint Legislative Audit and Review Commission.

Under-Reporting of Taxable Income. Use of an employer-provided vehicle for personal use is taxable under federal and State income tax laws. The

Table 4

Estimate of Commuting Fee Underpayments and Overpayments FY 1986

Agency	Number of Cases	FY 1986 Overpaid	FY 1986 Underpaid
Dept. of Rehabilitative Services	2	—	$3,876.00
Marine Resources Commission	2	—	$2,424.00
Department of Transportation	31	$1,098.00	$1,452.00
Minority Business Enterprises	1	—	$1,128.00
Dept. of Labor & Industry	9	$288.00	$804.00
Dept. of Aviation	1	—	$366.00
Dept. of Fire Programs	2	—	$228.00
Dept. of Social Services	1	—	$72.00
Dept. of Agriculture	1	—	$36.00
Dept. of Commerce	2	$1,140.00	$1.68
Dept. of Health	3	$130.56	$1.44
John Tyler Community College	1	$240.00	—
Piedmont Virginia Community College	1	$48.00	—
Mental Health and Mental Retardation	1	$12.00	—
Eastern State Hospital	1	$12.00	—
Total	59	$2,968.56	$10,389.12

Source: JLARC staff survey of vehicle users, August 1987

Internal Revenue Service requires that the fair market value of taxable fringe benefits such as personal use of an employer-provided vehicle be included in employees' gross income. The value of all personal trips, even those exempt from the State's commuting fee, must be declared. The Internal Revenue Service (IRS) recognizes this use as a benefit at $.225 per mile. If an employee pays the State's commuting fee, the margin of benefit between the $.17 per mile rate charged by the Cental Garage and the $.225 per mile valuation required by the IRS must still be declared. An employee not paying the commuting fee for home-to-work travel must declare the full value of this travel at $.225 per mile.

Responses to the JLARC staff survey of operators of assigned vehicles indicated that in FY 1986 some employees added the value of their commuting/

personal use of a State vehicle to their gross income. Although information on this tax issue was not formally solicited by the survey, 38 employees in eight agencies noted their familiarity with a tax liability for personal use of the State vehicle. Other employees may also have been compliant with tax reporting, but the extent to which employees comply is not known.

Several problems continue to cause some confusion regarding the payment of taxes for personal use of State-owned vehicles. First, at least three methods of valuation for IRS purposes seem possible, and there is some inconsistency in the application of these valuations to the personal use of State vehicles.

Second, the State requires payment of commuting fees based on round trip commutes for 220 workdays. No proration of the 220 workdays is allowed. Yet Federal Income Tax Regulations assess valuation of actual personal use mileage at the cents-per-mile rate or at $1.50 for each single one-way commute.

Third, the definition of personal use is unclear. The State recognizes no commuting use by employees who work from their homes or who travel to different locations daily to perform field work. However, the IRS may view such mileage as personal use for these employees. The IRS may also require valuation of the use of State vehicles for travel home in a State vehicle on the evening preceding a trip or to the office on the morning following a trip. This requirement may apply to the use of trip pool cars, as well as permanently assigned vehicles.

And finally, the State commuting fee has a floor of $40 per month. Some employees who properly pay the State commuting fee may actually pay in excess of the amount the IRS requires for tax reporting purposes.

Recommendation (12). The State Comptroller should establish guidelines for the valuation of personal use of a State vehicle that comply with Internal Revenue Service tax regulations. The State Comptroller should report, and show tax witholdings on, this income on employees' W-2 forms. Accounting for this amount by the Department of Accounts and witholding taxes on the amount of personal use of State-owned vehicles will more adequately bring employees into compliance with IRS income tax regulations.

III. Fleet Operations

As administrator of the Central Garage Car Pool, the fleet manager's primary role is in managing the daily operations of the fleet. In this role, the fleet manager is responsible for enforcement of Central Garage regulations related to the proper use of vehicles, service and preventive maintenance, and accidents in State vehicles. The fleet manager is assisted by the transportation officers in the agencies.

The fleet manager is also responsible for managing the inventory of vehicles. This involves the purchase and disposal of vehicles, and determining the appropriate mix of vehicles to provide adequate service to customer agencies at the least cost. The Department of Transportation (VDOT) also is involved in this function of fleet management.

Operation of a pool of vehicles for short-term use is an additional duty of the fleet manager. The "trip pool" is the primary source of State vehicles for many employees in the Richmond area. As a result, it is important that these vehicles be managed in such a way that they are available, convenient to use, and reliable.

And finally, the fleet manager is responsible for the maintenance and repair of vehicles in the Central Garage fleet. Vehicles are serviced and maintained at the Central Garage shop in Richmond, and at VDOT shops located throughout the Commonwealth.

ENFORCEMENT OF FLEET REGULATIONS

Regulations on vehicle use are promulgated by executive order, the Car Pool regulations handbook, and statute. It is the responsibility of the fleet manager, the agency heads, and the agency transportation officers to ensure that regulations are communicated to employees. JLARC staff assessed operator compliance with regulations through the sample survey of vehicle operators, a review of the Uniform Accident Review Committee reports, and interviews with agency transportation officers and Central Garage personnel.

The JLARC staff survey of vehicle operators showed a general understanding of regulations concerning accident reporting, the use of State facilities for repairs and gasoline, preventive maintenance, and seat belt use. But many employees, including agency transportation officers, are unaware of regulations concerning the use of State vehicles. Through improved communication between users and Central Garage management, more could be done to inform users of regulations and ensure responsible use of State-owned vehicles.

Communication and Enforcement of Fleet Regulations

In order for employees to comply with Central Garage regulations, they must know what those regulations are, and why it is important for them to be followed. For the most part, the communication of regulations is the responsibility of the agency transportation officers. JLARC staff interviews with 19 agency transportation officers found that transportation officers ranged from administrative office personnel to division heads. The transportation officers, according to executive order, are to "control and coordinate the use of permanently assigned vehicles." Further, the Car Pool regulations handbook explains that "the transportation officer should periodically review his agency's operation and endeavor to obtain maximum utilization for those vehicles assigned to his agency."

Transportation Officer Training. Despite their responsibilities, the transportation officers are not trained in review procedures. JLARC staff interviews with the transportation officers found that only two of 19 transportation officers received training on their responsibilities. Because the transportation officers receive no training, they may often be uninformed about Car Pool regulations.

Operator Training. In turn, the transportation officers fail to provide adequate training to the operators of vehicles. Only seven transportation officers said they provide training to their employees, and four of these indicated the training was not formal. Many operators then, may not understand the importance of complying with fleet regulations related to proper use of vehicles, and servicing and repairs.

While results of the user survey show a plurality of operator compliance with regulations, some operators are misinformed or uninformed. According to survey responses, 123 of 353 operators surveyed did not know the preventive maintenance interval. This is not surprising, because 150 of the 353 operators did not receive any training on vehicle regulations, safety regulations, or general responsibilities related to operating a State vehicle. In addition, 39 operators did not know if a regulations handbook was kept in the vehicle, or admitted never having read the handbook. Employees' unfamiliarity with vehicle use regulations can result in misuse of the State vehicles and abuses of State driving privileges.

Recommendation (13). The Central Garage should ensure that regulations on the use of State vehicles are properly communicated to operators. A formal training package should be developed by the Central Garage for use by transportation officers, and the fleet manager should provide leadership in promoting and scheduling training for employees in all agencies.

Investigation of Complaints

The fleet manager's duties, according to Executive Order Number Thirty, include "investigation of and response to citizen inquiries concerning proper use of state vehicles." The public can identify State-owned vehicles by the special license plate required for these vehicles. With more than 2,800 vehicles in use throughout the State, these vehicles have a high level of visibility When asked about the number of complaints received from the public, the fleet manager noted that the lack of substantial evidence and the unwillingness of those making complaints to follow through on the complaints often make action on such matters difficult. In many cases, citizens making complaints refuse to identify themselves. Often, complaints are not about State vehicles, but instead involve a municipal vehicle. Apparently, some public confusion exists over the identity of State-owned vehicles.

Fleet Manager Review. The fleet manager reported that the number of complaints of operator misuse or abuse of State vehicles received by him ranged from 30 in FY 1983 to eight in FY 1986. Of the eight cases reported in FY 1986, the fleet manager was able to substantiate the charges in four of the cases. These instances involved one report of unauthorized use, two reports of speeding, and one report of illegal parking. In each case, the fleet manager reported his findings to the employee's supervisor, and left any disciplinary action to the discretion of the agency Two employees received informal reprimands, and no action was taken in the two other cases.

Transportation Officer Review. Transportation officers also receive complaints on the performance or behavior of vehicle operators. Complaints such as speeding, personal use of the vehicle, and reckless driving were cited by the transportation officers as typical of the complaints they had received in the past. However, eight of the 19 transportation officers said they had never received any complaints. Transportation officers investigate the complaints to the extent possible, and bring such matters to the attention of the employee's supervisor. Complaints which are substantiated are handled internally by the agency.

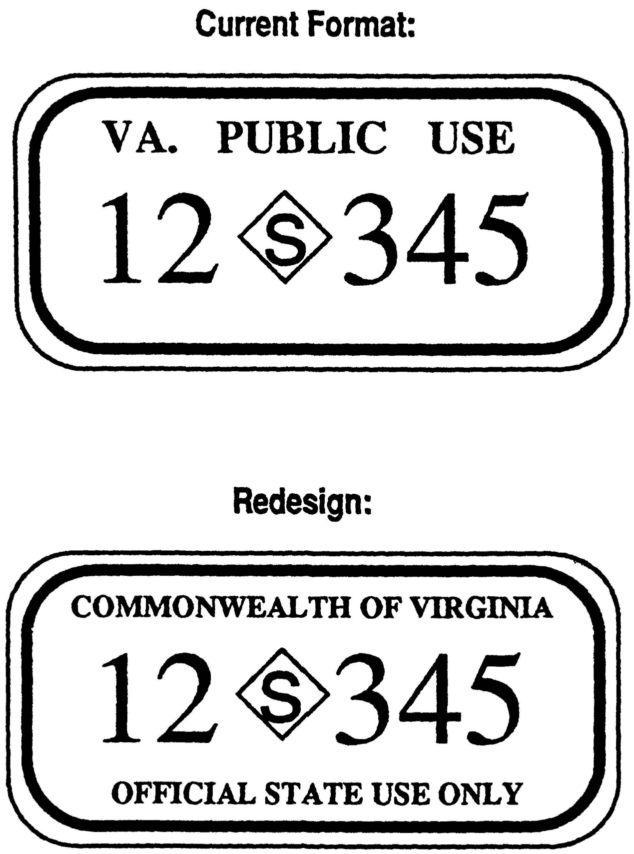
Recommendation (14). To increase employees' accountability for the use of State-owned vehicles, to increase awareness of State vehicle use, and to allow for ready identification of State vehicles by the public, consideration should be given to redesigning the State vehicle license plate to include the words "Commonwealth of Virginia — Official State Use Only" (Figure 6).

Vehicle Service and Maintenance Regulations

According to Central Garage regulations, commercial service stations should be used for State vehicle servicing or repairs "only in the cases of emergency" Responses to the JLARC staff survey of vehicle operators indicate that no employees used commercial garages for preventive maintenance, emergency maintenance, or repairs in FY 1986. These results indicate employee compliance with the State's directive on the use of VDOT fuel and repair facilities. While most operators are complying with regulations on servicing and repairs, some

Figure 6

Recommended Redesign of State Vehicle License Plate



Source: JLARC staff analysis.

operators do not comply, and as a result, the State may incur unnecessary maintenance costs.

Delay of Routine Maintenance. The delay of routine maintenance can cause a vehicle to run poorly, operate less efficiently, and be susceptible to breakdown. These problems can be costly to the State, in terms of direct repair costs for the vehicles, and indirectly in terms of the lost use of the vehicle and reduced productivity of the employee. Despite the importance of routine maintenance, only 38 percent of operators reported having their vehicles serviced at the

6,000 mile required interval for routine/preventive vehicle maintenance. Almost five percent of operators reported a routine maintenance interval of 8,000 miles or more. In addition, the survey results indicated that 110 vehicles received inadequate servicing in FY 1986, and 78 operators did not know how frequently routine maintenance was performed in FY 1986, suggesting a lack of compliance with requirements for maintenace of the assigned vehicles.

Excessive Maintenance. A similar problem exists when routine maintenance is performed too frequently Six percent of operators said preventive maintenance was performed at intervals of less than 3,000 miles in FY 1986. This interval, while not the standard, is used by the Central Garage for vehicles which are operated under harsh circumstances. Where this kind of service is not warranted, it is inefficient because unnecessary time can be spent by State garage personnel checking or replacing belts, filters, and oil when not essential. Also, by bringing their vehicles in too frequently, operators are using their own time ineffectively

Use of Fuel. Some operators reported non-compliance with the directive to use State fuel whenever possible. Three of the operators in the JLARC survey said commercial stations were their primary source of gasoline. State-purchased gasoline is about 45 percent cheaper than commercial fuel of the same grade. So, while occasional use of commercial stations is reasonable, use of commercial stations as a primary source of gasoline results in greater costs for vehicle operation and should be discontinued.

Recommendation (15). The standard training package to be used by the transportation officers should include information on the importance of proper scheduling of routine maintenance and service. In addition, the fleet manager should track the repairs and service performed on each vehicle, and should be proactive in scheduling service for vehicles that are overdue for preventive maintenance.

Traffic Violations and Accidents

Survey results indicated that six of every 100 operators of agency-assigned vehicles were involved in traffic accidents while operating assigned vehicles in FY 1986. Five of every 100 operators received parking tickets or were convicted of moving violations in connection with their use of assigned vehicles. While these results do not indicate widespread disregard for traffic regulations, the results do indicate that many operators may need to be made better aware of their responsibilities while operating a State vehicle.

Safety Belt Use. The use of safety belts while travelling on State business has been required for State employees since 1985. Executive Order Number Sixty-six (1985) detailed the responsibilities of State employees for safety belt use. In addition, since January 1, 1988, safety belt use by the operators and front-seat passengers of all vehicles on Virginia highways has been required by law In the JLARC survey, 82 percent of operators reported that they always wore a safety belt in the vehicle and 71 percent said their front-seat passengers did also.

Vehicle Accidents. One way to measure abuse or misuse of State vehicles is to review the findings of the Uniform Accident Review Committee. The committee was created by Executive Order Number Fifty-One (1981). The executive order charges the Department of State Police with the responsibility of establishing and directing a uniform accident and safety program among users of State-owned vehicles. The committee, composed of representatives of the user agencies and chaired by the State Police, meets monthly and reviews accidents involving State-owned motor vehicles by examining State Police accident reports and information submitted by the involved agencies.

In FY 1987, the committee reviewed an average of 32 cases per month. Of the 387 cases reviewed in FY 1987, 42 percent were categorized as "avoidable" by the State operator. Almost 30 percent were cited as incidents (such as vandalism, or damage while the car was parked); 21 percent as "unavoidable," and seven percent as both drivers contributing. These data differ little from the experience in FY 1986, in which 403 cases were reviewed by the committee, and 42 percent were found avoidable, 31 percent were considered incidents, 25 percent were unavoidable, and two percent were due to both operators' actions.

In the annual report to the Governor for FY 1986, the committee noted that travel in State vehicles had increased only one percent since FY 1985 but accidents in State vehicles had increased by 14 percent. State vehicle operators were judged to have contributed to 59 percent of all accidents — an increase of five percent from the rate in FY 1985.

Recommendation (16). The fleet manager should provide training on safety to transportation officers, and fleet regulations should require that the transportation officers distribute safety information to vehicle operators on a periodic basis. This communication could take several forms: newsletters, memos, promotional safety information, formal training sessions, or films.

