JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION
OF THE VIRGINIA GENERAL ASSEMBLY

Review of the State's Passenger Vehicle Fleet

REPORT OF THE
JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

Review of the State's Passenger Vehicle Fleet

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 5

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Preface

House Joint Resolution 518, approved by the 2003 session of the General Assembly, directed the Joint Legislative Audit and Review Commission (JLARC) to study the management of the Commonwealth's centralized vehicle fleet and the use of State-owned passenger vehicles. The resolution specifically directed JLARC to focus its review on vehicle use, personal mileage reimbursement, and the adequacy of the fleet composition and its management. The resolution also directed JLARC to examine alternatives to current fleet operations, including the outsourcing of vehicle maintenance, leasing fleet vehicles instead of purchasing them, and using public transportation vouchers as an alternative to fleet vehicle use or personal mileage reimbursement. This report contains the staff findings and recommendations regarding these issues.

This study found that, in general, the numbers, types, and quality of fleet vehicles appear to be adequate to address the missions of the agencies that use them. This study also found that policies to limit the inappropriate use of State-owned vehicles appear to be appropriate. However, the Office of Fleet Management Services (OFMS) could improve its oversight of personal mileage reimbursements, employee commuting, vehicle utilization criteria, and agency vehicle purchase requests. In addition, the Department of General Services could better ensure that the State is purchasing the most economical vehicles by selecting those vehicles with the lowest lifecycle costs.

One key finding of this review is that OFMS was unable to provide accurate vehicle maintenance cost data on its fleet vehicles. Because of this inability, JLARC was unable to determine the appropriateness of the rental rate structure, vehicle replacement schedule, minimum mileage criteria for vehicle assignment, or size of the trip pool. Thus, it is unclear whether fleet vehicles are being used in situations where personal mileage reimbursement would be more cost-effective. This report requests the General Assembly to direct OFMS and the Virginia Department of Transportation (VDOT) to provide JLARC staff with accurate vehicle maintenance cost data in 2004.

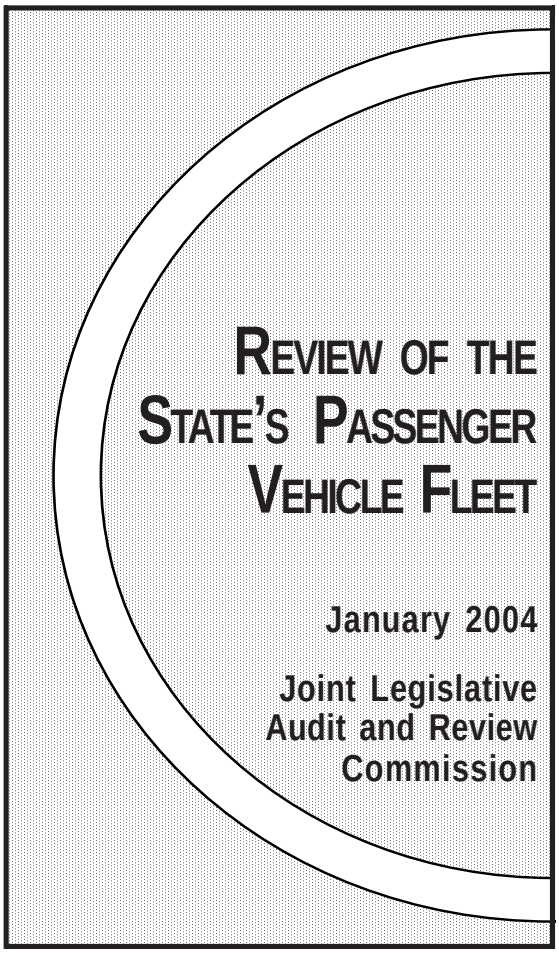
Employees of the Commonwealth are generally satisfied with the in-house maintenance services provided by VDOT and OFMS. However, because private vendors also offer comprehensive fleet maintenance services, the Commonwealth should consider outsourcing vehicle maintenance by assessing the cost of maintaining vehicles in-house and issuing a request for proposals to prospective vendors.

On behalf of the Commission staff, I would like to express our appreciation for the cooperation and assistance provided by OFMS staff during this study.

Philip A. Leone
Director

January 6, 2004

JLARC Report Summary



The Commonwealth of Virginia owns more than 8,000 passenger-type vehicles to assist State agencies in fulfilling their missions. Approximately 3,700 of these vehicles are leased to agencies through the centralized vehicle fleet. The other passenger-type vehicles are owned by individual agencies, with nearly one-half of the vehicles owned by the Department of State Police. The Office of Fleet Management Services (a division of the Department of General Services) is responsible for administering the centralized fleet and ensuring that all vehicles are appropriately assigned, maintained, and replaced. Rules governing the appropriate use of centralized fleet vehicles are specified in the *Code of Virginia*, and these rules have been extended to all State-owned passenger-type vehicles.

House Joint Resolution (HJR) 518 of the 2003 session of the General Assembly directed staff of the Joint Legislative Audit and Review Commission (JLARC) to study the management of the Commonwealth's centralized vehicle fleet and the use of government-owned motor vehicles by State employees. The study mandate directed JLARC to focus on the need for fleet vehicles, personal mileage reimbursement, alternative methods for managing the fleet, and controls on the use of vehicles.

Current policies and controls to limit inappropriate use of State-owned vehicles appear to be adequate, as little evidence of inappropriate use was found. However, the study found that OFMS needs to improve its oversight of the centralized vehicle fleet in some areas. OFMS does not adequately track personal mileage reimbursements to State employees, and therefore the State could have saved as much as $291,000 in FY 2003 had all eligible employees received fleet vehicles. Also, OFMS does not ensure that all agencies charge employees the appropriate fee for commuting in a State-owned vehicle. This lack of oversight cost the State only about $12,000 in FY 2003, but points to the need for more attention to how agencies have implemented fleet policies.

Enforcement of fleet vehicle utilization criteria by OFMS is also limited, as many fleet vehicles were not recalled even though they traveled fewer miles than is required to justify the assignment of a fleet vehicle. The study also found that the vehicles purchased for the centralized fleet might not be the most cost-effective vehicles, because no analysis of lifecycle costs is performed on the vehicles. Finally, OFMS was unable to provide accurate data to enable a review of the current rental rate structure and the minimum mileage criteria for fleet vehicles.

The oversight of agency-owned vehicles should also be improved. OFMS performs only a cursory review of agency vehicle purchase requests, and approves nearly all requests. The review found that many of the purchase requests are for sport utility vehicles (SUVs), which are not provided by the centralized fleet, and are more expensive to own and operate than sedans. Given the limited oversight of agency-owned vehicles, it would be prudent for OFMS to assign SUVs to agencies through the centralized vehicle fleet.

Finally, this review examined alternatives to current fleet operations, including outsourcing vehicle maintenance, leasing fleet vehicles instead of purchasing them, and using public transportation vouchers as an alternative to fleet vehicle use or personal mileage reimbursement. While some of these alternatives appear to have merit and should be fully evaluated by OFMS, others were found to have limited potential.