MANAGEMENT OF THE CENTRAL GARAGE TRIP POOL

Currently, 230 vehicles are available for short-term use (not to exceed three weeks) from the Central Garage trip pool at the Central Garage Car Pool headquarters in Richmond. These vehicles traveled more than 3.5 million miles in FY 1987 State employees used the vehicles for approximately 8,000 trips in that year. The trip pool in October of 1987 was comprised of 214 sedans and station wagons and 16 vans. The trip pool consists of newly purchased vehicles which are not rotated out until they have accumulated 11,000 miles. At this point, the vehicle is taken out of service for short-term use and assigned to an agency

Although it is used extensively by some agencies, use of the trip pool is practically limited to State employees in the Richmond area, because the vehicles are assigned only from the Central Garage in Richmond. A JLARC staff survey of trip pool users revealed overall satisfaction with the vehicles and operations. Approximately 90 percent of users rated the condition or performance of the trip pool vehicles "good" in categories such as engine starting, engine running, transmission, and braking. Sixty-two percent reported no operating problems with the vehicles, and 97 percent were satisfied or very satisfied with overall service. Among the comments from the survey of trip pool users were the following:

> *It is my feeling that the Central Garage staff does an excellent job in maintaining the vehicles and rendering a service to employees.*

***

> *I have always found Central Garage to be very courteous, helpful and very efficient. They do an excellent job.*

***

> *Generally the service on the cars has improved significantly in the 14 years I have used the vehicles.*

JLARC staff examined trip pool services to determine if those vehicles are used efficiently and are an effective use of vehicles in the fleet. While the trip pool appears to serve a real need, and is largely well operated, some improvements could be made to enhance the assignment process, and the availability of and access to vehicles. In addition, the size of the trip pool fleet may be larger than necessary to meet the current level of demand for the service.

Trip Pool Operations

To obtain a vehicle from the Central Garage trip pool, an employee must (1) call the Central Garage to reserve the vehicle, (2) present the trip pool clerk with a properly executed CP-2 (Travel Request) form, and (3) present a valid driver's license. The CP-2 form is prepared in advance by the requesting employee or agency and must be signed by the agency representative designated to approve travel requests. The Central Garage clerk reviews the form to ensure that it includes all necessary agency, operator, and trip information. After the operator shows a driver's license, the clerk issues the vehicle. This reservation process appears to work well, and in the JLARC survey, users did not report any concerns with the procedures in the JLARC survey However, the review of operator's licenses may be inadequate, and trip pool accessibility could be improved.

Check of Operators' Licenses. The Central Garage regulations handbook states that "the person picking up the vehicle and/or the person that will be operating the vehicle must have a valid operator's permit." At the time the vehicle is issued, the Central Garage clerk can check only the driver's license of the employee picking up the vehicle. Because the employee picking up the vehicle and the actual operator, or operators, may be different, there is the potential that some users may not have valid driver's licenses.

Currently, car pool regulations state that "it is the responsibility of each department or agency to see that their employees using state vehicles are qualified operators, and that they have a valid operator's permit..." However, because there is no monitoring of agencies, it is not known if agencies properly comply with this requirement. To ensure that agencies verify that employees are properly licensed to operate a motor vehicle, some revisions to the request form and Central Garage procedures should be made.

First, the CP-2 form should be amended to include the names and driver's license numbers of all operators of the vehicle for each assignment. The authorized supervisor in each agency should be required to sign the form, certifying that operators named on the form are licensed drivers. Employees should be advised that only operators listed on the CP-2 form are permitted to operate the State vehicle.

Second, the Central Garage should perform periodic, random driver's license checks of a sample of operators. The Central Garage check should involve a verification by the Department of Motor Vehicles that the licenses of the operators are valid. This validation should be made at the time a vehicle is reserved.

Recommendation (17). The Central Garage should ensure that all users of trip pool vehicles have valid operator's licenses. The CP-2 form should list all operators, and the agencies should verify licenses of their employees with the Department of Motor Vehicles. The authorized supervisor in each agency should certify on the CP-2 form that all operators are licensed drivers. An expired, revoked, or suspended license should be brought to the attention of an employee's supervisor, and that employee should be prohibited from operating a State-owned vehicle.

Accessibility of Trip Pool Services. The accessibility of trip pool services appears to be affected by two factors. First, the location of the facility approximately three miles from the Capitol Square area makes access difficult.

The Cental Garage has tried to address this situation by providing free shuttle service between the downtown area and the Central Garage facility. The shuttle van leaves the Central Garage for the Capitol Square area at 8:00 a.m., 9:00 a.m., and 4:15 p.m. The shuttle provides a needed service, but ridership should be increased to make operation of the van more efficient.

By reviewing shuttle vehicle logs, JLARC staff found that one-third of all round-trips carried no passengers. In addition, survey respondents reported that they use the van service rarely, and 40 percent said they did not expect to use the service in the future. But 26 percent said that more frequent daily service might encourage them to use the shuttle. Eleven percent requested shuttle stops at more agency locations, and 14 percent said more information on the shuttle service might promote the use of the service.

The second factor affecting accessibility is the operating hours of the garage. Currently, the facility is open from 7:30 a.m. to 5:30 p.m. Although 81 percent of trip pool users were satisfied with Central Garage operating hours, 19 percent stated on the survey that they were dissatisfied or very dissatisfied with operating hours.

This discontent is related to the location of the trip pool, and the necessity for some employees to use their own personal vehicles for transportation to the Central Garage to pick up pool vehicles. The inconvenience of access was characterized by several operators in the JLARC survey:

> *Garage needs to remain open later on Friday evenings so that employees may return state vehicles after a Friday trip - and not have to worry about driving them over the weekend - or being without transportation over a weekend.*
>
> ***
>
> *Central Garage operating hours should extend to 12:00 on Saturdays to accommodate individuals who have difficulty picking up a car on Friday/would like to return the vehicle to obtain personal car.*
>
> ***
>
> *I returned on Friday ... at 8:50 p.m. Had I not called my wife to put my personal car on the street, I would have been without transportation all weekend. It wasn't possible to return my state car and pick up my personal car. This is why I make every effort not to get involved in the car pool.*

Because the Central Garage is not located in the Capitol Square area, and employees must often leave personal vehicles at the facility, the fleet manager should consider changes in the operating hours of the garage.

Recommendation (18). The Central Garage should determine if modifications to the shuttle service will result in improved utilization. For example, the Central Garage may wish to experiment with revised operating hours and schedules for the shuttle, and might consider making stops at locations in addition to Capitol Square (such as the James Monroe or James Madison buildings). Additionally, the Central Garage may wish to evaluate the use of an on-call service, instead of regularly scheduled service. If these efforts do not improve utilization, the Central Garage should examine the cost effectiveness of the service, and discontinue it if costs are shown to exceed demonstrable benefits.

Recommendation (19). To ensure that State employees have adequate opportunity to return vehicles prior to each weekend, the Central Garage should extend Friday hours of operation to 7:00 p.m.

Size of the Trip Pool

The trip pool is supervised by the Central Garage superintendent. The superintendent relies on a manual reservation system to manage the trip pool inventory of vehicles. To manage the trip pool on a daily basis the superintendent must be aware of:

- the vehicles being returned at the end of a trip and whether these vehicles need repair, can be returned to service after inspection, or are needed for immediate assignment without inspection;
- the number of vehicle reservations for that day; and
- the number of vehicles reserved the next day

Because of the complexity of managing this system manually, the Central Garage has adopted a conservative approach to managing the trip pool inventory This is reflected in the practice of not overbooking reservations. Instead the trip pool superintendent uses a waiting list in an attempt to accommodate employees for whom no vehicle is immediately available. Another aspect of the approach is that vehicles appear to be over-assigned to the trip pool. The size of the trip pool, then, appears to be related to the need to compensate for a manual system of reservations which is difficult to manage.

Use of the Trip Pool. The JLARC staff survey of trip pool users found that most trip pool assignments are for three days or less. The predominant reason for use of the vehicles is travel to meetings or conferences. Table 5 shows the ten State agencies with the greatest accumulation of trip pool mileage for FY 1987

Table 5

FY 1987 Trip Pool Use

Agency	Mileage	Cost
Department of Education	480,636	$84,428.67
Department of Health	206,409	$36,330.33
Department of Mental Health and Mental Retardation	185,175	$31,762.13
Virginia Commonwealth University	154,053	$29,700.35
Department of Social Services	140,824	$29,917.53
Department of Medical Assistance Services	140,242	$24,381.66
Department of Corrections	137,939	$26,335.29
Department of Conservation and Historic Resources	125,813	$22,709.20
Office of the Attorney General	110,010	$19,399.00
Department of Information Technology	64,902	$11,736,70

Source: VDOT automated data.

Trip pool users are encouraged to reserve vehicles ahead of time, but no mandatory notice is required by Central Garage. The regulations handbook requests "notice...allowing ample lead time, hopefully 24 hours." The JLARC staff survey of trip pool vehicle users showed that reservations were made an average of nine days in advance and a median of seven days in advance. About 68 percent of the trip pool assignments in September 1987 were for five days or less, and 81 percent were for up to ten days. This clearly identifies employees requesting assignments of one to ten days as the largest trip pool user group. Thus, the trip pool appears to serve primarily the short-term user in agencies in Richmond.

However, during the September 1987 survey period, two percent of the vehicles were reserved for more than three weeks. These are inappropriate assignments for the trip pool which, according to the regulations handbook, "has vehicles available for specific trip assignments not to exceed a three week period." These assignments appear to make management of the trip pool more difficult because they reduce the available pool of vehicles from which to make assignments. In fact, these assignments are actually loans from the trip pool to accommodate temporary assignments. However, vehicles awaiting agency assignment could be used to meet the need for temporary assignments.

A concentration on the short-term assignments of ten days or less, and a corresponding increased emphasis on agency pools and agency assignments would shift the longer duration assignments away from the trip pool and permit a reduction in the size of the trip pool. The utilization of vehicles would improve if one- to ten-day assignments were the focus of the trip pool. In addition, quicker turn-around of vehicles making them always ready for assignment would maximize their time on the road.

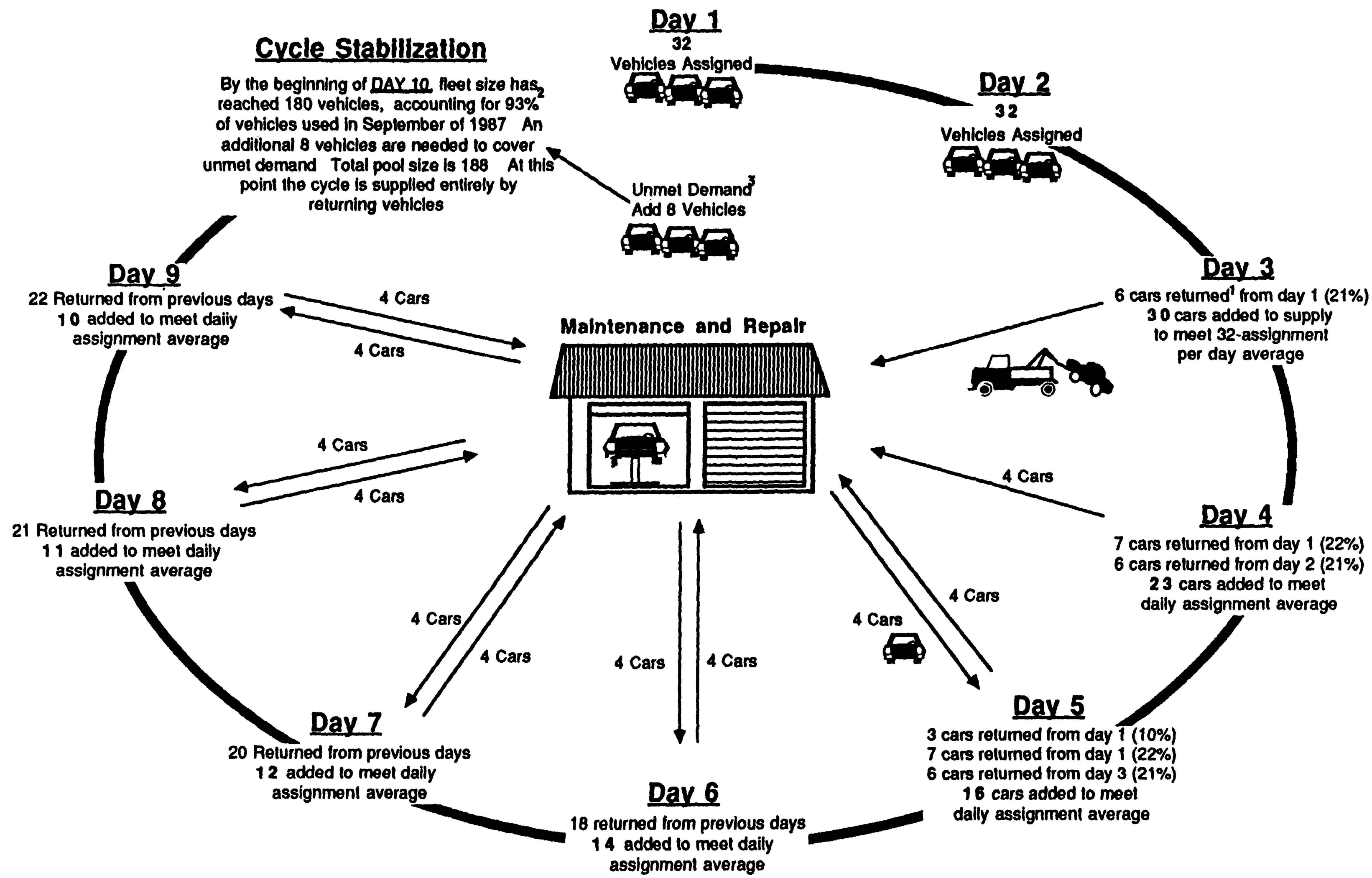
Analysis of Trip Pool Fleet Size. The JLARC staff survey of trip pool users covered 16 working days in September 1987 To determine the size of the trip pool, measures from the JLARC staff survey, such as the three-day median assignment length, can be useful. JLARC staff used the results of the survey to demonstate how the appropriate size of the trip pool fleet can be determined.

The analysis is based on the lengths of various assignments, and is illustrative of the way in which the fleet manager could manage the size of the fleet. The three-day median reservation period means that one half of the vehicles assigned on a given day will be returned after three days of use. Using the one-, two-, and three-day assignment rates, 21 percent of vehicles assigned on one day will be returned the next; 22 percent of vehicles assigned on one day will be returned after two days of use; and ten percent of vehicles assigned on one day will be returned after three days of use. The survey, assignment logs, and VDOT automated data point to an average of 32 assignments per day So each day, the trip pool needs at least 32 vehicles to meet average assignment levels. But each day, vehicles that have been returned are sufficient to meet most, if not all of the need for assignments.

A model of the trip pool system showing vehicle assignments and returns based on these data is shown in Figure 7 The trip pool superintendent needed 180 vehicles to fulfill the 500 assignments in the period reviewed. In the model, 172 vehicles were needed to actually fill assignments, and eight vehicles were needed to allow for repair of vehicles that developed operational problems or needed general maintenance. In addition, an average of two requests per day were not filled. Eight vehicles were added to the JLARC staff model to account for this unmet demand. Thus, the appropriate size for the pool in September 1987, would have been 188 vehicles instead of the 230 vehicles actually assigned. According to this analysis, these 188 vehicles could have met demand in that month. The number of vehicles needed might change from month to month and the fleet manager should adjust the size of the fleet on a periodic basis to reflect those changes.

In addition, the superintendent also makes assignments longer than the typical one- to ten-day assignment, and some additional vehicles will be needed for those assignments. These assignments can only be made on an ad hoc basis, and should be drawn from vehicles used for permanent assignments. No projection of the number of these assignments which might be necessary was made for the JLARC analysis. In managing the trip pool and the number of vehicles needed for permanent assignment, however, such assignments should be considered.

Figure 7
Trip Pool Supply Model



[1] Vehicle preparation for assignment time built in; JLARC staff assumed day of pick up day(s) of use and day of return to be separate This exaggerates the time vehicles are unavailable for next assignment

[2] With a focus on short term assignments trip pool service would cease for trips longer than 10 days The outstanding 7% of vehicles would be absorbed into the ten day cycle

[3] Requests for 45 vehicles were not filled in September 1987

Source: JLARC staff model based on September 1987 trip pool use

This analysis indicates that the size of the trip pool could be reduced through changes in any of several components of the system. As stated before, a shift away from assignments of more than ten-day duration would increase the availability of vehicles. A decrease in turn-around time between return and assignment would increase vehicle availability (such as reducing vehicle downtime due to repairs), as would the use of a supplement of new vehicles to cover high demand. The trip pool superintendent should use such methods to reduce the size of the trip pool.

Special Vehicle Types. Trip pool vehicle demand logs show that between January and September of 1987, most vehicle requests were filled by sedans. An average of only 2.5 station wagons and 2.6 vans were needed on a daily basis. Single day requests for station wagons were as high as eight in February and July, and for vans, as high as nine in April. Yet in each month there are days in which no station wagons or vans are requested. This suggests that demand is generally met by sedans, and that the use of specialty vehicles such as vans and station wagons in the trip pool should be limited.

Recommendation (20). The size of the trip pool should be more actively managed by the fleet manager. On a periodic basis, the fleet manager should perform an analysis of the need for vehicles in the trip pool similar to that performed for this study by the JLARC staff. The Central Garage should consider the use of an automated system to track trip pool assignments. The data from such a system could be used to estimate the number of vehicles necessary to meet assignments, resulting in better management of fleet size. The current inventory of specialty vehicles should be maintained until the specific need for more specialty vehicles can be documented.

MANAGING THE VEHICLE INVENTORY

Managing the vehicle inventory is an important responsibility of the Central Garage fleet manager. The function involves the purchase and replacement of vehicles. While the procurement of vehicles is the responsibility of the Department of Transportation, decisions relating to the timing of replacements, and the appropriate mix of vehicles are the responsibility of the fleet manager. These decisions have a great impact on the cost of operating the fleet. Vehicles replaced too early can result in higher than necessary capital costs, and vehicles replaced too late can cause high operating costs. An inappropriate mix of vehicles can result in unnecessary capital costs, or unavailability of vehicles needed by customer agencies. It is important, then, for the fleet manager to actively manage the fleet inventory

The JLARC staff analysis of vehicle costs shows that the current replacement criteria are too low Passenger sedans and station wagons, for example, could be kept in service for at least an additional 15,000 miles. Vans could also be kept in service longer. In addition, the decisions relating to the types of vehicles to be purchased for fleet use are not systematic and objectively based.

Timing of Vehicle Replacements

More than 300 vehicles were disposed of by the Central Garage through State surplus property procedures at auction in FY 1987 Vehicles sold for an average price of $949.75 with a high of $2,300. The auctions in FY 1987 were held frequently—every two or three months. Determining the appropriate time at which to replace a vehicle is an important part of managing the inventory of vehicles. As with an individual's private automobile, there is a point at which substantial value has been returned on the initial investment in a vehicle and further use will entail progressively higher operating and repair expenses. This point represents the earliest point at which to consider replacement of the vehicle. If the vehicle is replaced before this point, it is likely that the initial investment has not been fully recovered.

The State has the capacity to make vehicle replacement decisions based on experience with thousands of vehicles, and a large investment is staked on making the best decision possible. The Central Garage should apply an objective method to identify the end of the efficient life of each vehicle in the fleet.

Lack of Objective Criteria. The Central Garage generally uses the age of the vehicle and the amount of mileage driven as replacement criteria, but also considers the general condition of the vehicle and the availability of funds. Central Garage has based replacement on criteria of 80,000 miles or five years of age. Of the 301 vehicles sold in FY 1987, 242 exceeded both the 80,000 mile and the five year criteria. In addition, in FY 1987 almost 15 percent of the vehicles in the active fleet were five years old and had lifetime mileages exceeding 80,000 miles. Thus, current practice appears not to consistently follow standardized criteria, and appears to show that fleet vehicles can remain in service longer.

Developing an Objective Vehicle Replacement Formula. The purpose of the JLARC staff analysis of the timing of vehicle replacements was to test objectively the current standard. The analysis showed that current standards are flawed by limited implementation, and permit retirement of vehicles before the State has received the full value of its investment. Retirement of all vehicle classes at 80,000 miles appears inefficient. A second purpose was to introduce one potential methodology which can be used to set objectively the replacement criteria. In this sense, the JLARC staff analysis is not a final conclusion but a starting point for further analysis as better data are collected.

The component parts of the efficient life of a vehicle are (1) capital investment, which is the purchase price less salvage value; and (2) operating expenses, which include fuel, and the parts and labor associated with maintenance and repair. Operating expenses for the purpose of this analysis were measured by two variables, both expressed in per-mile terms: fuel and fluid expenses, and maintenance and repair expenses.

The purchase price of each vehicle is a constant, because it does not fluctuate with mileage. JLARC staff averaged the actual purchase prices for vehicles of all the model years currently operated within a particular class to calculate the average constant price. JLARC staff used National Automobile Dealers Association (NADA) salvage values and the average annual fleet mileage for vehicles to estimate the average salvage value. Because the Central Garage auctions vehicles at prices lower than those found in the NADA Official Used Car Guide, JLARC staff used the NADA high-mileage discount in an attempt to estimate the lower auction value of the fleet. Capital investment may be thought of as distributed over the number of miles driven; the longer the vehicle is in use, the lower the capital investment per mile.

Because fuel and fluid expense is the single largest component of operating expenses, fuel economy is a major consideration in determining the proper timing for replacement. Older vehicles, which have greater accumulated mileage on average, have not achieved the fuel economy of more recent, lower-mileage vehicles. This tends to hasten the end of efficient life for older, higher-mileage vehicles. The other important component of operating expense is maintenance and repair expense, which may be shown to rise as the vehicle is driven more miles and major components require replacement.

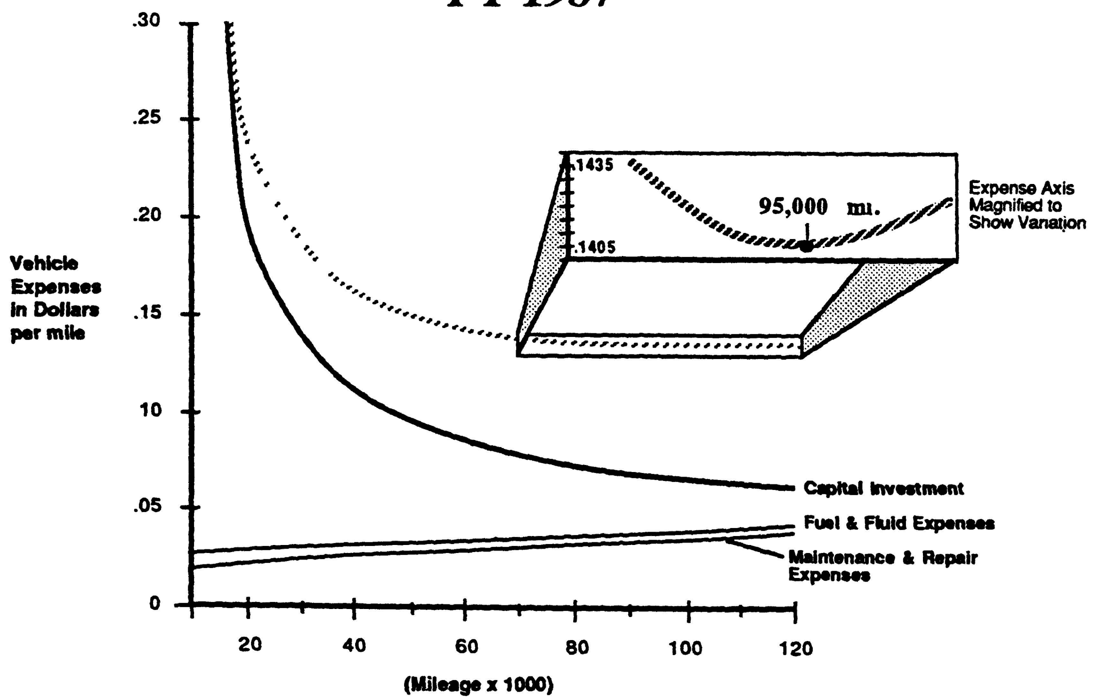
The JLARC staff analysis shows that the change in vehicle expenses is a function of the number of miles that the vehicle has been driven. JLARC staff considered but rejected using age as the basis for expressing change in expenses. Obviously, operating expenses such as fuel expense only change as a vehicle is driven, not as it ages. Salvage or resale value, that portion of capital investment expense which varies and can be recovered from the original purchase price by Central Garage, may be seen to vary by either age or mileage. For this analysis, mileage was considered preferable for expressing changes in all expense components.

Total average expenses per mile is the sum of the three expense components: capital investment, fuel and fluid, and maintenance and repair expenses per mile. These expenses are sufficient to specify the minimum point at which to consider replacement. Figure 8 demonstrates the relationship between total average expenses per mile in FY 1987 and the three components using data obtained from VDOT and Central Garage for compact sedans.

Assuming adequate expense and mileage data are available for each class of vehicle in the fleet, a formula based on averages can be used to determine the minimum point at which to retire a vehicle. The mileage point at which

Figure 8

Average Vehicle Expenses Over the History of the Vehicle Central Garage Compact Sedans FY 1987



Source: JLARC staff analysis of VDOT automated data.

average total expenses per mile will fall no further and begin to rise again is the minimum mileage point at which to retire the vehicle. As the total average expense continues to decline, the Central Garage should not consider replacing the average vehicle because it continues to recover its initial investment without excessive operating costs. Given good performance with a particular vehicle which can still be operated safely, the Central Garage could always delay retirement beyond the minimum replacement point. Early replacement can only be considered advantageous in the case of an atypical, poorly-performing vehicle.

Components of the Replacement Formula. The average capital investment per mile tends to decrease over the life of the vehicle as the initial investment is spread over more and more miles. The average capital investment per mile may be expressed mathematically, as shown in Exhibit 4.

Average operating expenses tend to rise as mileage increases and vehicles require a greater investment to maintain and operate. Average operating expenses per mile may be expressed mathematically, as shown in Exhibit 5.

Exhibit 4

Average Capital Expense Function

$$C(x) = \frac{P - S(x)}{x}$$, where:

C(x) = average capital investment per mile at mile x;

P = purchase price, and;

S(x) = salvage value per mile at mile x.

Source: JLARC staff analysis

Exhibit 5

Average Operating Expense Function

O(x) = F(x) + M&R(x), where:

O(x) = average operating expenses per mile at mile x;

F(x) = fuel and fluid expenses per mile at mile x, and;

M&R(x) = maintenance and repair expenses per mile at mile x.

Source: JLARC staff analysis

Estimation of Mileage Effects on Expenses. Salvage value per mile [S(x)], fuel and fluid expense per mile [F(x)], and maintenance and repair expense per mile [M&R(x)] are all estimated for this analysis based on the average experience of the fleet, or, in the case of salvage value, the experience of the National Automobile Dealers Association. Among the factors contributing to total expenditure per mile, only the purchase price is fixed as a single average of all models within each vehicle class and is unaffected by mileage. Each of the variable factors is mathematically expressed as a function of mileage. That is, given a particular mileage, one could compute the estimated values at that mileage point for each of operating expenses and salvage value. Those estimates will be population parameters, not sample statistics, and are derived from a regression analysis.

JLARC staff used a bivariate regression analysis to estimate the average salvage value and expenses per mile of a given class of vehicle in the State fleet. The regression coefficient estimator, B, shows exactly how salvage value and expenses per mile change as mileage changes. Once each average factor is estimated as a function of mileage, the factors are combined to yield a total average expense per mile at each mileage point. That is, the regression analysis can be used to learn the rate of change in average vehicle salvage value and expenses as one more mile is driven by a particular class of vehicle. Thus, the use of regression makes it possible to improve on a simple average per mile by knowing the mileage of the vehicle.

Following the estimation of the lines representing the two functions, average operating expenses and average capital investment, the functions were added together to give the average total expense per mile. Exhibit 6 shows the functions representing average total expenses for the four classes of vehicles with sufficient data for estimation. There was insufficient data to analyze large station wagons or subcompacts; these vehicle classes are being phased out of the fleet.

Exhibit 6

Average Total Expense Function

T(x) = O(x) + C(x), where:

T(x) = average total expenses per mile at mile x;

C(x) = average capital investment per mile at mile x;

O(x) = average operating expenses per mile at mile x.

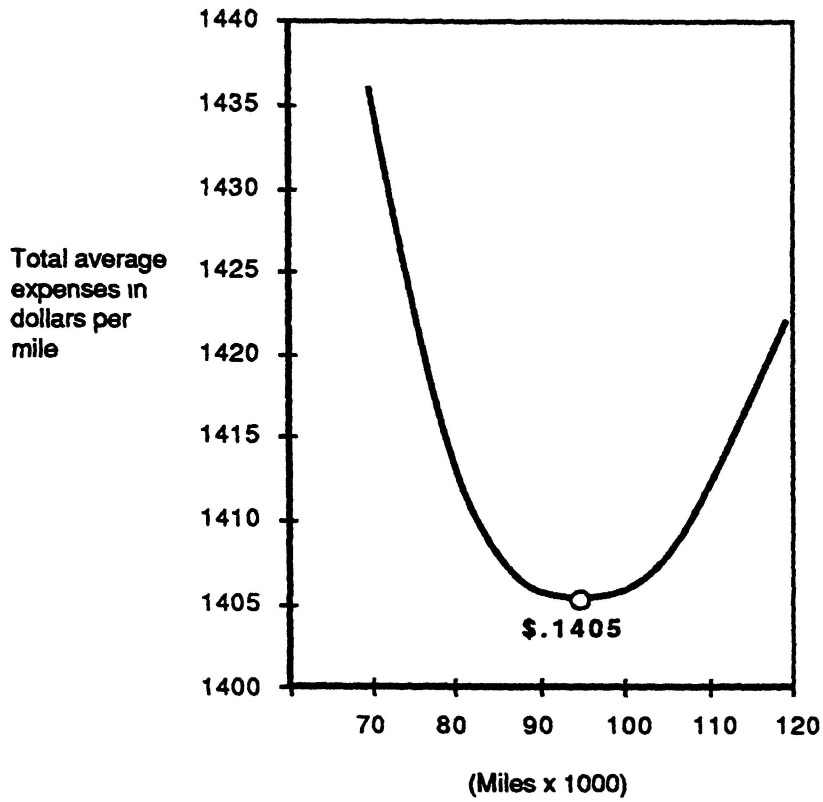
Source: JLARC staff analysis.

Estimating the End of the Vehicle's Efficient Life. The total average expense per mile may be graphed to show the average expense per mile for any given mileage point. Figure 9 demonstrates the average total vehicle expense per mile for compact sedans in the Central Garage fleet.