Oversight of Centralized Vehicle Fleet Could Be Improved in Some Areas

JLARC last reviewed the State's fleet management and operations in 1988 and developed 28 recommendations to address concerns identified in that study. This review found that most of the 1988 recommendations were fully implemented, but some problems still remain concerning State oversight of employee mileage reimbursement and commuting fees, vehicle operator training, and the distribution of safety information. The State still does not adequately identify employees whose excessive personal mileage reimbursements indicate they should be assigned a fleet vehicle. Because of this lack of oversight, up to 626 employees traveled in excess of 7,059 miles in FY 2003, which is the minimum mileage criterion for assignment of a fleet vehicle. The State could have saved as much as $291,000 had those employees been assigned compact sedans from the centralized vehicle fleet.

Also, OFMS does not adequately supervise commuting fees to ensure that employees pay the appropriate rate for all classes of vehicles. This review found that 132 State employees commuted in State-owned vehicles in FY 2003 and reimbursed the State approximately $61,000 for this personal use of the vehicles. However, many agencies were undercharging employees for the miles of personal travel. Many of the employees were charged 19 cents, which is the approved rate for compact sedans, even though they were assigned larger vehicles with higher rental rates. Although JLARC staff estimate that these errors cost the State only about $12,000 in FY 2003, they point to the need for improved oversight of employees commuting in State vehicles.

Despite recommendations in the 1988 JLARC fleet management report, OFMS has done little to provide training and safety information to vehicle operators. Better vehicle operator training and the effective distribution of safety information could minimize misuse of State-owned vehicles and reduce the number of accidents.

State Policies Governing the Use of Centralized Fleet Vehicles Appear to Be Adequate

Policies in the *Code of Virginia*, fleet management regulations, and an executive order appear to be adequate, as the inappropriate use of fleet vehicles appears to be limited to isolated incidents. During FY 2003, OFMS received only 20 complaints from citizens concerning the misuse of fleet vehicles, and only three complaints involved State-owned vehicles being used for personal transportation purposes. The other 17 complaints involved accusations of employees speeding or driving recklessly.

While the policies appear to be adequate, the enforcement of appropriate use is largely dependent upon citizens being able to recognize State-owned vehicles and employees being aware of the policies. Currently, State-owned vehicles are only recog-

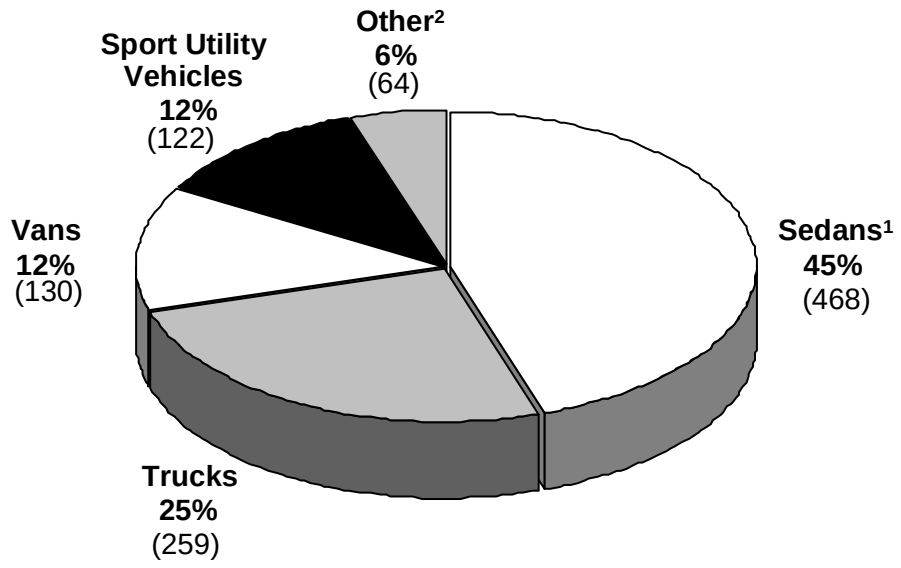
nizable by their special license plates. The vehicles would be more recognizable if visible decals were attached to the doors or windows of the vehicles. Mandatory training of employees on the appropriate use of fleet vehicles could further limit inappropriate use. About 41 percent of permanently assigned vehicle operators reported that they received no training on the proper use of fleet vehicles, and 13 percent reported that they never reviewed fleet management rules and regulations.

OFMS Should Strengthen Its Review of Agency Vehicle Purchase Requests and Supply SUVs Through the Centralized Vehicle Fleet

Agencies may purchase certain types of vehicles if these vehicles are not provided by the centralized fleet. Agencies must obtain the approval of the State fleet administrator prior to purchasing the vehicles. However, this review of agency purchase requests appears to be only cursory, as nearly all requests are approved. A closer review could possibly reduce the number of underutilized vehicles or at least limit the procurement of vehicles to more economical models. Furthermore, there appears to be justification for providing sport utility vehicles (SUVs) to agencies through the centralized fleet to ensure the efficient utilization of these vehicles.

As of July 1, 2003, agencies owned 4,453 passenger-type vehicles. Agencies requested authorization to purchase 1,043 passenger-type vehicles in FY 2003 (see figure below). Nearly one-half of these vehicles were owned by the Department of State Police, which is exempt from the purchase approval process. SUVs accounted for 936 of the agency-owned vehicles, and agencies requested permission to purchase 122 SUVs during the year. Because a signifi-

Vehicles Requested for Purchase by State Agencies (FY 2003)



Total = 1,043

[1] Includes requests from Department of State Police for 380 sedans for law enforcement use.

[2] Vehicles such as motorcycles, buses, electric cars, and highway tractors are included in this category.

cant proportion of purchase requests are for SUVs, and because SUVs are generally more expensive to own and operate than sedans, this report recommends that SUVs be provided through the centralized vehicle fleet, and that OFMS develop a consistent methodology for determining when the purchase of an SUV is warranted over the purchase of a sedan or minivan. The report also recommends that OFMS develop rental rates for SUVs based on their capital and operating costs.

Employees Are Satisfied with the Numbers, Types, and Quality of Fleet Vehicles

JLARC staff conducted surveys of agency transportation officers, operators of permanently assigned vehicles, and a sample of employees who used a trip pool vehicle from the Office of Fleet Management Services (OFMS). The results of these surveys suggest that the numbers, types, and quality of fleet vehicles are adequate to address the missions of the agencies that use them. The table below shows the responses of agency transportation officers to selected questions regarding their satisfaction with services provided by OFMS. Of the transportation officers that responded, 95 percent were satisfied or very satisfied with the types, 90 percent were satisfied or very satisfied with the availability, and 97 percent were satisfied or very satisfied with the quality of permanently assignment centralized fleet vehicles. Vehicle operators also appeared to be satisfied with the adequacy of the centralized fleet vehicles that were provided to them, as 87 percent stated that the type of vehicle was adequate to assist them in performing their duties.

The OFMS trip pool for short-term vehicle assignments also appears to be adequate for assisting State employees in performing their duties. Agency transportation officers and users of trip pool vehicles both

Agency Satisfaction with Centralized Fleet Vehicles

Survey Questions	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	No Opinion
Types of fleet vehicles provided for permanent assignment	24%	71%	5%	0%	0%
Quality of fleet vehicles provided for permanent assignment	24	73	3	0	0
Availability of fleet vehicles for permanent assignment	24	66	5	0	5
Ability of OFMS to provide particular types of fleet vehicles for permanent assignment, such as large sedans or minivans that staff need to perform their duties	27	58	5	2	8
Overall service provided by OFMS	43	55	2	0	0

rated the quality of trip pool vehicles and services favorably.

The Efficiency of Fleet Vehicle Utilization Could Not Be Measured

Efficient fleet vehicle utilization implies that vehicles are assigned to agencies only when it is cost-effective to do so, they are recalled when it is more cost-effective to reimburse employees for mileage traveled in personal vehicles, they are replaced when it is no longer cost-effective to maintain them, and the rental rates charged to the agencies for their use are equal to the cost of using them. Due to fleet management's inability to provide JLARC staff with accurate vehicle operating cost data, the efficiency of fleet vehicle utilization could not be measured and reported in this study. The lack of reliable data was due to technical problems with the VDOT information system that stores vehicle maintenance expenses. This report requests the General Assembly to direct VDOT and OFMS to furnish accurate vehicle operating cost data to enable JLARC to complete its review in 2004.

Enforcement of Fleet Vehicle Utilization Criteria Should Be Improved

Minimum mileage criteria are specified in the *Code of Virginia* for the justification of long-term assignment of centralized fleet vehicles. These criteria are established to ensure that fleet vehicles are not being used in situations where personal mileage reimbursement would be more cost-effective to the State. The minimum mileage levels were last revised in 2000 following an analysis of annual fleet vehicle capital and operating costs. OFMS is responsible for recalling fleet vehicles from agencies when the vehicles fail to meet the annual minimum mileage level. However, OFMS does not recall vehicles if they are within 25 percent of the minimum mileage level, and fleet management does not examine whether these vehicles repeatedly fall below the prescribed threshold. This practice has effectively lowered the criteria by 25 percent and allowed 204 underutilized vehicles in 2003 to remain in their current assignments. The table below shows the prescribed assignment thresholds and the thresholds enforced by OFMS. This report recommends that OFMS adhere to the prescribed thresholds to the extent feasible and recall vehicles that are consistently underutilized.

Vehicle Purchases Should Be Based on the Full Costs of Vehicles

The Department of General Services (DGS) procures vehicles based on the lowest purchase prices offered by motor vehicle dealers, but does not examine which vehicles would be cheapest to own and operate. The vehicles that are cheapest to own and operate are those vehicles with the lowest lifecycle costs. Vehicle lifecycle costs

Minimum Mileage Criteria for the Long-Term Assignment of Centralized Fleet Vehicles

Vehicle class	Prescribed Threshold (miles)	Enforced Threshold (miles)
Compact sedan	7,059	5,294
Mid-size sedan	8,571	6,428
Upper mid-size/full size/minivan	10,851	8,138

account for fuel economy, total expected maintenance costs over the life of the vehicles, and the expected resale value of the vehicles in addition to purchase prices. Vehicle fuel economy and resale values often affect per-mile vehicle costs to a greater extent than small differences in the purchase prices. While the current procurement process is competitive, this report recommends it be improved by awarding fleet vehicle contracts based on the lowest estimated vehicle lifecycle costs.

Outsourcing the Maintenance of State-Owned Vehicles Could Be Cost-Effective

Fleet vehicles are primarily maintained in-house through 83 VDOT facilities throughout the State and the OFMS central garage in Richmond. The VDOT maintenance facilities are located in the nine district headquarters, and there is at least one facility in each VDOT residency. The VDOT and OFMS facilities conduct routine preventive maintenance on fleet vehicles, such as oil and tire changes, brake repairs, and replacement of radiator hoses. Other non-routine activities, such as windshield repair, body repair, and exhaust system replacement, are outsourced.

Surveys of vehicle operators and agency transportation officers revealed an overall satisfaction with the quality and timeliness of the State's in-house maintenance operations. However, if a private vendor can maintain the centralized fleet cheaper, better, and faster than the in-house facilities, then it would be advantageous to the Commonwealth for this function to be outsourced.

There are two basic types of services offered by fleet maintenance vendors. One type involves the use of a maintenance control center to negotiate service prices and coordinate fleet vehicle maintenance with a network of private maintenance shops. The maintenance control center also tracks vehicle maintenance services and expenditures, and provides a call center to assist vehicle operators. Because Virginia already outsources a significant amount of the maintenance on State-owned vehicles (nearly all maintenance on State Police vehicles is currently outsourced), this report recommends that the State implement a maintenance control center, either in-house or through use of a private vendor.

The other type of maintenance service offered by vendors involves the privatization of existing in-house facilities. Under this arrangement, the State-owned facilities would be sold or leased to a private company. The company would then manage the daily maintenance activities and hire its own mechanics to service the vehicles. This report recommends that the State assess the total cost of maintaining its vehicles in-house and then initiate a competitive bidding process for the service. In-house operations should be allowed to bid for the maintenance service along with private vendors. The State may want to initiate a pilot program, similar to the one underway for the maintenance of VDOT equipment in the Staunton district, before attempting to outsource vehicle maintenance statewide.

Fleet Vehicles Should Not Be Leased Unless Funds Are Insufficient to Purchase Needed Vehicles

Procuring fleet vehicles through a leasing program has some advantages over purchasing the vehicles, but a commercial lease would likely be more costly than purchasing the vehicles. Procuring fleet vehicles through a lease program would allow the State to acquire more vehicles during an initial time period, or it could free up cash that could be used to fund other needs. Another possible advantage of fleet vehicle leasing is the ability to replace vehicles in a timelier manner due to more stable funding. The costs of the vehicles would be spread over three to five years, and thus fluctuations in funding for new vehicles would be less.

Fleet vehicle leasing is generally less cost-effective than purchasing because of the required interest payments. However, if the interest rate is low enough, it may be more cost-effective to lease new vehicles than to delay replacing high-mileage vehicles, with associated high maintenance costs, due to insufficient funds.

Public Transportation Does Not Provide a Viable Alternative for Most Work-Related Travel

Based on State employee travel demands and the lack of an adequate public transportation infrastructure in most areas of the Commonwealth, it does not appear that a public transportation voucher program would represent a viable alternative to the use of fleet vehicles or personal vehicle mileage reimbursements. With the exception of a few urban areas of the State, Virginia does not have a public transportation infrastructure capable of assisting most State employees in their business travel needs. One limitation is that there is little connectivity between local and regional transit systems. Another limitation is that public transit is not available for travel to many sites around the State. When asked in the survey of permanently assigned vehicle operators, 98 percent stated that no public transportation alternatives exist that could adequately meet their business travel need. Opportunities for a public transportation voucher program may exist in limited cases in urban areas, but agencies would need to evaluate these opportunities on a case-by-case basis. In addition, DGS could explore the feasibility of discounted rail fares for public employees traveling on official business between Richmond and Washington, DC.