The lowest point of the curve is the mileage point with the lowest average total expense per mile. Following a downward sloping curve from left to right as the average vehicle is driven greater mileage, one may interpret the decline to mean that the vehicle continues to be economical. The State is still recovering its initial investment without operating expenses becoming an excessive burden. As the curve reaches a single minimum total expense per mile and then turns upward, the average vehicle will never again have a lower per-mile

Figure 9

Determination of Vehicle Minimum Replacement Mileage for Compact Sedans, FY 1987



Source: JLARC staff analysis of VDOT automated data.

cost. Each additional mile driven is at greater expense to the State due to rising operating expenses on average, and is expected to continue rising as the vehicle is driven additional mileage.

Using differential calculus, which focuses on the rate of change, JLARC staff completed the vehicle replacement analysis by determining the mileage at which this relative minimum expense per mile, or stationary point in the rate of change per mile, occurs. The complete calculations are available in a separate technical appendix to this report. JLARC staff calculated the minimum using the first derivative of the total average expense per mile function. The staff analysis proved that this was a single unique minimum point for each vehicle class by taking the second derivative of the average total expense per mile function.

JLARC staff computed a separate formula for these vehicle classes: compact sedan, compact station wagon, large sedan, and van. Table 6 shows the formulas for average total expenses per mile and the minimum replacement mileage derived from these formulas.

Table 6

Vehicle Replacement Formulas

Vehicle Class	Formula for Total Average Expenses	Replacement Mileage
Compact Sedans	0.08 + (0.00000034 x X) + (3076/X)	95,000
Compact Wagons	0.083 + (0.00000025 x X) + (3468/X)	118,000
Large Sedans	0.082 + (0.00000066 x X) + (4777/X)	85,000
Vans	0.209 + (0.00000023 x X) + (4010/X)	132,000

Source: JLARC staff analysis of VDOT data.

As shown in Table 6, the data currently available suggest that retirement of Central Garage vehicles should occur at some point beyond 80,000 miles for all classes of vehicles. Based on the current data, the minimum retirement mileage for the compact sedans is 95,000 miles. This estimate is based on the largest vehicle class with the most fleet experience and the lowest error in estimation of the function. Pending further analysis by the Central Garage, this mileage criterion should be used for all passenger cars. JLARC staff analysis also suggests that the 132,000 mile criterion could be used as the retirement point for vans. This estimation is problematic, however, because it is an estimate beyond the actual experience of the vans in the fleet.

The actual experience with vans approaching the criterion may show a sharp increase in costs at higher mileages. For example, maintenance and repair costs may increase sharply after 100,000 miles. Because there is not yet enough experience at these higher mileages, the 132,000 mile criterion should be reassessed each quarter, and if higher maintenance and repair costs occur, the estimate should be recalculated.

JLARC staff recognize that some expenses will be extraordinary due to factory defects, serious accidents, and other relatively random occurrences. These kinds of problems lead to vehicles which must be retired early Central Garage must take care to track all vehicle expenses from the date of purchase and identify and replace high-cost vehicles as soon as possible. For example, the Central Garage should retire vehicles which prematurely exceed the estimated lifetime repair costs for the average vehicle. These costs are estimated at $3,200 for passenger cars in use 95,000 miles, and $12,500 for vans in use 132,000 miles.

The JLARC staff analysis indicates that there is a need for the Central Garage to be more aware of the need for systematic vehicle replacement criteria. The results from the analysis should be considered a guide, and are subject to further refinement as improved data are made available.

Recommendation (21). Pending further analysis and data collection by the Central Garage, the fleet manager should establish an interim vehicle retirement policy, with a minimum of 95,000 miles as the criterion for retirement of passenger cars, and 132,000 miles as the criterion for retirement of vans. The Central Garage should revise the formulas based on new data and refinements of the methodology, but continue to replace vehicles based on objective criteria.

The Central Garage should generate monthly exception reports which allow them to identify vehicles which have met the retirement mileage within the past month and immediately recall these vehicles for auction. Further, the Central Garage should generate exception reports for vehicles with maintenance expenses which already reach or will reach with the next repair the estimated average maintenance and repair expense for the efficient life of the vehicle. These vehicles should also be recalled. The Central Garage should improve data collection efforts for mileage, operating expenses, and capital investment to continually track the above functions for each fleet vehicle.

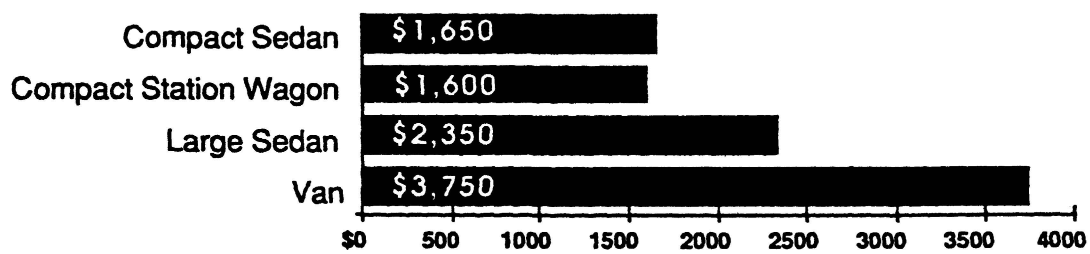
Determining the Fleet Mix

The Central Garage fleet is composed primarily of compact sedans. Station wagons, vans, and large sedans make up approximately one-quarter of the fleet. The station wagons and vans are used to transport larger loads, either more cargo or more passengers, and clearly have some utility But the current mix of vehicles in the Central Garage fleet is not based on systematic decision rules governing the needs for or uses of various vehicle sizes. The mix of vehicles in the fleet can have an important impact on expenses if different classes of vehicles have substantially different expenses. JLARC staff examined expenses for the vehicle classes using the Virginia Department of Transportation automated data based on Central Garage reporting. That analysis shows that there are significant differences based on the life-to-date expenses of all vehicles in these classes through FY 1987

Fuel Expenses by Vehicle Class. Fuel expense is the single largest operating cost item for fleet vehicles. In FY 1987, the average compact sedan and compact station wagon achieved 26.3 miles and 26.8 miles per gallon of gasoline, respectively In contrast, the average large sedan was driven 18.8 miles per gallon and the average van achieved only 12.4 miles per gallon. The average vehicle in the fleet has travelled approximately 50,000 miles. At this mileage, a large sedan has used approximately 750 gallons more gasoline than the average compact car. A van will have used 2,100 gallons more. At the current price for gasoline of $.65 per gallon paid by the State, this represents an additional cost of almost $500 for each large sedan and $1,400 for each van. The average total fuel cost per vehicle at 50,000 miles, assuming current State gasoline costs, is shown in Figure 10.

Figure 10

Average Total Fuel Cost of Vehicle Class at 50,000 Miles



Source: JLARC analysis of Central Garage expenses.

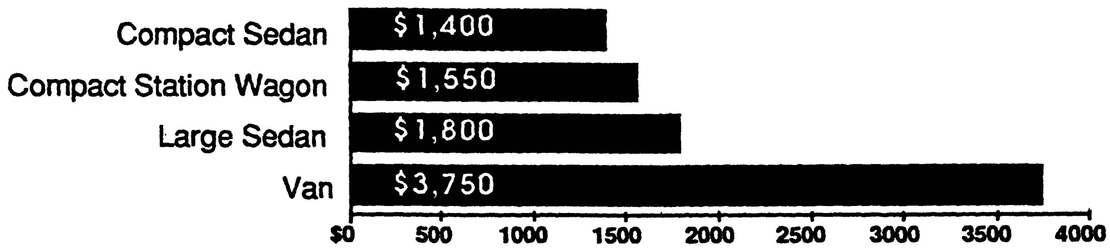
Maintenance and Repair Expenses by Vehicle Class. JLARC analysis of maintenance and repair costs in FY 1987 was based on three categories: parts, labor, and commercial service. These costs are only slightly less over the life of the average vehicle than are fuel costs, and therefore represent another substantial component of vehicle costs.

The average compact sedan costs 2.8 cents per mile to maintain. The average compact station wagon was slightly more expensive at 3.1 cents per mile. The average large sedan was even more expensive to maintain, costing 3.6 cents in maintenance charges per mile. The average van, at 7.5 cents per mile, was far more expensive to maintain than the average passenger car. Figure 11 shows the average total maintenance cost per vehicle at 50,000 miles. At 50,000 miles given average maintenance costs, a van has cost $2,350 more to maintain and a large sedan has cost $400 more to maintain than a compact sedan.

Total Operating Costs. In summary, the average compact station wagon costs .2 cents per mile more to operate than the compact sedan. The

Figure 11

Average Total Maintenance and Repair Cost of Vehicle Class at 50,000 Miles



Source: JLARC analysis of Central Garage expenses.

average large sedan costs 2.2 cents per mile more to operate than the compact sedan. The average van costs 8.9 cents more per mile than the average compact sedan. Clearly, any purchase of vans or large sedans will entail greater expenses over the life of the average vehicle. The diverse uses of fleet vehicles justifies the purchase of some large automobiles and vans to carry equipment, multiple occupants, and clients as necessary to State duties. Yet, systematic decision rules must be implemented for judging the need for large sedans and vans. Such decision rules should be limited to matters of business utilization, not preferences. To develop such criteria, the fleet manager will need to keep more detailed information about the actual transportation needs of the user agencies.

Recommendation (22): The Central Garage should develop systematic decision rules governing the fleet mix by vehicle size and class. The Central Garage should require justification for requests for large vehicles and vans. The preferences of operators should not be considered as a justification.

MAINTENANCE AND REPAIR

A final area of responsibility of the fleet manager is vehicle maintenance and repair. Service for all Central Garage vehicles is performed at the Central Garage shop in Richmond, or at VDOT shops located throughout the State. Proper maintenance and service is critical in fleet operations because it affects the cost of operations, the effectiveness of overall service delivery, and the ability of State employees to obtain reliable transportation.

The 1979 JLARC staff report found overall satisfaction with Central Garage vehicle performance and maintenance and repair services. About 85 percent of the operators surveyed in 1979 said their assigned Central Garage vehicle provided them with "dependable transportation." In addition, 84 percent said they either (1) had no mechanical problems with their cars or (2) were able to have mechanical problems corrected satisfactorily

The 1987 JLARC staff survey of agency-assigned vehicle users also found favorable opinions of Central Garage vehicle performance and service. Eighty-six percent of the operators took their vehicles to the Central Garage or VDOT for repairs or emergency maintenance. Approximately 75 percent of agency vehicle users rated Central Garage and VDOT maintenance and repair services as either excellent or good, and 85 percent reported that mechanical problems were corrected in a satisfactory manner. However, 14 percent did report that they experienced some unsatifactory service, citing the lack of problem resolution, slow service, and further mechanical complications as the areas of complaint.

The survey asked respondents to indicate vehicle performance problem areas and to also rate the vehicle on 12 aspects of vehicle condition and operation. The agency assigned fleet vehicles were overwhelmingly rated "good" in these 12 categories, with the greatest satisfaction in the categories vehicle heating, steering, tires, and braking. The categories most frequently rated "poor" included acceleration, engine starting, and engine running (Table 7). About 30 percent of respondents experienced no operating problems with their assigned State passenger vehicles in FY 1986.

Of the 70 percent who did experience operating problems, the most common were problems with tires (37 percent) and engine problems (31 percent). The 1979 JLARC staff survey reported difficulties with the engine, air conditioning/heating, and tires as the most frequent problems.

In the 1987 survey, trip pool users were also asked to rate vehicle performance and condition. Again, satisfaction was high with tires, heating, braking, engine starting, and body condition. The highest percentage of "poor" rankings occurred in the acceleration, transmission, and interior condition categories. The most frequent operating problem in trip pool vehicles were engine or air conditioning problems. About 62 percent experienced no operating problems with their vehicles. Only seven percent of the respondents had a trip pool vehicle become inoperable while in use. These results, and the experience of operators of assigned vehicles seem to indicate that the Central Garage and VDOT do an adequate job of maintaining and servicing fleet vehicles.

Table 7

Condition and Performance Ratings of Agency Assigned Vehicles FY 1986

	Good	Fair	Poor
Engine Starting	66%	23%	11%
Engine Running	66	24	10
Steering	74	21	5
Braking	72	23	5
Tires	73	22	5
Transmission	71	20	9
Acceleration	49	32	19
Heating	86	11	3
Air Conditionig	70	25	5
Gas Mileage	64	29	7
Body Condition	71	23	6
Condition of Interior	70	25	5

Source: JLARC staff survey of agency assigned vehicle users, August - September 1987

IV. Financial Management

In the 1979 report, Management and Use of State Owned Motor Vehicles, JLARC staff recommended that the Central Garage be designated as a working capital fund (now called internal service funds). This recommendation was implemented July 1, 1984. As a result of this change, the Central Garage is no longer operated as a separate internal account of the Virginia Department of Transportation (VDOT). Instead, it is a separate internal service fund.

Internal service funds are funds used to account for the financing of goods or services provided by one government agency primarily or solely to other agencies on a cost-reimbursed basis. As noted in Chapter I, internal service funds provide several important benefits. First, the funds ensure that the costs of services are properly identified and accounted for in a consistent manner. Second, they are a mechanism to equitably recover the costs of goods or services from user agencies. And finally, they provide the means for executive and legislative oversight of business-like operations, to ensure that essential services are provided in the most effective and cost-efficient manner.

Because the Joint Legislative Audit and Review Commission has statutory responsibility for internal service funds, JLARC staff reviewed the financial management of the Central Garage. The review focused on two major areas of concern: the financial condition of the fund, and the appropriateness of charges made for the use of vehicles.

FINANCIAL CONDITION

By law, and Commission policy, internal service fund managers are charged with the responsibility of ensuring that the funds are sound. Good financial management is an essential part of the operation of an internal service fund agency For fund managers this means that charges for goods and services must recover all costs associated with the goods and services provided, without accruing excessive surplus balances. It also requires that fund managers be aggressive in billing for costs, and ensure that billings are accurate and timely It also means that the fund managers must ensure that agencies pay bills promptly

The analysis of financial management for this study shows that the Central Garage has recovered all costs, and has generated excessive balances. The excess is primarily in the form of cash. JLARC staff also found that receivables are not being collected in a timely manner.

Central Garage Fund Balances

In FY 1987, the Central Garage collected $7.95 million in charges from agencies for their use of vehicles, and had other revenues totaling $163,516. Expenses for the year totalled $6.2 million. In addition, $762,477 was transferred to the general fund. Thus, the Central Garage fund balance grew by $1.1 million for the year, bringing the fund balance to $15,529,993 (Table 8).

Analysis of the Fund Balance. The Central Garage fund balance is made up of several components (Table 9). The single largest asset of the Central

Table 8

Central Garage Car Pool
Revenues, Expenses, and Changes in Retained Earnings
FY 1987

OPERATING REVENUES	
Billings to agencies	$ 7,951,524
Miscellaneous revenues	15,073
Gain on sale of motor vehicles	146,909
Gain on sale of shop and office equipment	1,534
TOTAL OPERATING REVENUES	8,115,040
OPERATING EXPENSES	
Personal services	564,839
Contractual services	1,654,273
Supplies and materials	1,268,435
Miscellaneous equipment	22,212
Vehicle and tort insurance	235,092
Depreciation	2,481,486
Refund due other State agency	883
TOTAL OPERATING EXPENSES	6,227,220
OPERATING INCOME	1,887,820
Appropriations Act transfer	(762,477)
NET INCOME	1,125,343
Retained earnings - July 1	14,404,650
RETAINED EARNINGS - June 30	$15,529,993

Source: Central Garage financial statements.

Table 9

Analysis of Central Garage Fund Balance FY 1987

Assets		
Cash Resources	$ 1,941,825	
Accounts Receivable	1,225,863	
Motor Vehicles	12,191,591	
Other Fixed Assets	570,790	
Total Assets		$15,930,069
Liabilities		
Accounts Payable	$ 348,678	
Compensated Absences	51,398	
Total Liabilities		$ 400,076
Fund Balance		$15,529,993

Source: Central Garage financial statements.

Garage is the vehicle fleet. Of total assets of $15.9 million in FY 1987, 76.5 percent is accounted for by the current value of the fleet. Other fixed assets make up 3.6 percent of the fund balance. Liquid assets (cash and assets that can be converted to cash) constituted 19.9 percent of the fund balance.

Through the first half of FY 1988, the fund balance has grown even larger, to $16,421,086. The cash balance on March 31, 1987, had risen to $3,895,654 because some vehicle orders had not been delivered. By the end of FY 1988, the balance is projected to be $3.5 million. More than $3.6 million will be transferred to the general fund as required by the Appropriations Act, resulting in a small deficit. But the size of the cash balance throughout the year, and the level of cash at the end of each of the two previous fiscal years, raises questions about the appropriateness of charges to agencies.

Analysis of Cash Balances. In evaluating the appropriateness of fund balances, the cash portion of liquid assets should be assessed. The primary concern with regard to fund balances is whether excess earnings are being generated and retained. Such earnings will initially be in the form of current assets, such as cash. Normally, internal service funds should have only enough cash to cover the average amount of accounts receivable outstanding during the year. This ensures that the fund has sufficient cash resources to meet expenses.

In order to assess the appropriateness of Central Garage's cash balances, JLARC staff reviewed the expenses and turnover of accounts receivable for three fiscal years. To calculate the maximum cash necessary in a given year, the annual expenses of the Central Garage were multiplied by the average amount of time typically required to receive payments (expressed as a percentage of the year) for use of vehicles. The resulting amount should provide sufficient cash during unusual periods, when expenses exceed revenues. The method for calculating the appropriate cash balance for the Central Garage is shown in Exhibit 7

Exhibit 7

Calculation of Maximum Cash Balance for the Central Garage Car Pool

Annual Expenses	x	Turnover Rate of Accounts Receivable	=	Maximum Cash Balance
		Example: FY 1987		
$6,227,220	x	.164	=	$1,021,264

Source: JLARC staff analysis of Central Garage financial statements.

The history of cash balances seems to show a consistently high level of cash in relation to the amounts necessary to cover accounts receivable. JLARC staff compared the maximum amounts of cash necessary with the actual average cash balances (Table 10). That comparison shows that the Central Garage has routinely maintained cash balances far in excess of necessary amounts. For each of the three most recent years, the actual cash balances amounted to more than 168 percent of the cash necessary In the most extreme instance, the balance was 265 percent of the amount needed.

Because the Central Garage has maintained excessive cash balances, the General Assembly has transferred balances to the general fund on several occasions in recent years. At the end of FY 1988, for example, the Central Garage will transfer $3.6 million to the general fund as required by the Appropriations Act. Transfers were also required in fiscal years 1985, 1986, and 1987 The transfer of these balances is a clear signal that the Central Garage rate structure over-recovers costs associated with vehicle use.

Table 10

Analysis of Cash Balances FY 1985-1987

Fiscal Year	Annual Expenses	Turnover Rate	Maximum Cash Needed	Actual Cash Balance	Amount in Excess
1987	$6,227,220	16.4%	$1,021,264	$2,704,565	$1,683,301
1986	$6,736,386	17.0%	$1,145,186	$2,822,140	$1,676,954
1985	$6,826,938	17.8%	$1,215,195	$3,258,675	$2,043,480

Source: JLARC staff analysis of Central Garage financial statements.

Recommendation (23). The Central Garage should ensure that cash balances are maintained at reasonable levels. Under normal circumstances, the Central Garage should ensure that its cash balance does not exceed an amount equal to the average of accounts receivable for the year. Such a balance would ensure adequate cash to cover expenses, while not resulting in unnecessary charges to user agencies.

Turnover of Accounts Receivable

As a part of the analysis of the financial condition of the Central Garage, JLARC staff reviewed the collection of payments from customer agencies. In 1979, JLARC staff found that the Central Garage lacked adequate procedures to ensure that accounts were paid in a timely manner. At that time, 39 percent of the accounts were past due. While the Central Garage has taken some steps to improve the procedures for handling of accounts receivable, there appears to have been little progress in improving actual collections.

For FY 1987, the amount of accounts receivable outstanding remained excessive. Using a method developed by Dun and Bradstreet, JLARC staff calculated the average turnover of accounts for the year to be approximately 60 days. Had accounts been kept current, a turnover of 30 days could have been expected.

As recently as December 31, 1987, only 46 percent of the accounts were current (Table 11). Most of the accounts past due were less than 30 days late. But almost 9.8 percent of all accounts were late by more than 30 days. While the Central Garage has improved its collection of accounts since the last JLARC review, the fleet manager needs to be more aggressive in collecting payments from customer agencies.

Table 11

Central Garage Accounts Receivable
December 31, 1987

Days Outstanding	Amount	Percent of Total
1 - 30 Days (Current)	$ 602,704	45.96%
31 - 60 Days	580,697	44.28
61 - 90 Days	103,434	7.89
91 - 120 Days	1,858	0.14
121 Days or More	22,698	1.73
Total	$1,311,391	100.0%

Source: Central Garage Financial Statements.

Recommendation (24). The Central Garage fleet manager should ensure that accounts are collected promptly The fleet manager may need to be more aggressive in contacting agencies which are consistently late in paying bills. The fleet manager may also wish to consider late fees, termination of vehicle assignments, and other sanctions for agencies which fail to pay bills within 60 days.

RATES

Central Garage recovers costs on the basis of the mileage that vehicles are driven. The rates currently in effect were established in January 1984, prior to the designation of the Central Garage as an internal service fund. Because the rates have not been changed since, the Joint Legislative Audit and Review Commission has never formally approved the rate structure in use. The review of rates for this study constitutes the first independent analysis of Central Garage rates in more than nine years.

As with rates established by all internal service funds, the rates charged by the Central Garage are influenced by two major factors: the costs to be recovered from customer agencies, and the amount of goods or services (utilization) for which the charges will be assessed. For the Central Garage, costs consist of operating and vehicle capital costs. Utilization is measured in terms of the mileage that vehicles have been driven.

To assess the appropriateness of Central Garage rates, JLARC staff reviewed in detail the projections of expenditures and utilization for the next biennium. Because of flaws in the methods used by the Central Garage to calculate costs and to estimate utilization, JLARC staff found that rates do not accurately recover the costs of fleet operations. Mileage rates tend to be higher than necessary, while minimum charges tend to be lower than necessary to recover actual replacement costs of vehicles.

Current Central Garage Rates

The Central Garage recovers the cost of providing passenger vehicle service to State agencies through charges based on use of the vehicles (Table 12). The current rates charged by the Central Garage were established in January 1984, and are based on a structure developed in 1977 The basic rate for use of passenger sedans and station wagons is $.17 per mile. Central Garage also assesses minimum charges if usage for a given month falls below 1,000 miles. Rates for vans are substantially higher because of higher operating and capital costs associated with those vehicles.

Passenger Sedans and Station Wagons. The current mileage charge for passenger sedans and station wagons is composed of three components, $.10 per mile for operations, $.06 per mile for vehicle replacement, and $.01 for the addition of vehicles to the fleet. In addition, the Central Garage has established minimum charges to recover the replacement cost of vehicles, even if use of the vehicles is low The current minimum charge per month, based on usage of 1,000 or fewer miles per month, is $60.00. In addition to the minimum charge, agencies are billed for $.11 per mile to recover operating costs. Vehicles used in the trip pool carry a minimum charge of $3.00 per day, plus the $.11 operating charge.

Passenger and Cargo Vans. Charges for vans vary according to the type of van used. The lowest rate per mile is $.21 for cargo vans. The rate for eight- and twelve-passenger vans is $.25 per mile. For fifteen-passenger vans, the rate is currently set at $.27 per mile. As with sedans and station wagons, the Central Garage assesses a minimum charge for vans. The minimums range from $80.00 to $110.00 per month, plus a charge for operations, which ranges from $.13 per mile to $.16 per mile. The minimum charge is based on monthly mileage not exceeding 1,000 miles. Vans which are used in the trip pool are assessed minimum charges also.

Analysis of Utilization and Cost Estimation Methods

The process of calculating rates for the Central Garage (and any other internal service fund) involves two basic parts. The first part of the process is the

Table 12

Rates for Fleet Vehicles FY 1988

AGENCY ASSIGNED VEHICLES

Type of Vehicle	Miles Driven Per Month	Rate Charged
Sedan/ Station Wagon	Over 1,000	$.17 per mile.
	Under 1,000	$60.00 per month, plus $.11 per mile.
Vans (1) 1/2 Ton	Over 1,000	$.21 per mile.
	Under 1,000	$80.00 per month, plus $.13 per mile.
(2) 8 & 12 passenger	Over 1,000	$.25 per mile.
	Under 1,000	$100.00 per month, plus $.15 per mile.
(3) 15 passenger	Over 1,000	$.27 per mile.
	Under 1,000	$110.00 per month, plus $.16 per mile.

TRIP POOL VEHICLES

Type of Vehicle	Miles Driven Per Day	Rate Charged
Sedan/ Station Wagon	Over 50	$.17 per mile.
	Under 50	$3.00 per day, plus $.11 per mile.
Vans (1) 1/2 Ton	Over 50	$.21 per mile.
	Under 50	$4.00 per day, plus $.13 per mile.
(2) 8 & 12 passenger	Over 50	$.25 per mile.
	Under 50	$5.00 per day, plus $.15 per mile.
(3) 15 passenger	Over 50	$.27 per mile.
	Under 50	$5.50 per day, plus $.16 per mile.

Source: Fleet Manager.

estimation of utilization. By estimating how many units of service will be provided, the Central Garage can estimate workload for personnel, how many vehicles to purchase, and how much gasoline and other consumables to purchase. The estimate of utilization is also important because its units of measure, such as miles driven, are the basis of the rate structure. Billings to agencies are dependent on these measures.

Second, all of the costs of providing services must be estimated. Typically, this step takes place as a part of the State's biennial budgeting process. It is important that projections of costs be as accurate as possible because errors can lead to excess charges for agencies, or an operating deficit for the Central Garage. For many major cost items, the estimate of costs may be based on the estimate of utilization.

With an estimate of utilization and costs, it is possible to establish a schedule of rates for vehicle use. JLARC staff evaluated the estimation of utilization and costs by the Central Garage, and made an independent estimate of each of these two components. Central Garage estimates of utilization are excessive, and have the effect of overstating the mileage to be driven in State vehicles. The analysis of costs found that Central Garage overestimates several components of costs, and does not include other costs incurred by the Department of Transportation. As a result, rates charged by the Central Garage do not reflect a proper recovery of costs. The structure of the rates was also found to be unnecessarily complex.

Estimates of Utilization. Utilization of all fleet vehicles is measured in terms of miles driven. By estimating how many miles vehicles will be driven in the next biennium, it is possible to establish per-mile rates to recover costs. Central Garage makes estimates of mileage annually as a part of its budgeting and rate setting process.

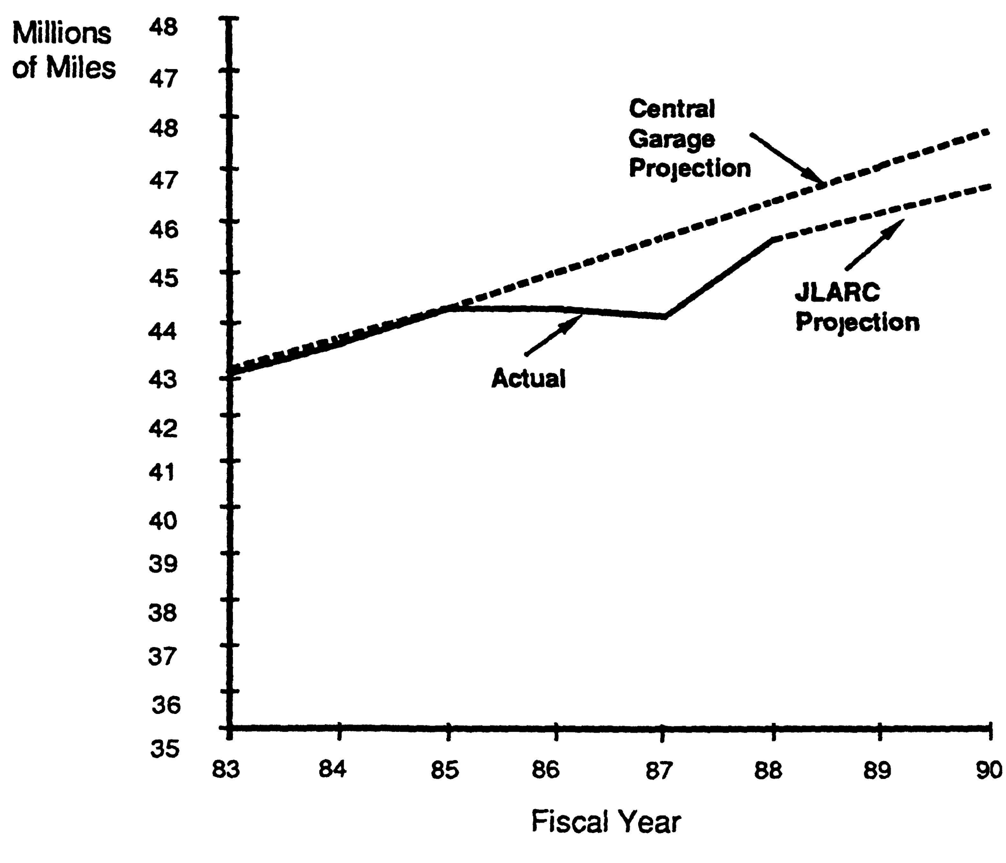
Since 1983, the method used by the Central Garage to project future utilization for the fleet has remained unchanged. The method consists of increasing the prior year's estimate by 1.5 percent. There is no linkage to the actual usage of vehicles for any previous time period. That is, Central Garage does not adjust its estimate to account for the changes in actual mileage from year to year.

This method was accurate in the first three years of its use because the initial estimate in 1983 was accurate, and the increases in actual mileage in the two subsequent years were constant. But since 1985, actual use of vehicles has declined slightly As a result, the Central Garage estimates which are based on a steady increase from the prior year's estimate have grown increasingly inaccurate.

JLARC staff made an independent estimate of mileage for the next biennium based on the average change in mileage between FY 1985 and the third quarter of FY 1988. For that period, the rate of change was 1.05 percent per year. The method links the estimate more closely to actual fleet mileage, and was considered more appropriate than the current method because no substantial changes in fleet operations, or the number of vehicles in use, are anticipated for the period of the estimate. By basing the estimate only on the four most recent years, the JLARC estimate also captures the current trend in vehicle usage. A comparison of actual fleet mileage, the Central Garage estimates, and the JLARC staff estimates is shown in Figure 12.

Figure 12

Comparison of Central Garage and JLARC Utilization Projections



Source: JLARC analysis of Central Garage data.

The Central Garage projects that total fleet mileage will exceed 47.8 million miles by FY 1990. The JLARC staff estimate, however, projects that fleet mileage will total only 46.7 million miles by FY 1990. Thus, continued use of the Central Garage method could result in an estimate of mileage for the fleet in FY 1990 which may be overstated by as much 1.1 million miles. Because the Central Garage estimate of utilization could result in a calculation of rates with errors, JLARC staff used the utilization estimate developed for this study in setting rates for the next biennium. Of course, implementation of recommendations in this report could result in improved utilization, which might tend to increase the total mileage for the fleet. Therefore, it is important that the Central Garage revise its estimates on a periodic basis to capture changes in utilization.