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I. Introduction

House Joint Resolution (HJR) 518 of the 2003 session of the General Assembly directed the Joint Legislative Audit and Review Commission (JLARC) to study the management of the Commonwealth's centralized vehicle fleet and the use of government-owned motor vehicles by State employees (Appendix A). In particular, JLARC was directed to determine:

- if the numbers, types, and quality of fleet vehicles are adequate to address the needs of the State agencies and institutions that use them;
- if fleet vehicles are being used in situations where mileage reimbursements to State employees can accomplish the same purpose;
- if public transportation vouchers are an appropriate and cost-effective alternative to fleet vehicle use or mileage reimbursements;
- if outsourcing vehicle maintenance may save taxpayer dollars;
- if leasing fleet vehicles is more cost-effective than purchasing fleet vehicles; and
- if there are sufficient and effective controls on fleet vehicle use by State employees to ensure that the vehicles are not used for inappropriate personal transportation purposes.

This study presents the findings for these issues and provides recommendations for the future direction of the use and management of State-owned vehicles.

OVERVIEW OF THE CENTRALIZED VEHICLE FLEET AND THE USE OF GOVERNMENT-OWNED VEHICLES

The management of State-owned passenger-type vehicles was centralized over 50 years ago when the Commonwealth created a State motor pool operation (now known as the Office of Fleet Management Services) as a division of the Virginia Department of Highways. Due to the complexities involved with overseeing a vehicle fleet consisting of approximately 3,700 passenger-type automobiles, management responsibilities are currently divided among various State agencies and the employees who operate fleet vehicles.

State fleet management policy contains provisions governing the assignment and use of fleet vehicles by agencies and employees. For example, fleet vehicles may be assigned to State agencies on either a long-term or short-term basis, and employees are only authorized to use the vehicles to conduct official business for the Commonwealth. To fund motor pool operations, the General Assembly established a centralized fleet internal service fund in 1984, and thus the Office of Fleet Manage-

ment Services (OFMS) finances its operations by charging mileage-based fees for use of the fleet vehicles.

While State fleet management policy requires that all vehicles purchased with State funds be assigned to the centralized fleet, some categories of government-owned vehicles are exempt from this provision. For example, vehicles equipped with special law enforcement equipment or that are used by elected officials are exempt from assignment to the centralized fleet.

The following sections provide details on the history of the State's centralized fleet operation, the management structure of the centralized fleet, the assignment and use of fleet vehicles by State agencies and employees, the financial structure of the fleet management internal service fund, and the use of government-owned vehicles that are not assigned to the centralized fleet.

History of the State's Fleet Management Operations

The centralized management of State-owned passenger vehicles began in 1948 when the State established a "central motor pool" as a division of the Virginia Department of Highways (now the Virginia Department of Transportation). The State's primary purpose in establishing a central motor pool was to provide more effective and efficient transportation support to State agencies. Prior to the centralization of State-owned vehicles, each agency was responsible for providing its own passenger-type vehicles.

Since 1948, the management structure of the central motor pool has been revised periodically to increase its operational efficiency and effectiveness. The first significant management revision occurred in 1964 when the interagency Car Pool Committee was formed by the Governor to provide the central motor pool with administrative oversight and policy guidance. In 1971, the State hired a fleet manager to oversee the daily operations of the motor pool and directed all agencies to turn control of their vehicles over to the centralized fleet. The State established an internal service fund to finance motor pool operations in 1984, and the General Assembly clarified statutory provisions regarding the permanent assignment of fleet vehicles to State employees in 1989.

In 2001, the General Assembly transferred oversight responsibility for the centralized fleet from the Virginia Department of Transportation (VDOT) to the Department of General Services (DGS). Since DGS is responsible for providing support services to State agencies and institutions, the General Assembly reasoned that the transportation support function should be located within DGS instead of VDOT.

In an effort to control costs, Governor Warner issued Executive Order 20 in 2002 that provided agencies and institutions with additional policy guidance on the assignment and use of fleet vehicles. Executive Order 20 specifically directed agency heads to limit the use of fleet vehicles for commuting to those employees whose job travel requirements make commuting the only cost-effective alternative. Executive Order 20 also directed agency heads to give "due consideration" to authorizing em-

ployees to receive mileage reimbursements for using personal vehicles in lieu of fleet vehicles to conduct official State business.

Current Management of the State's Centralized Vehicle Fleet

The management of a large centralized vehicle fleet is a complex process that can be successful only if authority and responsibility for oversight are clearly understood. According to the "Rules and Regulations Governing the Use, Operation, and Maintenance of State-Owned Fleet Vehicles" (fleet management regulations), six groups or individuals are involved in managing the State's centralized fleet of approximately 3,700 passenger-type vehicles: the Department of General Services, the Office of Fleet Management Services, the agency heads and transportation officers of the agencies that use fleet vehicles, the employees who operate State vehicles, and the Department of Transportation. Descriptions of the responsibilities of each of these groups are provided in this section.

Virginia Department of General Services. In 2001, the Department of General Services (DGS) became responsible for operating the State's centralized vehicle fleet. According to fleet management laws and regulations, the responsibilities of DGS include:

- establishing an administrative unit within the agency to manage the centralized fleet;
- promulgating regulations for the purchase, use, storage, maintenance, repair, and disposal of all State-owned vehicles;
- monitoring and enforcing regulations regarding the proper use of vehicles;
- approving all requests by State agencies and employees to use public funds to purchase, lease, or rent passenger-type vehicles; and
- purchasing vehicles, gasoline, oil, and other automotive supplies and equipment needed to maintain the centralized fleet.

In addition, DGS provides administrative support to OFMS in the areas of personnel, parts inventory, data processing, and billing.

Office of Fleet Management Services. The Office of Fleet Management Services (OFMS) is the administrative unit within DGS that is responsible for managing the operations of the centralized fleet. OFMS was known as the Division of Fleet Management prior to the transfer of oversight responsibility from VDOT to DGS in 2001. OFMS operates from a centralized facility in Richmond that includes administrative offices, a maintenance shop, a car wash, gas pumps, and a vehicle storage lot. The mission of OFMS is to:

> provide safe, efficient and reliable passenger-type vehicular transportation to State employees, who conduct the Commonwealth's

business, through permanently-assigned or individual trip-issued vehicles.

OFMS administers, monitors, and enforces all State rules and regulations regarding the assignment, utilization, maintenance, repair and replacement of fleet vehicles. OFMS is also responsible for handling fleet vehicle accident reports and citizen inquiries concerning the use of State vehicles. OFMS is managed by a fleet administrator, who reports directly to the director of DGS. The fleet administrator is responsible for overseeing the daily operations of the centralized fleet and for supervising 17 employees (Figure 1).

Agency Heads, Transportation Officers, and Vehicle Users. Under current fleet management rules and regulations, agency heads are charged with ensuring that fleet vehicles assigned to their agencies are properly and efficiently used. Agency heads must also ensure that their agencies submit all required vehicle usage reports to OFMS in a timely manner, and that all vehicle mileage bills are paid promptly. In addition, each agency head must designate one staff member to serve as a transportation officer.

Transportation officers function as liaisons between their agencies and OFMS. In general, transportation officers are responsible for reviewing agency travel needs, requesting fleet vehicles, and monitoring the use of assigned vehicles. They are also responsible for educating employees about fleet management rules and regulations.

State employees who operate fleet vehicles are also responsible for ensuring that the vehicles are properly used and maintained. Vehicle operators must review and conform to all fleet management laws and regulations pertaining to the operation and maintenance of State-owned passenger vehicles.