Recommendation (25). The Central Garage should revise its method of estimating future fleet utilization. The revised method should be based more closely on the actual mileage driven in fleet vehicles in several recent fiscal years. The method should be sensitive to changes in the trend of usage, as seen in the changes in mileage from FY 1985 to FY 1986.

Estimates of Cost. Central Garage costs are of two basic types: operational costs and vehicle capital costs. Operational costs include employee salaries and fringe benefits, motor fuels, vehicle maintenance and repairs, insurance, supplies, utilities, and contractual services. In FY 1987, these costs totaled $3.75 million. Capital costs are those associated with the purchase of vehicles for the fleet. In FY 1987, the Central Garage purchased 560 vehicles, with a total cost of $4.6 million.

Of the two major groups of costs, operational costs tend to be more stable. Vehicle purchase costs tend to vary more from year to year as a result of decisions related to the number of vehicles to purchase. Between FY 1984 and FY 1988, total expenditures for motor vehicle purchases ranged from $727,770 to $4.6 million.

In its projections of costs, Central Garage has consistently overestimated expenditures for both operational and capital costs. Among the operational costs, the most serious problem has been with the estimates for gasoline costs. Since FY 1983, the Central Garage has overstated the cost of gasoline each year (Table 13). The errors appear to result from two causes. First, the Central Garage overestimates utilization as discussed earlier, and because those estimates are used to calculate gasoline costs, the estimates made are excessive. For example, the difference between the Central Garage and JLARC staff estimates of utilization results in a difference in gasoline cost estimates of $88,736 for FY 1989.

Second, the Central Garage uses the average price for gasoline in the current year, inflated by a flat five percent, to make its estimate. By using the average price for the year, the Central Garage introduces some error into its estimate. For example, in its projection of costs for FY 1989, the Central Garage

Table 13

Central Garage Estimates of Gasoline Costs

Fiscal Year	Central Garage Estimate	Actual Gasoline Cost
1983	$3,095,000.00	$2,348,195.76
1984	3,235,635.00	2,096,298.58
1985	2,163,830.00	1,969,003.81
1986	2,022,534.00	1,728,246.12
1987	2,422,196.00	2,290,752.87

Source: Central Garage.

used $.70 per gallon as the cost for gasoline, based on the average cost for FY 1988. But the most recent cost is $.65 per gallon. When inflating, it is this most recent price that should be used. In addition, the Central Garage uses a flat five percent inflation rate for gasoline in the estimate. A more accurate estimate might be made if Chase Econometric inflation rates were used. Currently, the rates for motor fuels are 5.8 percent for 1989, and 2.6 percent for 1990. In its estimate of gasoline costs, JLARC staff used the most recent actual price, inflated by the Chase Econometric rates.

The Central Garage has also failed to fully identify and recover certain costs incurred on its behalf by the Department of Transportation. The department provides nearly all of the Central Garage's administrative support, but does not charge for its services. There is currently no comprehensive estimate of the cost of services provided by VDOT, but data processing charges alone totaled $16,356 in FY 1987 Because the internal service funds are supposed to recover all costs, the Central Garage should reimburse the department for the cost of administrative services, and recover the costs from customer agencies.

In addition, the number of vehicle purchases necessary in each of the next two years has been overestimated. Based on a replacement schedule of 95,000 miles and the average mileage driven in Central Garage vehicles, JLARC staff estimated that no more than 468 vehicles should be replaced annually For FY 1989, JLARC staff estimate that the Central Garage will have sufficient revenues to replace 431 vehicles, including 11 vans. The Central Garage has projected that 600 vehicles will be replaced in each year of the next biennium. The difference in costs for vehicle replacement between the JLARC staff estimate and the Central Garage estimate is $1.63 million in FY 1989.

Because of concerns raised with the Central Garage's estimates of operational and capital costs, JLARC staff made an independent estimate of costs for use in setting rates for the next biennium. Table 14 shows a comparison of Central Garage estimates of costs with the estimates made by JLARC staff.

Recommendation (26). The Central Garage should revise its methods for estimating costs. Specifically, the methods used for estimating fuel and equipment purchase costs should be designed to better reflect the real needs for fleet operations. The Central Garage should recover the cost of administrative services provided by the Virginia Department of Transportation.

Table 14

Comparison of Central Garage and JLARC Staff Estimates of Costs FY 1989

Expenditure	Central Garage Estimate	JLARC Staff Estimate
Personal Services	$ 630,619	$ 630,619
Contractual Services	1,470,492	1,684,966
Supplies and Materials	1,493,858	1,405,123
Continuous Charges	754,128	754,128
Equipment (Motor Vehicles)	5,736,938	4,111,729
Total	$10,086,035	$8,586,565

Source: Central Garage and JLARC staff analysis of costs.

Analysis of Rates

Because of the errors found in the Central Garage estimates of utilization and costs, JLARC staff made an independent assessment of rates. That analysis was based on revised utilization and cost estimates, also produced by the JLARC staff. The rate analysis was made for each year of the next biennium.

Revised Rate Structure. The rate structure used by the Central Garage has become increasingly complex as different types of vehicles have been added to the fleet. Currently, there are different rates for passenger cars, cargo vans, and passenger vans. And, in addition to per-mile rates, there are minimum charges which vary according the the type of assignment made for the vehicle. To a large degree, the various rates and charges are appropriate and necessary By charging users of different types of vehicles different rates, the Central Garage can more accurately recover costs of providing services.

In preparing its analysis of rates for the Central Garage, however, JLARC staff have attempted to simplify the rate structure in three ways. First, the structure for vans has been simplified by treating all vans as a single category of vehicles, instead of the three categories currently in use. Second, the rate schedule proposed by JLARC staff have been designed to eliminate the distinction between permanantly assigned vehicles and trip pool vehicles with regard to how charges are billed. And finally, the separate charges for vehicle replacements and additions to the fleet have been discontinued, with the use of a single charge for the recovery of capital costs in their place. These modifications to the rate structure are incorporated in the rate schedule shown at the end of this section.

The basic structure of Central Garage rates has been retained. Rates for each type of vehicle consist of two components: operations and capital, which are charged for each mile of use. In addition, the capital component includes a minimum charge for vehicles which are underutilized.

The Operations Component. The operations component of the rates recovers operational costs such as employee salaries and fringe benefits, gasoline, maintenance and repairs, insurance, and utilities. In the JLARC staff analysis, this rate is calculated by dividing the revised estimate of operational costs by the revised estimate of utilization for the year. A separate rate was calculated for passenger cars and vans. The separate rates for different types of vans have been discontinued. The operations component of the rate would be charged to all vehicles on a per-mile basis, regardless of the total mileage driven (including vehicles assessed a minimum charge for the capital component).

The Capital Component. The capital component of the rates recovers the costs of replacing vehicles in the fleet. It is a more complex charge than the operations rate because both a per-mile rate and a minimum charge must be set. The minimum charge ensures that the Central Garage recovers the full amount to replace a vehicle even if it is underutilized in terms of total mileage. The capital component is based on a complex set of assumptions related to the replacement value of the fleet, the replacement schedule for vehicles, and the relationship between the per-mile charge and the minimum charge.

The replacement value of the fleet was calculated for each year of the next biennium. The calculation was based on the projected purchase price of each vehicle class. These purchase prices were calculated by inflating the most recent actual purchase price for each vehicle class by Chase Econometrics rates. The projected prices were multiplied by the number of vehicles in the fleet inventory as of January 31, 1988, to produce the replacement value. The fleet replacement value was estimated to be $27,563,054 in FY 1989, and $28,475,248 in FY 1990.

The replacement schedule used for this analysis was 95,000 miles, as recommended in Chapter III of this report. The average mileage of passenger cars for FY 1989 is estimated to be 15,781, or about 1,315 miles per month. For vans, the required monthly mileage was estimated to be 1,268. In FY 1990, the required mileages are slightly lower.

The required monthly mileage was used as the criterion for assessing the minimum charge; that is, passenger cars travelling 1,315 or more per month would be charged on a mileage basis, while vehicles travelling less than 1,315 per month would be assessed the flat replacement fee. A minimum charge was also developed for vans, based on the 1,268 mileage criterion. In developing a revised rate schedule, the minimum charges are shown as daily rates, so that the same schedule can be applied to both trip pool and assigned vehicles.

An important part of the JLARC analysis of the capital component of the rate schedule was a linking of revenues from the per-mile charge and the minimum charge. In estimating revenues from the capital component, the JLARC staff analysis ensures that the total revenue from the two types of charges does not recover more than the annualized replacement value of the fleet. Because the minimum charge is a flat fee on low mileage vehicles, it recovers more per mile than the stated per-mile charge. As a result, it is necessary to reduce the mileage-based charge to offset the additional revenue generated by the minimum fee. For FY 1989, the per-mile charge can be reduced by $.0272 per mile as a result of the minimum charge. The rates proposed by JLARC staff reflect such a reduction.

Proposed Rates. The rates proposed for the next biennium are shown in Table 15. These rates are based on the independent evaluation of utilization and costs made by JLARC staff. The rates fully recover the costs of fleet operations in the next biennium, but do not produce excessive balances as in the past. The rates provide sufficient revenue to cover all operational costs and the purchase of 436 vehicles in each year. The impact of the rates on Central Garage revenues and fund balances is shown in Table 16.

Recommendation (27). The Central Garage should propose, and the Joint Legislative Audit and Review Commission should approve, a revised methodology for the development of rates by the Central Garage. The revised methodology should employ a simplified rate structure, improved projections of utilization, and more accurate estimates of operational and capital costs. Operating charges should recover the full costs of operating the vehicle fleet, including the administrative costs of the Virginia Department of Transportation. Charges for capital replacement should be set to recover the replacement value of the vehicle fleet based on a realistic replacement schedule. For FY 1989, the Commission should approve the rates proposed by the JLARC staff.

Table 15

Proposed Central Garage Rates

FY 1989

OPERATING CHARGE

Vehicle Type	Proposed Rate
Passenger Sedans and Station Wagons	$0.0942 per mile
Vans	$0.1705 per mile

CAPITAL CHARGE

Vehicle Type	Average Daily Mileage*	Proposed Rate
Passenger Sedans and	Over 65.75 miles	$0.0694 per mile
Station Wagons	Under 65.75 miles	$6.35 per business day
Vans	Over 63.40 miles	$0.0736 per mile
	Under 63.40 miles	$7.13 per business day

FY 1990

OPERATING CHARGE

Vehicle Type	Proposed Rate
Passenger Sedans and Station Wagons	$0.0948 per mile
Vans	$0.1720 per mile

CAPITAL CHARGE

Vehicle Type	Average Daily Mileage*	Proposed Rate
Passenger Sedans and	Over 66.45 miles	$0.0717 per mile
Station Wagons	Under 66.45 miles	$6.63 per business day
Vans	Over 64.10 miles	$0.0761 per mile
	Under 64.10 miles	$7 45 per business day

*Based on 20 business days per month

Source: JLARC staff analysis of rates.

Table 16

Projected Revenues and Fund Balances
Central Garage Car Pool
FY 1989 - FY 1990

Projected Balance 6/30/88		$(160,441)
1989 Revenues	$8,981,584	
1989 Expenditures	8,586,566	
Gain or (Loss) on Operations		395,018
Projected Balance 6/30/89		234,577
1990 Revenues	$9,258,558	
1990 Expenditures	9,037,800	
Gain or (Loss) on Operations		220,758
Projected Balance 6/30/90		$455,335

Source: JLARC staff analysis of Central Garage rates.

V. Management Authority

The management of a large motor vehicle fleet can be successful only if authority and responsibility for management of the fleet are clearly established and understood. Managers of the fleet have to know what their responsibilities are, and the extent to which they can make and enforce regulations which promote efficient and effective fleet use. It is also important that the users of the vehicles understand the authority of fleet managers to assign vehicles on the basis of need, to monitor use, and to ensure that vehicles are properly used and maintained.

The importance of proactive management in fleet operations can be emphasized by examining the potential cost savings from this report. Table 17 summarizes the major cost savings from the recommendations in the previous chapters. In total, improved management of the Central Garage could result in annual savings of more than $2.7 million.

Centralized fleet management in Virginia State government was established in 1971 by executive order. The purpose was to provide for greater efficiencies in the operation of the fleet and to assign specific responsibilities for vehicle purchasing and maintenance to a single State agency, the Department of Highways and Transportation. Since that time, three executive orders have been issued, each modifying the management of the fleet. Currently, the Central Garage operates as a division of the Virginia Department of Transportation (VDOT) under the authority of Executive Order Number Thirty (1982).

Table 17

Potential Annual Cost Savings from JLARC Recommendations

Improved Utilization	$ 410,626
Collection of Commuting Fees	341,218
Corrections of Commuting Fee Calculations	7,421
Reducing the Size of the Trip Pool (Capital)	364,688
Extending Vehicle Replacement to 95,000 miles	1,625,209
Total	$2,749,162

Source: JLARC staff analysis of recommendations

While the establishment of authority and responsibililty for fleet management by executive order may have been appropriate during the early years of the Central Garage, it is not adequate for the complex organization that exists today In fact, the most important contributing factor to the problems related to assignment of vehicles, utilization, and commuting is the lack of clearly defined authority and accountability. The problems addressed in the previous chapters of this report exist to a large extent because no single public official is responsible for management of the fleet. Because the Car Pool Committee, which has primary responsibility for the management of the fleet, has not discharged the responsibilities given it by Executive Order Number Thirty, it is not clear who has authority to manage the fleet or to enforce assignment and utilization policies. As a result, fleet management in Virginia government has focused on daily operations; there is no executive direction and little enforcement of critical policies related to assignment, utilization, and commuting. These problems have been recognized by the Department of Tranportation, prompting the department and the Office of the Secretary of Tranportation and Public Safety to propose revisions to the executive order which establishes the Central Garage.

Assigned Responsibilities for Fleet Management

The assignment of responsibilities for the State fleet of passenger vehicles is mandated by Executive Order Number Thirty (1982). The order sets out four actors, or groups of actors, in the overall fleet system: the Central Garage Car Pool Committee, the Department of Highways and Transportation, agency heads of agencies using fleet vehicles, and employees who use State vehicles.

The Central Garage Car Pool Committee. Under the provisions of Executive Order Number Thirty the Car Pool Committee has the primary responsibility for managing the vehicle fleet. The committee's duties include:

- enforcement of criteria for assignment of vehicles to employees and agencies;
- promulgation of instructions for the proper use of State vehicles and defining the consequences of improper use;
- monitoring of record keeping and reporting on vehicle use and need;
- evaluation of the need for the purchase of vehicles for the fleet; and
- monitoring of user rates to ensure that costs are fully recovered.

The membership of the committee includes not more than three agency transportation officers from each secretarial area, and it is supposed to be chaired by the

Secretary of Transportation and Public Safety Currently, the committee has ten members, and is chaired by the Deputy Secretary of Transportation.

The Virginia Department of Transportation. The Department of Transportation is the agency responsible for the daily operation of the Central Garage. The executive order sets out duties to include:

- operation of the Central Garage Car Pool;
- administration of the car pool through a fleet manager who is to be the full-time administrator of the fleet and staff to the Car Pool Committee; and
- the purchase of gasoline, oil, vehicles, and other automotive supplies and equipment, and the employment of staff necessary to properly operate the fleet.

The executive order does not provide the fleet manager with any independent authority to enforce Central Garage policies or regulations.