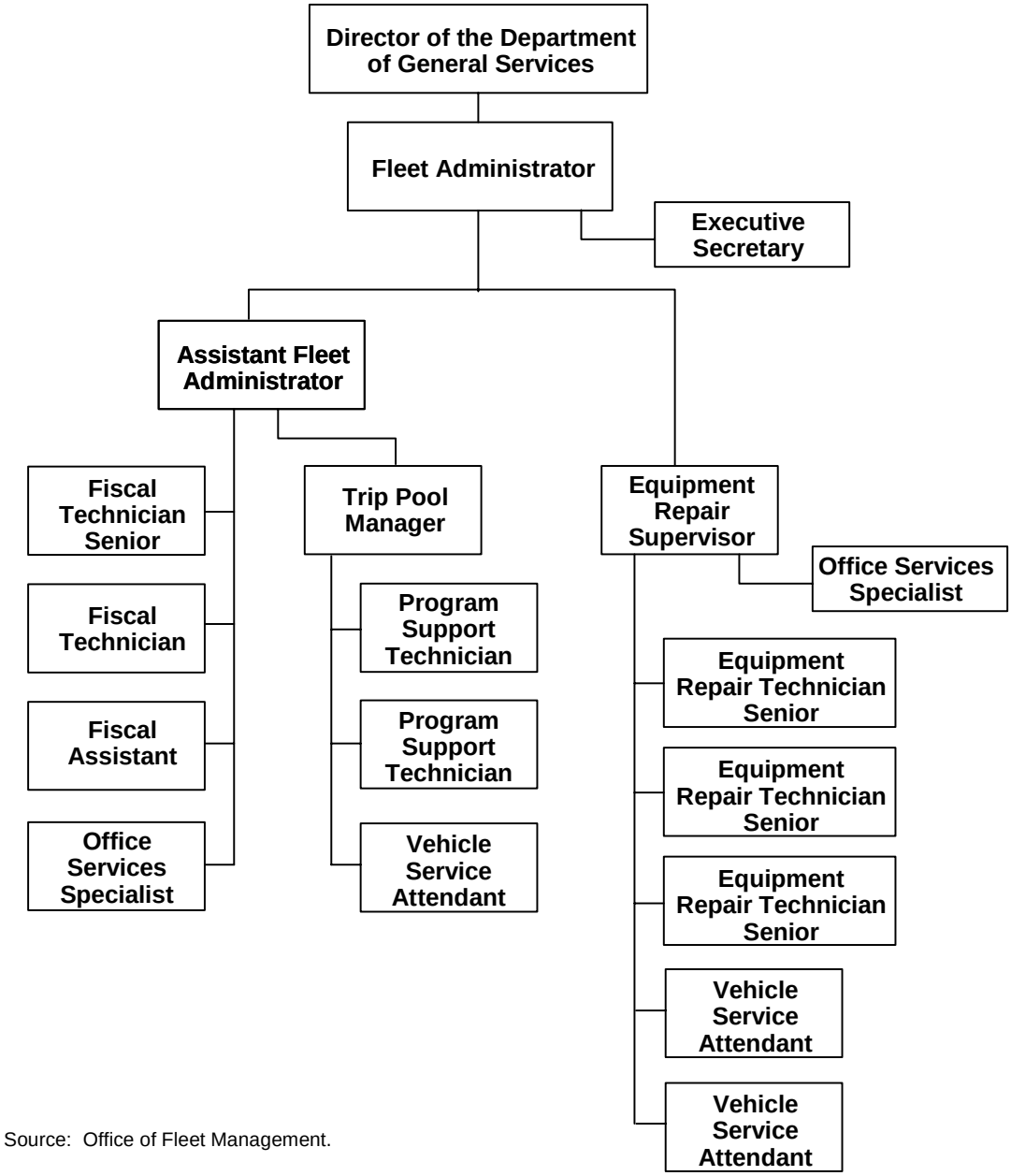
Virginia Department of Transportation. OFMS relies on VDOT maintenance shops that are located throughout the State for the maintenance and repair of centralized fleet vehicles. State fleet management policy requires vehicle operators to use VDOT facilities for all repairs, maintenance, fuel, oil, and other services to the extent possible. However, vehicle operators are authorized to obtain emergency services from commercial facilities when the use of VDOT facilities is not feasible.

Use of Fleet Vehicles by State Agencies and Employees

The centralized fleet contained more than 3,600 passenger-type vehicles as of June 30, 2003. Fleet management regulations define passenger-type vehicles as automobiles that are used primarily for the transportation of the vehicle operator and a maximum of 15 passengers. Centralized fleet vehicles are available for assignment to State agencies and institutions on either a long-term or short-term basis, depending on the transportation needs of the agencies. The majority of

Figure 1

Organization of the Office of Fleet Management, Department of General Services



Source: Office of Fleet Management.

centralized fleet vehicles are assigned to State agencies and institutions on a long-term basis. This section provides an overview of the assignment and use of centralized fleet vehicles.

Long-Term Use of Fleet Vehicles. There were 3,669 passenger-type vehicles assigned to the centralized fleet in FY 2003. Approximately 3,504 sedans, station wagons, and minivans were on long-term assignment to 167 State agencies, sub-agencies, and institutions throughout the Commonwealth during that time. State employees used these vehicles to travel 45 million miles at a cost of approximately $12 million during FY 2003. (At the time of the last JLARC review of fleet operations in 1988, vehicles were used about 44 million miles.) The largest users of these vehicles included the Department of Transportation with 744 assigned vehicles; the Department of Corrections with 469 assigned vehicles; and the Department of Health with 215 assigned vehicles. Vehicles on long-term assignment were typically used to travel to inspection or construction sites, and meetings and conferences.

Agencies with long-term transportation needs are assigned fleet vehicles on either a permanent or temporary basis. Agencies that need transportation support to perform functions lasting longer than one year in duration are assigned fleet vehicles on a permanent basis, while agencies with transportation needs lasting less than one year are assigned fleet vehicles on a temporary basis. Long-term assignment vehicles can be operated by either individual staff members or by multiple staff members if the vehicles are assigned to internal agency motor pools.

To receive a fleet vehicle for long-term use, a State agency must submit a CP-3 form (Application for Assignment of State Pool Vehicle) to OFMS at least 90 days prior to the need for the vehicle. The fleet administrator reviews the agency's application and evaluates it against specific assignment criteria contained in §2.2-1178 of the *Code of Virginia* and fleet management regulations (Exhibit 1). The application must meet at least one of the assignment criteria before OFMS will issue the agency a vehicle.

In addition, permanently assigned fleet vehicles may be used by State employees to commute between their homes and official workstations. Fleet management regulations require agencies to submit requests to use fleet vehicles for commuting travel to OFMS using the CP-3 form. The regulations also require agency heads and cabinet secretaries to approve all commuting requests before they are submitted to OFMS.

Fleet management regulations require all agencies with employees who commute in fleet vehicles to annually submit a list to OFMS that includes the names of the vehicle operators and the amount of fees that they reimbursed the State for this use during the fiscal year. The administrator reviews the data against information provided by the Department of Accounts to verify that the employees properly reimbursed the State as required by §2.2-1179 of the *Code of Virginia*. Law enforcement officers and employees who do not report to official workstations are exempt from this requirement. In FY 2003, JLARC staff determined that 132 employees paid the State approximately $61,316 to commute 311,746 miles in State-owned vehicles. Most of these employees were assigned to the Department of Motor Vehicles and the Department of Corrections.

Exhibit 1

Long-Term Vehicle Assignment Criteria

Requests from agencies for the permanent assignment of fleet vehicles will be approved by OFMS only on the basis of one of the following criteria:

1. The vehicle shall be driven not less than an annual minimum of mileage to be calculated by dividing the most recently approved annual replacement charge for the use of a state-owned vehicle by the remainder of the state reimbursement rate per mile for personal vehicles minus the cost per mile for operating a state-owned vehicle;

2. The vehicle shall be used by an employee whose duties are routinely related to public safety or response to life-threatening situations:

    a. A law-enforcement officer as defined in § 9.1-101, with general or limited police powers;

    b. An employee whose job duties require the constant use or continuous availability of specialized equipment directly related to their routine functions; or

    c. An employee on twenty-four-hour call who must respond to emergencies on a regular or continuing basis, and emergency response is normally to a location other than the employee's official work station; or

3. The vehicle shall be used for essential travel related to the transportation of clients or wards of the Commonwealth on a routine basis, or for essential administrative functions of the agency for which it is demonstrated that use of a temporary assignment or personal mileage reimbursement is neither feasible nor economical.

Source: §2.2-1178 of the *Code of Virginia*.

Short-Term Use of Fleet Vehicles. State agencies in the Richmond metropolitan area that have transportation requirements lasting less than three weeks in duration are normally assigned vehicles from the OFMS trip pool. In FY 2003, 165 sedans, minivans, full-size vans, and cargo vans were assigned to the trip pool. State employees used these vehicles to travel approximately two million miles during that time at a cost of $445,775. State employees typically used trip pool vehicles to travel to meetings or conferences. In FY 2003, the largest users of trip pool vehicles included the Department of Education, the Department of Corrections, and Virginia Commonwealth University.

To receive a trip pool vehicle, a State agency must contact OFMS at least 24 hours in advance of the need for the vehicle. Before taking possession of a trip pool vehicle, a State employee must present OFMS staff with a valid driver's license and a CP-2 form (Travel Request) that is signed by an agency representative authorized to approve travel requests. Employees are responsible for returning the pool vehicles to the OFMS facility when they have completed their assignments.

Financial Structure of the Office of Fleet Management Services

The Office of Fleet Management Services (OFMS) operates as an internal service fund and receives no general fund appropriations. OFMS has two funding sources: (1) the fees charged to State agencies and institutions for using fleet vehicles and (2) the sale of surplus vehicles. This section provides an overview of fleet management's funding sources and rental rate structure.

Internal Service Fund. The centralized fleet became an internal service fund on July 1, 1984. Prior to that, the centralized fleet operated as a separate internal account of the Virginia Department of Highways. Internal service funds are funds used to account for the financing of goods or services provided by one agency to other agencies on a cost-reimbursed basis. As an internal service fund, fleet management provides for the use of passenger-type vehicles to State agencies and institutions on a cost-reimbursed basis. The cost of vehicle usage is reimbursed to OFMS through a per-mile user fee. Thus, most of the revenue for this program is derived from the rental rates that agencies are charged for using fleet vehicles. However, OFMS also obtains additional funding through the sale of surplus vehicles to local governments and the public.

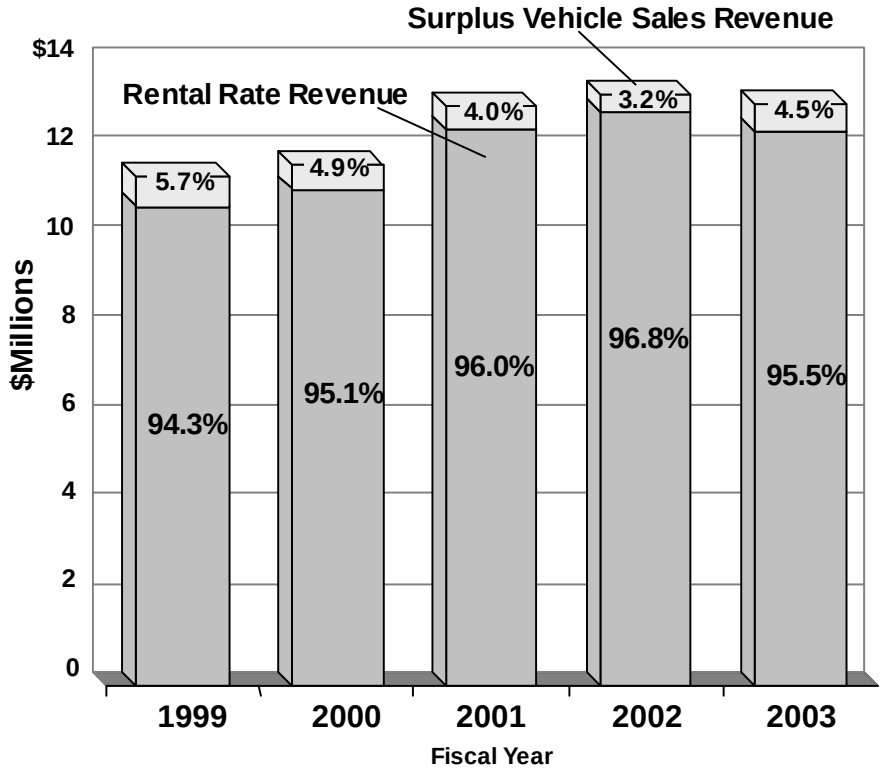
During FY 2003, these funding sources generated approximately $13 million in revenue for OFMS (Figure 2). As can be seen from the data in Figure 2, overall funding for OFMS steadily increased from $11.4 million to $13 million, an increase of 14.1 percent, between FY 1999 and FY 2003. The fleet administrator reported that this resulted primarily from two factors: (1) an increase in the number of fleet vehicles used by State agencies, and (2) an increase in rental rates that occurred in July 2000.

However, the fleet administrator reported that OFMS is still not adequately funded despite its increasing revenues. The fleet administrator attributed the lack of sufficient funding to the General Assembly's periodic transfers of fleet management revenue to the general fund, and to the impact of the State's current fiscal situation. For example, the General Assembly directed OFMS to transfer $6.5 million to the general fund in FY 2003, and to transfer $2.5 million to the general fund in June 2004.

Rental Rate Structure. As previously mentioned, OFMS recovers the costs of providing passenger vehicle service to State agencies through rental charges based on vehicle usage. Table 1 depicts the current rate structure that OFMS uses to charge State agencies for the use of fleet vehicles. The basic per mile rates for the

Figure 2

Sources of Revenue for OFMS



Note: OFMS increased its vehicle rental rates in FY 2001.

Source: Office of Fleet Management Services.

use of compact, mid-size, and full-size sedans are $0.19, $0.22, and $0.26 respectively. The basic per mile rates for the use of minivans and full-size vans are $0.26 and $0.35. OFMS also assesses State agencies minimum charges if vehicle usage falls below 1,250 miles per month for permanently assigned vehicles, or if usage falls below 60 miles per day for trip pool vehicles. Charging users of different types of fleet vehicles different rates allows OFMS to more accurately recover the true costs of the vehicles.