Agency Heads. Agency heads are charged with the responsibility to cooperate with managers of the Central Garage and the Department of Transportation to ensure that vehicles assigned to their agencies are used properly and efficiently Agency heads are also required to designate one agency employee as an "agency fleet manager," now typically called a transportation officer. The transportation officer is supposed to coordinate use of vehicles with the Central Garage and help to achieve optimal use of vehicles.

Operators of Vehicles. State employees who use vehicles are required by the executive order to use the facilities of the Department of Transportation for all repairs and maintenance, and for fuel, oil, and other routine servicing.

Central Garage Organization. To implement Executive Order Number Thirty and previous orders, the Central Garage has been organized as a division of the Department of Transportation. This organizational arrangement is the result of the 1979 JLARC staff report on the Central Garage, which recommended that the fleet operations be made independent of the VDOT Equipment Division. At the time of the 1979 study, the fleet manager had very limited responsibilities for management of daily fleet operations. With the revised organization, the fleet manager assumed primary responsibility for daily operations.

As formally organized, there are two separate lines of authority for the Central Garage. The Car Pool Committee is supposed to provide for policies and procedures for the Central Garage. The fleet manager acts as staff for the Car Pool Committee and is the committee's agent in the management of the Car Pool.

However, the fleet manager also reports administratively to the Assistant Commissioner of VDOT. The fleet manager is an employee of VDOT, and is responsible for the department's operation of the Central Garage as specified by the executive order.

Failure of Assigned Responsibilities

Executive Order Number Thirty places much of the responsibility for management of the fleet on the Car Pool Committee. No authority for the enforcement of policies and procedures is assigned formally to the fleet manager. This structure formally defines a centralized fleet only for the development of policies and regulations and for administrative purposes such as the purchase or maintenance of vehicles. However, the enforcement of policies and regulations relating to assignments, utilization, commuting, and proper use of State vehicles is decentralized to user agencies. In practice this structure has not been successful, and as a result, there is little or no professional management of the fleet as a whole, and no accountability for the use of the fleet.

The Changing Role of the Car Pool Committee. In the past, the Car Pool Committee was an active participant in management of the fleet. The committee established the basic set of regulations under which the fleet still functions. In addition, the committee was active in reviewing requests for assignments of vehicles, in evaluating the need for vehicle purchases, and in setting the rates to be charged users of the fleet.

In recent years, however, there has been an informal shifting of responsibilities away from the committee, and it has become largely dormant. Since June of 1984, the committee has met only five times. More importantly, the committee has not provided the leadership role intended for it. Interviews with members of the committee, including the chairman, and reviews of the minutes of the committee meetings suggest that the committee tends only to react to issues brought to it by the fleet manager.

The diminution of the Car Pool Committee's role is due to several factors. First, the committee's membership consists of State employees from a broad array of agencies. Because most of the members are agency transportation officers and have no training or experience in professional fleet management, their view of fleet management is from the perspective of user agencies. The committee has thus evolved into a users' forum; that is, it has become a group through which user agencies communicate their concerns and needs to the fleet manager and VDOT.

Second, because of the changing nature of its role, the committee is given a low priority by its membership. In interviews with JLARC staff, two current members of the committee said that they were not aware of the provisions of Executive Order Number Thirty Another told staff, "I haven't been that impressed with the work of the Car Pool Committee." Others expressed views that the committee should be an advisory board rather than an active participant in fleet management. As a result, the committee has, by default, passed much of its authority to the fleet manager and the user agencies.

In its own study of the Central Garage, the Department of Transportation also identified the weakness of the Car Pool Committee as a problem in the current structure for fleet management. Because of the problems identified by VDOT, the Office of the Secretary of Transportation and Public Safety prepared a revised executive order which makes the committee an advisory body only The order provides for better focused authority for fleet management and recognizes that the Car Pool Committee cannot provide the leadership necessary The executive order has been held from issuance pending the release of this report.

The Role of the Fleet Manager. The authority of the fleet manager to manage the Central Garage has changed significantly in recent years. In response to the 1979 JLARC report, the fleet manager was given greater responsibility for the daily operations of the fleet. These changes were implemented through the internal organization of the Central Garage as a part of the Department of Transportation. More recently, the fleet manager has also been informally responsible for functions formally assigned to the Car Pool Committee. But the fleet manager has often been reluctant to enforce certain regulations because his authority is unclear.

In the assignment of vehicles, for example, the fleet manager relies entirely on the agency requesting a vehicle to determine if there is a real need for the vehicle. The fleet manager has not refused any request for the assignment of a vehicle, except when no vehicles are available for assignment. In such cases, the requests have been filled when vehicles became available. Because the executive order charges agency heads with the responsibility to "control" the vehicles assigned to their agencies, the fleet manager defers to their judgements regarding the need for vehicles. Specific issues related to the assignment of vehicles were addressed in detail in Chapter II.

Additionally, while the fleet manager collects data on the utilization of vehicles, enforcement of regulations on the minimum utilization of assigned vehicles is left to the user agencies. The fleet manager does request that underutilized vehicles be returned for reassignment. But the fleet manager told JLARC staff that some agencies have "flatly refused" to return vehicles identified as underutilized. Currently, the fleet manager does not follow-up on these vehicles, and as a result, few of the recalled vehicles have been returned for reassignment.

Commuting use of State vehicles is another area for which the fleet manager has no authority Commuting use is not business related, and may divert vehicles from legitimate assignments based on business mileage only

However, the Central Garage collects no data on commuting, and plays no role in monitoring or controlling this type of use by State employees. Utilization and commuting issues were reviewed in Chapter II.

The Role of Agencies. Under the provisions of Executive Order Number Thirty, agencies have always had some responsibility for controlling their own use of vehicles in the central fleet. But because of the changing role of the Car Pool Committee, agencies now have far greater control over the use of vehicles than at any time in the past. Agencies now determine when the assignment of a vehicle is necessary, whether the use of the vehicle is appropriate, and the extent to which employees can use the vehicles for personal purposes such as commuting. So the fleet is centralized only in the sense that administration of daily fleet operations is the responsibility of the Central Garage. In the enforcement of critical policies, which have great impact on the overall efficiency and effectiveness of the fleet, responsibility has been entirely decentralized.

This decentralization of enforcement has not been effective because it has evolved over time, and is not formally sanctioned. Thus, agencies are not accountable for the enforcement of the policies and regulations.

Enforcement has also been ineffective because the responsibility has been shifted to transportation officers in the agencies. Transportation officers have been ineffective in enforcing Central Garage regulations for a number of reasons. First, they are not properly trained. In telephone interviews conducted by JLARC staff, 17 of 19 transportation officers contacted reported that they received no training. Five of the officers were not aware of the existence of the Car Pool Committee, for example. An additional three transportation officers knew of the committee, but did not know the purpose or role of the committee in the fleet system.

Second, the transportation officer assignment is not consistently given to agency management personnel. Instead, administrative staff, secretaries, or clerks are given the responsibilities. The transportation officers interviewed by JLARC staff ranged from secretaries to agency directors. As a result, transportation officers in some agencies only perform record-keeping and clerical tasks related to assignment of vehicles from the Central Garage, verification of billings from the Central Garage, or assignment of vehicles in internal agency motor pools. There is inadequate monitoring of use or enforcement of regulations because transportation officers often have insufficient authority to exercise such responsibilities.

Establishing Proper Authority for Fleet Management

The current structure of authority and responsibility makes professional fleet management impossible. In a decentralized environment such as that existing today, the fleet manager can have little control over the practices which most directly affect the efficiency of fleet operations. And there is currently no accountability for the use of vehicles.

While a number of reports, including previous JLARC staff reports, have recommended transferring the Central Garage to the Department of General Services (DGS), such a reorganization by itself would not address the problems related to authority and accountability for fleet management. The purpose of these recommendations was to provide for a consistent organizational structure for agencies providing administrative support services to other State agencies. However, the transfer of the Central Garage to DGS might also make the achievement of other goals more difficult. For example, it is important that clear authority for the fleet be established. Because VDOT must continue to purchase, maintain, and service the vehicles, DGS could not effectively provide for centralized management.

In addition, a reorganization could not be undertaken immediately, because of the need to transfer VDOT automated systems to DGS, and to provide for adequate personnel, budgeting, accounting, billing, and other administrative support for the Central Garage within DGS. Many of the problems experienced by the Central Garage, however, require immediate attention.

For these reasons, it now appears more practical to retain the Central Garage as a unit of the Department of Transportation. However, the current assignment of authority and accountability is inadequate. To properly establish authority and responsibility for fleet management, several steps can be taken.

Centralize Authority. First, the authority and responsibility to manage the fleet should be assigned exclusively to the Commissioner of Transportation. By providing the Commissioner with a clear mandate to manage the fleet in an efficient and effective manner, accountability can be established. The focus of authority in the Commissioner would enhance the enforcement of Central Garage policies and regulations. Because the current Car Pool Committee no longer serves any useful purpose, it should be abolished or assigned an advisory role. An ad hoc committee could be used to appeal the decisions of the Commissioner related to assignment and use of vehicles.

The Central Garage should be designated as a division within the department. Management of the fleet and enforcement of all fleet policies and regulations should be delegated to the fleet manager. Because of the additional responsibilities that would be formally assigned to the manager, the position should be upgraded to division administrator rank, and renamed Fleet Administrator. The Fleet Administrator should be delegated clear authority and responsibility to monitor assignments, utilization, personal use, and commuting use of State-owned vehicles. Daily operations such as management of the trip pool and maintenance of vehicles should be the responsibility of an assistant to the administrator.

In addition, while agency heads must be held accountable for the vehicles assigned to their agencies, the use of transportation officers to enforce policies and regulations should be discontinued. Instead, the role of transportation officers should be as the primary source of information for employees using vehicles. Because of confusion about the role of the transportation officer, they are not currently acting as a source of information for operators.

Only seven of the 19 transportation officers interviewed by JLARC staff said that they provide training for operators of vehicles. And in a survey of 342 operators, only 43 percent said that they directed questions about their State vehicles to the transportation officers, and 25 percent did not know who the transportation officer was for their agency. The Fleet Administrator should use the transportation officers to provide training on fleet policies and regulations, and as a source of information about the transportation needs of user agencies.

Establish Statutory Authority. Second, the Central Garage should be established as a division of the Department of Transportation by statute. Centralized fleet operations are a permanent function of State government, and by giving the Central Garage statutory authority to operate and manage the State's motor vehicle fleet, the permanent nature and importance of the function can be recognized.

Recommendation (28). The General Assembly may wish to amend the Code of Virginia to establish the Central Garage Car Pool as a division of the Department of Transportation. Other provisions currently contained in executive order should also be established in law. The Code should assign exclusive authority for management and operation of the fleet to the Commissioner of Transportation. Management of the fleet, including assignment of vehicles, review of utilization, and operation of the Central Garage should be delegated to a Fleet Administrator. The Car Pool Committee should be abolished or assigned an advisory role. Methods for appeal of the decisions of the Commissioner should be specified.

The Code should also specify the responsibilities of agencies and operators of vehicles with regard to their compliance with policies and regulations issued by the Central Garage. Transportation officers should be established formally as the liaisons with the Central Garage, but enforcement responsibilities assigned to transportation officers should be discontinued.

Appendixes

JAN 20 1983

COMMONWEALTH of VIRGINIA

Office of the Governor

Richmond 23219

Charles S. Robb
Governor

EXECUTIVE ORDER NUMBER THIRTY (82)

AUTHORITY AND RESPONSIBILITY OF CERTAIN AGENCIES AND INDIVIDUALS GOVERNING CERTAIN STATE-OWNED VEHICLES

By virtue of the authority vested in me by Section 2.1-47 of the Code of Virginia and Section 4-5.06 (c) of Chapter 684 of the 1982 Acts of Assembly, and subject to my continuing, ultimate responsibility, I hereby promulgate the following regulations concerning the use, operation, purchase, replacement, and disposal of certain state-owned vehicles.

1. All state-owned passenger-type motor vehicles operated by any state agency shall be assigned to and maintained by the Central Garage Car Pool except: those vehicles which have special equipment and performance requirements for police use, those vehicles acquired for use by any elective office of the people of the Commonwealth, and such other special category vehicles as may from time to time be excepted by the Central Garage Car Pool Committee.

2. Policies affecting the administration of the Central Garage Car Pool and the use of personal cars shall be determined by the Governor. The Governor shall be advised by the Central Garage Car Pool Committee, which will be chaired by the Secretary of Transportation.

3. The Central Garage Car Pool Committee shall be comprised of not more than three Agency Fleet Managers from each secretarial area, appointed by the respective Secretaries. The responsibilities of the Central Garage Car Pool Committee are to:

   a. Enforce specific criteria for the permanent assignment of vehicles applicable to individual users and using agencies.

   b. Update the handbook of instructions specifically defining the proper use of state vehicles and the consequences of improper use.

   c. Monitor a system of record keeping and reporting, including biennial certification of need and use by agency heads, to guarantee practical utilization of permanently assigned vehicles and equitable distribution of costs. The biennial need and usage report will be a precondition to any replacements, retentions, or additions to an agency's permanently assigned fleet.

d. Evaluate specific criteria on a biennial basis for the purchase of additions to the fleet and replacements to the fleet.

e. Monitor user rates established in order to fully recover the costs of operation, depreciation, replacement, storage of pool vehicles, and additions to the fleet and other capital costs. The Committee may recommend to the Governor that user rates include a provision for financing storage and parking facilities for car pool vehicles. The process for such recovery is as follows:

(1) Payments will be made by interdepartmental transfers on the books of the Comptroller upon approval of each state agency of the charge made against it by the Central Garage Car Pool.

(2) The Department of Highways and Transportation will pay the cost of rendering the service and providing the supplies and protection by invoices signed by the duly authorized representative of the Department of Highways and Transportation to be charged against the Special Garage Fund.

4. The Department of Highways and Transportation will:

a. Operate the Central Garage Car Pool under the policies determined by the Governor and coordinated by the Central Garage Car Fleet Manager.

b. Administer the office of the Central Garage Car Pool Fleet Manager. The Manager will coordinate activities with the Department's Equipment Engineer and serve as staff to the Central Garage Car Pool Committee. He will devote full-time to the administration and management of the centralized fleet, including investigation of and response to citizen inquiries concerning proper use of state vehicles.

c. Purchase gasoline, oil, tires, spare parts, and other automotive goods, equipment and materials and employ such mechanics, guards and other workers as may be necessary to properly care for, preserve, protect, and service the vehicles. In addition, the Department shall make purchases of automotive equipment and supplies for other state agencies which do not use vehicles from the Central Pool.

5. All agency heads are charged with the responsibility to:

   a. Cooperate with the Central Garage Car Pool Committee and the Department of Highways and Transportation to ensure the necessary control and economy of operation for the Pool cars assigned to their employees.

   b. Designate an Agency Fleet Manager to control and coordinate the use of permanently assigned vehicles and to work with the Central Garage Car Pool Fleet Manager to achieve optimal use of all state-owned vehicles.

6. The responsibilities of operators of all state-owned vehicles include the following:

   a. To the extent practicable, obtain gasoline and oil and other servicing from the facilities of the Department of Highways and Transportation or any other state agencies, including institutions of higher education, having similar facilities wherever located.

   b. To the extent possible, use the facilities of the Department of Highways and Transportation for necessary repairs and maintenance.

7. Vehicles not assigned to the Central Garage Car Pool will utilize the facilities of the Department of Highways and Transportation away from Richmond for repairs as necessary and to the extent practicable. All costs of gasoline, oil, lubrication, washing, or repairs for vehicles that are not pool vehicles shall be charged to the agencies using the vehicles and shall be handled by interdepartmental transfers on the books of the Comptroller upon approval of each agency of the charges made against it by the Department of Highways and Transportation.