The rental rates for each vehicle class that are presented in Table 1 consist of an operations component and a capital component. The operations component recovers operational costs such as employee salaries and fringe benefits, gasoline, maintenance and repairs, insurance, and utilities. The operations component is charged to all vehicle users on a per-mile basis regardless of the total mileage driven.

The capital component of the rental rate recovers the costs associated with replacing fleet vehicles and is more complex than the operations component because

Table 1

Fleet Vehicle Rental Rates

PERMANENTLY ASSIGNED VEHICLES

Vehicle Class	Miles Driven Per Month	Rate Charged
Compact Sedans	Over 1,250	$.19 per mile
	Under 1,250	$150.00 per month, plus $.07 per mile
Mid-Size Sedans	Over 1,250	$.22 per mile
	Under 1,250	$175.00 per month, plus $.08 per mile
Upper Mid-Size Sedans, Full-Size Sedans, Minivans	Over 1,250	$.26 per mile
	Under 1,250	$212.00 per month, plus $.09 per mile
Full-Size Vans	Over 1,250	$.35 per mile
	Under 1,250	$200.00 per month, plus $.19 per mile

TRIP POOL VEHICLES

Type of Vehicle	Miles Driven Per Day	Rate Charged
Compact Sedans	Over 60 miles	$.19 per mile
	Under 60 miles	$7.20 per day, plus $.07 per mile
Mid-Size Sedans	Over 60 miles	$.22 per mile
	Under 60 miles	$8.40 per day, plus $.08 per mile
Upper Mid-Size Sedans, Full-Size Sedans, Minivans	Over 60 miles	$.26 per mile
	Under 60 miles	$10.20 per day, plus $.09 per mile
Full-Size Vans	Over 60 miles	$.35 per mile
	Under 60 miles	$9.60 per day, plus $.19 per mile

Source: Office of Fleet Management Services.

it includes both a per-mile charge and a minimum charge. The minimum charge ensures that fleet management recovers the full cost of replacing a fleet vehicle even if it is underutilized in terms of total mileage. The capital component of the rental rate is based on a set of assumptions related to the replacement value of the centralized fleet, the vehicle replacement schedule, and the relationship between the per-mile charge and the minimum charge.

Use of Agency-Owned Vehicles Not Assigned to the Centralized Fleet

The *Code of Virginia* states that all passenger-type vehicles purchased with public funds by any State agency, institution, or employee must be assigned to the centralized fleet. However, the *Code* also states that there are four categories of vehicles that are exempt from this requirement:

- vehicles that have special equipment or performance requirements for use by law-enforcement officers,
- vehicles that are used by elected officials,
- vehicles owned by the Virginia Department of Transportation, and
- any other "special category" of vehicle designated by the fleet administrator.

The last provision allows State agencies and institutions to obtain authorization from the fleet administrator to purchase vehicles that are not assigned to the centralized fleet. These vehicles are referred to as agency-owned vehicles.

During FY 2003, 69 State agencies and institutions owned 4,453 passenger-type vehicles that were not assigned to the centralized fleet. The distribution of agency-owned vehicles by type was as follows: 2,447 sedans, 1,070 vans, and 936 utility vehicles. Approximately 83 percent of these vehicles were owned by eight agencies, and over 40 percent were owned by the State Police (Table 2). Even though these vehicles are not assigned to the centralized fleet, State policy requires that all agency-owned passenger-type vehicles be operated in accordance with fleet management regulations. Appendix B shows the number of vehicles owned by all State agencies.

PRIOR STUDIES ON FLEET MANAGEMENT OPERATIONS

During the past 25 years, the State's centralized fleet operation has been the subject of numerous studies, many of which focused on topics such as the management and operations of the centralized fleet, vehicle utilization, and rental rate structure. This section briefly summarizes some of the significant management studies that were conducted during this time by JLARC, VDOT, and the Virginia Transportation Research Council.

Table 2

Agency-Owned Passenger-Type Vehicles Not Assigned to the Centralized Fleet (FY 2003)

Agencies and Institutions	Number of Vehicles
Department of State Police	1,936
Department of Corrections	595
Virginia Tech	325
Department of Game and Inland Fisheries	249
Department of Alcoholic Beverage Control	182
Department of Transportation	164
Department of Mines, Minerals, and Energy	139
Department of Mental Health, Mental Retardation, and Substance Abuse Services	106
Subtotal	**3,696**
Other Agencies and Institutions	757
Total	**4,453**

Source: Office of Fleet Management Services.

Previous JLARC Studies

Since 1979, JLARC has conducted two studies on the centralized fleet that focused on the operation and management of the motor pool. These studies revealed that the centralized fleet has experienced reoccurring problems with the proper utilization of fleet vehicles by State agencies and institutions. These studies are discussed in more detail below.

Management of State-Owned Motor Vehicles. This study, which was conducted in 1979, was JLARC staff's first review of the centralized fleet. The review was conducted to evaluate the extent to which permanently assigned fleet vehicles were used in an effective and economical manner, the efforts by State agencies to address vehicle-passenger transportation needs, and the appropriateness of the centralized fleet's management procedures.

The study resulted in 24 recommendations ranging from suggestions on commuting controls to the duties of agency transportation officers. One major study finding was that more than 200 fleet vehicles were not cost-effective. The report recommended that the 18,000-mile minimum annual business mileage for permanently assigned vehicles be reduced to 12,857 miles, which was determined to be the "break-even" point for economical use. In addition, the report recommended that vehicle utilization be reviewed on a continuing basis, and that appropriate criteria be adopted to govern the assignment of fleet vehicles. JLARC staff reported in this study that potential cost savings from improved vehicle utilization could be as great as $1.5 million annually.

Management and Use of State-Owned Passenger Vehicles. This study, which was conducted in 1988, was JLARC staff's first comprehensive examination of the management of the State's centralized vehicle fleet since it was designated as an internal service fund in 1984. JLARC staff found in this study that the operation of the centralized vehicle fleet had improved since 1979, and that many of the original JLARC report recommendations had been implemented.

However, JLARC staff found that some important recommendations included in the 1979 report had not been implemented. Vehicle utilization, for example, had not improved since 1979. In fact, JLARC staff found that during 1987, about 31 percent of the vehicle fleet was under-utilized even though the required annual vehicle mileage had been reduced from 18,000 miles to 12,800 miles. It was also observed that most State employees continued to use fleet vehicles to commute without reimbursing the State, even though reimbursement was required. JLARC staff determined that the State lost more than $341,000 during FY 1987 because the commuting fee requirement was not uniformly enforced. JLARC staff also observed that many of the centralized fleet's management problems appeared to result from confused authority and responsibility for setting and enforcing fleet policies and regulations.

Other Studies of Virginia's Centralized Vehicle Fleet

During the 1990s, VDOT and the Virginia Transportation Research Council (VTRC) conducted several studies that examined the assignment and use of centralized fleet vehicles and agency-owned vehicles, the size of the trip pool, and the rental rate structure of the centralized fleet. Summaries of these studies are provided below.