8. In cases of emergency, vehicles assigned to the Central Garage Car Pool are authorized to use the facilities of any state or institution other than the Department of Highways and Transportation. All costs of gasoline, oil, or repairs shall be handled by interdepartmental transfers on the books of the Comptroller upon approval of each agency of the charges made against it by the state agency providing the service.

This Executive Order rescinds Executive Order Number Forty-Nine (81) issued April 2, 1981.

This Executive Order shall become effective immediately and remain in full force and effect until amended or rescinded by further Executive Order.

Given under my hand and the Seal of the Commonwealth of Virginia this 16th day of December, 1982.

Charles S. Robb

Governor

Attested:

Secretary of the Commonwealth

FM 30
(1/87)

North Carolina Department of Administration—Motor Fleet Management
1915 Blue Ridge Rd , Raleigh NC 27607 (919) 733-6540

APPLICATION FOR PERMANENT ASSIGNMENT OF PASSENGER VEHICLE

Shaded Areas for Use By MFM DOA Only (Form must be completed in full)

COMPLETE ONLY IF CHANGE ASSIGNMENT TO OTHER PERSON OR OTHER CHANGE

Vehicle No:

License No

Make:

Model:

Mileage:

Date of Change:

This application is:
☐ New Request (submit original and copy) ☐ Exchange for Another Vehicle (submit original and copy) ☐ Change Assignment to Other Person (submit original and copy) ☐ Other Change: Specify________ (submit original)

Type Assignment: ☐ Individual ☐ Agency

Person Assigned To Or Responsible for Vehicle: | Driver's Lic No | Position Title: | Work Phone:

Work Address (Street City, Zip): | Courier No: | Dept or Institution: | Billing Code:

Division Office or Agency: | Division Office or Agency Address: | Courier No.: | Agency/Office Phone:

Why Vehicle Needed and How It Will Be Used:

Type Vehicle Needed:
☐ **Sedan** ☐ **Sta Wagon**
☐ **Other:**

Date Needed:

Returned Vehicle No:

How Long needed: ☐ ______Mos. ☐ Indefinite

Date Returned:

Expected Yearly Use: __________Miles

Return Mileage:

Vehicle Ownership:
☐ 485 Dept of Admin ☐ 486 Dept of Trans (Fill in 'A below) ☐ 487 Employees Dept (Fill in 'A below)

Signature of Person Picking Up Vehicle: (To be signed upon receipt of vehicle) | **Date of Signature**

A INDIVIDUAL ASSIGNMENT ONLY (Attach Copy of Valid Drivers License)

1 Does individual wish to commute between work and home in this vehicle?
☐ NO Vehicle to be parked at office
☐ NO Office is in home
☐ YES State reason required to drive after duty hours and round trip distance:________________miles

2 Does individual request exemption of commuting fees?
☐ YES check qualifications which are applicable and allowed by N.C law:
☐ Clearly marked police or fire vehicle
☐ Delivery truck with seating only for driver
☐ Specialized utility repair vehicle (except van or pick-up truck)
☐ Ambulance or hearse
☐ Unmarked law enforcement vehicle driven by full time sworn law enforcement officer whose primary duties include carrying a firearm executing search warrants and making arrests
☐ Other ________________

☐ NO Specify | Social Security No: | Type Payroll: ☐ Monthly ☐ Semi Monthly ☐ Bi-Weekly

B AGENCY ASSIGNMENT REGULATIONS (Responsible Person Attach Copy of Valid Driver's License)

1 Agency assigned vehicle shall not be permanently assigned to any one person and shall not be used for commuting
2 Person responsible shall certify all drivers have valid driver's license and shall make a photostat copy of that license Agency agrees to send a copy of the drivers license of each person operating a mc or vehicle to Motor Fleet Management (per requirement of G S 143 3418(i5)by December 31st

COMMUTING FEE CALCULATION

(R-T Miles) (pay period workdays*) (benefit per federal law) - (fee)

*20 days/monthly pay; 10 days/semi monthly pay; 10 days/bi-weekly pay

☐ NC ☐ CN ☐ CE	Fee: $	Initial:	Eff Date:	Stand type ex

CERTIFICATION (Obtain All Signatures Before Submitting To MFM)

All Assignments: I certify all given information is true and correct I understand that if any part of this information changes I must complete a new FM 30 I authorize payroll deduction of commuting fee if applicable For Agency Assignments I certify that all drivers of vehicles have a valid Driver s License and will forward a copy of that License to Motor Fleet Management by December 31st of each year

Responsible Individual Signature for agency assignment date

Department/Unit Signature: The individual/agency understands that compliance with GS 143 3418(i) and Department of Administrations State Owned Passenger Vehicle Assignment and Commuting Policy is mandatory and that MFM will periodically redetermine assignment Vehicle shall be used maintained and serviced according to MFM regulations All logs will be completed and submitted at the end of each month We certify that named agency/individual meets all assignment qualifications

Unit Head/Supervisor date

Department Secretary AOC Director Council of State Head or Chancellor date

☐ **Approved** ☐ **Denied (see reverse for reasons)**

MFM Signature date

APPENDIX C

AGENCY RESPONSES

As part of JLARC's data validation process, each State agency involved in an assessment effort is given the opportunity to comment on an exposure draft of the report.

Appropriate technical corrections resulting from the written comments have been made in this version of the report. Page references in the agency responses relate to an earlier exposure draft and may not correspond to page numbers in this version of the report. JLARC notes have been boxed and inserted into responses where necessary

Included in this appendix are the following responses:

- Department of Transportation
- Deputy Secretary of Transportation and Public Safety
- Office of the Comptroller
- Department of Corrections

COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, 23219

RAY D. PETHTEL
COMMISSIONER

June 13, 1988

The Honorable Robert B. Ball, Sr., Chairman
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Richmond, Virginia 23219

Dear Mr. Ball:

I appreciate the opportunity to respond to the exposure draft report entitled Management and Use of State-Owned Passenger Vehicles prepared by the staff of the Joint Legislative Audit and Review Commission (JLARC).

My staff and I have reviewed the report with members of the JLARC staff insofar as the contents pertain to the management and operation of the Central Garage car pool fleet.

In several respects, your staff comments concern areas on which we have also been working at the Central Garage, particularly with regard to improved management practices, identification and recall of under-utilized vehicles, tracking the extent to which assigned vehicles are used for commuting purposes, development of an automated equipment management information system, clarification of the appropriate role of the Central Garage Car Pool Committee, and development of more precise criteria to guide decisions about replacement of vehicles in the fleet. In other respects, your draft report raises additional issues which we will certainly address.

I agree with the thrust of the recommendations contained in the exposure draft. If acceptable to you and the Commission, I would like to have the opportunity to work with your staff in development of the language which may be proposed for changes in the provisions of the Appropriations Act and other statutory changes, for consideration at your next meeting, which I understand is now scheduled for September.

At that time, I would appreciate the opportunity to appear before the Commission to report on this joint effort and on steps we will have taken with regard to those recommendations which we have authority to implement.

I commend the JLARC staff for the comprehensive and helpful manner in which the study has been conducted.

Sincerely,

Ray D. Pethtel

Ray D. Pethtel, Commissioner

CC: The Honorable Vivian E. Watts

JUN 10 1988

WILLIAM H. LEIGHTY, CHAIRMAN
DEPUTY SECRETARY OF TRANSPORTATION & PUBLIC SAFETY
RAYMOND D. PATTERSON
DEPARTMENT OF CORRECTIONS
TON P. DEANE
PARTMENT OF LABOR & INDUSTRY
S. P. HAIR
DEPARTMENT OF SOCIAL SERVICES
EDWARD A. HOUSE
DEPARTMENT OF HEALTH

PAUL B. MICHELLE, JR.
DEPARTMENT OF EDUCATION
R. G. WHITE, SR.
ALCOHOLIC BEVERAGE CONTROL BOA
NANCY W. STOLL
DEPARTMENT OF GENERAL SERVICES
BRENDA J. SPEIGHT
DEPARTMENT OF PERSONNEL & TRAIN
ALBERT W. COATES, JR.
DEPARTMENT OF TRANSPORTATION

COMMONWEALTH of VIRGINIA

CENTRAL GARAGE CAR POOL
1401 EAST BROAD STREET
RICHMOND, 23219

M. F. HOUFF, JR.
FLEET MANAGER

June 10, 1988

Mr. Glenn Tittermary
Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia 23219

Dear Glenn:

Thank you for taking the time to meet with me concerning the exposure draft of "Management and Use of State-Owned Passenger Vehicles." I appreciate the opportunity to comment on the report.

I believe the report is a helpful document. As you know, the Central Garage has undergone numerous studies and reviews over the last several years. We are always anxious to improve our delivery of services and look at the JLARC report in that light.

I have only two general comments. First, I believe the issue of accountability for commuting charges could be addressed by a simple requirement by the Auditor of Public Accounts and the Internal Auditor to include a review of commuting charges in their reviews. Second, many of your proposals concerning accountability will be remedied by a proposed Executive Order that was formulated in June of 1987 which we held pending final release of your report. As you recall, we originally expected this report to be completed in October of last year.

We are ready to implement many of your recommendations and thank you and your staff for the professional conduct of this report.

Sincerely,

Bill Leighty

W. H. Leighty
Deputy Secretary

WHL/jbc

COMMONWEALTH of VIRGINIA

Office of the Comptroller

EDWARD J. MAZUR, C.P.A.
COMPTROLLER

P.O. BOX 6-N
RICHMOND, VIRGINIA 23215

June 9, 1988

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission (JLARC)
Suite 1100, General Assembly Building
Capitol Square
Richmond, Virginia 23219

Dear Phil:

Thank you for providing me with a copy of the Management and Use of State-Owned Passenger Vehicles exposure draft. After a detailed reading by my staff and a cursory review by me, I want to commend you and your staff on the development of an excellent report. I do have a few comments, however, as a result of my agency's review. They are as follows:

- I agree with JLARC's recommendation that the State Comptroller should establish guidelines for the valuation of personal use of a State vehicle that comply with Internal Revenue Service tax regulations. My staff has issued memorandums regarding this subject in the past (see attached) and will attempt to keep current on revised regulations as they occur. We are presently reflecting the value of this benefit on W-2 forms.

- I have no problems with any changes to the mileage reimbursement rates that the General Assembly wants to consider that will make them more closely approximate the actual costs incurred by the traveler. As you know, the Appropriations Act specifies the reimbursement rates and the Department of Accounts modifies its travel regulations accordingly.

- If a certification by the agency head is required for reimbursement for personal vehicle mileage, there would be action required by DOA. This requirement was discontinued when the reimbursement rate and the mileage fee set by the Car Pool Committee became equal. The reinstitution of the requirement would not be difficult to accomplish by adding a certification statement to the travel voucher. However, this will be extremely difficult to verify by the Auditor of Public Accounts.

Note: *Attachments referenced in this response are available for review at JLARC's offices.*

- o The section on Financial Management, Section IV, appears complete and I have no suggestions for improvement. Based on your findings, I will ensure my staff closely scrutinizes the receivables of the Central Garage and ensures that charges are paid and billed more promptly. Once the report is issued, I will also have my staff work with all agencies affected to ensure adequate and appropriate support by the central accounting system.

- o I did not note a discussion or consideration of vehicles that are owned or leased by agencies and are not managed by the Central Garage. You may want to include this fact somewhere in the opening sections. Also, you may want to supplement this report, in the near future, by gathering and reporting on such vehicles. In any case, these agency-owned vehicles, which include small trucks, should be covered by appropriate state policy which relates well to the policies recommended in your current report.

Again, I appreciate the opportunity to review and comment on your draft and will work with all state agencies affected to implement all appropriate and pertinent modifications to policy or procedures.

Sincerely,

Ed

Edward J. Mazur

EJM/jsp

Attachments

cc: Stuart W. Connock
Secretary of Finance
Paul W. Timmreck, Director
Department of Planning and Budget
Charles H. Taylor, Jr.
Deputy Comptroller
Grosjean G. Crump, III
Assistant Comptroller
James A. Davis
Manager, Financial Reporting
John C. Christian, Jr.
Manager, Pre-Audit and Compliance
John H. Vance
Assistant Manager Accounts Receivable

JUN 15 1988

COMMONWEALTH of VIRGINIA

Department of Corrections

EDWARD W. MURRAY
DIRECTOR

P.O. BOX 26963
RICHMOND, VIRGINIA 23261
(804) 257-1900

June 10, 1988

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100
General Assembly Building
Capitol Square
Richmond, VA 23219

Dear Mr. Leone:

Thank you for the opportunity to review the May 15, 1988 Exposure Draft of the JLARC Report on Management and Use of State Owned Passenger Vehicles. As in the past, your staff has done a thorough job in studying the topic.

While I generally agree with the content and thrust of the majority of the recommendations, a number of them do cause some concern as they relate to the Department of Corrections. I fully understand that a report of this nature must look at an issue as it affects the State as a whole and cannot recognize each individual agency.

I do feel that the role of the Department of Corrections, places unique requirements on its personnel. The responsibilities of those assigned vehicles are not unlike those of other law enforcement personnel in the State who are exempt from commuting charges. The Wardens and Superintendents, Learning Center Superintendents, Regional and Central Staff, are all responsible for an orderly and safe environment within our facilities. It is from this perspective that my comments are made.

I am most concerned about Recommendation (10) which states, in part "...Exemptions from commuting fees for employees assigned vehicles to respond to emergency situations should be discontinued, because their home-to-work travel still constitutes personal use."

In 1985, the Department of Corrections, conducted a study of state car utilization within Corrections. Following that review, a Departmental policy was established, which I wholeheartedly endorse and have continued, which limits the assignment of state vehicles to those who must respond in the event of an emergency such as riots, disturbances, injury or deaths, fire and other difficulties. Response in emergency situations is a part of their job responsibility and, as such, is not a matter of personal choice.

The requirement of the individual to respond is only one factor in the event of an emergency. The vehicle itself is the other. Each of the permanently assigned vehicles is equipped with radios that immediately put the driver in touch with all others responding, including other Department employees, law enforcement agencies and emergency services personnel. This communication network is crucial for the Department to meet it's mandate to protect the citizen's of the Commonwealth, particularly during emergency situations.

The Department carefully monitors those persons to whom vehicles are assigned. These persons are required to respond to emergencies on a 24-hour, seven-days-a-week basis. They should not be forced to pay for the use of a vehicle which is required to meet their job responsibilities.

Part of the solution to this dilemma is contained in Recommendation (8) which would clarify a number of issues related to use of state-owned vehicles. I would strongly suggest that this revision of the definition of "commuting mileage", exempt from the payment of commuting fees, those situations where the use of a state vehicle in response to emergencies is a requirement of the agency.

Two other recommendations require comment. Recommendation (17) would give the responsibility to the Central Garage to verify operator's licenses at the time a vehicle is reserved. This puts into place an additional level of bureaucracy which will only make the process more cumbersome. I support the current procedure which leaves the responsibility to validate an employee's operator's license with the agency head.

Secondly, I fully support the provisions of Recommendation (21) which relate to maintenance of fleet vehicles. The operating condition and dependability continue to be a source of concern. Frequent complaints about vehicles are received despite repeated visits to State garages. I would also suggest that this may explain, at least in part, the under-utilization concerns expressed by your report. Employees are reluctant to use vehicles in which they have no confidence.

Again, thank you for this opportunity to review and comment on this report. Please do no hesitate to call if you need additional information or would like to discuss these issues further.

Sincerely,

E.W. Murray

E. W. Murray

cc: Dr. John W. McCluskey

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Former JLARC staff who contributed to this report:

Clarence L. Jackson
Thomas J. Kusiak

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