Centralized Fleet and Agency-Owned Passenger Vehicles: Review and Evaluation of Assignments. In 1990, the Governor directed VDOT to review the justification for the assignment and use of 2,793 centralized fleet vehicles and 4,300 agency-owned vehicles. VDOT was also directed to examine the reimbursement to employees for using personal vehicles to conduct State business. The intent of the report was to reduce State spending by identifying opportunities to eliminate unnecessary employee travel expenses.

During the course of the study, VDOT found that the State had proper controls in place governing the assignment and use of centralized fleet vehicles. VDOT noted that the *Code of Virginia* contained specific criteria governing the assignment of fleet vehicles, and its fleet division monitored vehicle use on a quarterly basis to ensure that all vehicles were used in accordance with statutory requirements. However, VDOT found that the State had no statutory requirements governing the utilization and retention of agency-owned vehicles. VDOT also found that employee reimbursement for using personal vehicles to conduct State business represented a considerable expense for the Commonwealth.

VDOT developed recommendations to address the management issues identified in the report, of which three are relevant to the current JLARC study: (1) that procedures be established for monitoring the use of agency-owned vehicles; (2) that agencies reduce travel expenses by encouraging the use of alternative travel means such as teleconferencing or e-mail; and (3) that legislative changes be adopted to extend fleet management rules and regulations to cover all State-owned motor vehicles.

Agency-Owned Passenger Type Vehicles: Review and Evaluation of Ownership and Assignments. In 1995, VDOT was directed to conduct a study to:

> identify the number and type of passenger vehicles owned by agencies and institutions, to determine the justification for ownership versus assignment through the centralized fleet and to determine conformance with statutory assignment criteria.

The study sought to determine whether the assignment or ownership of passenger-type vehicles was justified based on the criteria contained in the *Code of Virginia*, and whether agency-owned vehicles should remain with the agencies or be transferred to the centralized fleet. The main intent of the report was to improve the economy of State employee travel.

As part of the study, all agencies that either had permanently assigned fleet vehicles or owned passenger-type vehicles were directed to justify their use of the vehicles. The study revealed concerns surrounding the use of 2,624 permanently assigned fleet vehicles and 4,740 agency-owned vehicles, particularly the continued use of 157 agency-owned vehicles that VDOT believed was not justified. VDOT recommended that these vehicles be transferred to the centralized fleet. VDOT also determined the following: that the use of agency-owned vehicles should be reviewed on an annual basis; fleet management regulations should be revised to include provisions governing the commuter use of both fleet vehicles and agency-owned vehicles; agency heads should be directed to reduce employee travel to the extent possible; and the maintenance and repair of State-owned vehicles should be privatized if practicable.

Rightsizing the Division of Fleet Management's Trip Pool. The Virginia Transportation Research Council (VTRC) conducted a study of the centralized fleet's trip pool in 1998. The purpose of this study was to improve the "efficiency and effectiveness of the centralized fleet by rightsizing the trip pool" to reduce the costs

involved with State employee travel. The study addressed the Division of Fleet Management's vehicle rental contract with a private-sector company to provide vehicles for short-term use. VTRC staff examined the impact of this contract and found that it improved the efficiency of the trip pool by increasing the number of vehicles available for short-term use while decreasing the necessary size of the trip pool.

According to VTRC staff, prior to entering into a contract with a vehicle rental company, "it was very common for requests for trip pool vehicles to be turned down or for State employees to be put on waiting lists." VTRC staff reported that these two effects resulted in an increased number of employees using personal vehicles to conduct official business, which increased costs because of reimbursement for mileage expenses at the higher "State vehicle not available" rate of $0.27 per mile as opposed to $0.19 per mile if a fleet vehicle was available. However, after fleet management entered into a contract with a vehicle rental company, it was able to provide vehicles for short-term use to all employees who requested them. VTRC staff calculated that the State saved about $20,000 annually by reducing employee reimbursement at the higher mileage rate.

In addition, VTRC staff determined that the optimum size of the trip pool fleet should range from 139 to 145 vehicles. The trip pool could then be supplemented with rental vehicles as needed. VTRC staff reported that while decreasing the size of the trip pool fleet might increase costs for the centralized fleet because it had to rent vehicles, it would reduce costs overall to the State by further reducing the number of employees receiving mileage reimbursements.

Rental Rate Study. In 1999, VDOT asked the VTRC to review the centralized fleet's rental rate structure to determine if its rates accurately reflected the costs associated with operating and maintaining passenger-type fleet vehicles. To conduct the study, VTRC researchers collected data on the costs associated with purchasing, maintaining, and auctioning the centralized fleet's passenger-type vehicles. After collecting the data, VTRC staff performed several regression analyses to determine the appropriateness of the centralized fleet's current rental rate structure. As a result, VTRC recommended that the centralized fleet increase its minimum rate charge and revise its rate structure by charging rental rates for four vehicle classes instead of two vehicle classes. VTRC observed that since the State added new types of vehicles with different sizes to the centralized fleet, OFMS' two-vehicle rate structure no longer accurately recovered the costs associated with operating and maintaining the fleet. Consequently, VDOT submitted a request to revise its rate structure to JLARC in June 1999. JLARC staff reviewed the request and recommended approval of a new rate structure for the centralized fleet, which became effective on July 1, 2000.

JLARC REVIEW

This JLARC review of the use of State-owned Vehicles has involved an assessment of the oversight of the use of State-owned vehicles, the adequacy and efficiency of the centralized vehicle fleet, and alternatives to the current vehicle procurement and maintenance procedures. A number of research activities were

undertaken as part of this study to address these issues. These activities included: structured interviews, file reviews of vehicle purchases and citizen complaints, three surveys of agency transportation officers and users of centralized fleet vehicles, and analysis of fleet vehicle utilization.

Structured Interviews

JLARC staff conducted structured interviews with staff from DGS and VDOT's asset management and equipment divisions. Interviews were also conducted with agency transportation officers, local government fleet managers, motor vehicle dealers, fleet maintenance vendors, federal government officials, and fleet administrators in other states. In addition, JLARC staff conducted interviews with a regional non-profit transit organization and the National Association of State Fleet Administrators. The purpose of these interviews was to obtain information on all aspects of fleet management related to the study mandate.

Surveys

To gather data on issues for which otherwise limited information was available, JLARC staff surveyed: (1) agency transportation officers, (2) operators of permanently assigned fleet vehicles, and (3) a sample of trip pool vehicle operators. The surveys of agency transportation officers and permanently assigned vehicle operators were conducted on-line. Of the 137 transportation officers surveyed, 89 responded (65 percent). Because many of the 3,500 permanently assigned fleet vehicles are assigned to agencies' internal motor pools, it is difficult to determine the exact number of vehicle operators in the survey population. However, it is estimated that the 1,100 responses represent a response rate of approximately one-third to one-half for the vehicle operator survey. The trip pool vehicle operator survey was administered to 192 employees who obtained trip pool vehicles during the fall of 2003. Approximately 125 employees (65 percent) responded to this survey.

The two on-line surveys of transportation officers and vehicle operators solicited information on the transportation needs of State agencies and institutions, user satisfaction with fleet vehicles, the condition of fleet vehicles, the extent of vehicle operator training, and the adequacy of the controls that are in place to prevent employees from misusing fleet vehicles. The trip pool survey was designed to explore trip pool use, compliance with vehicle regulations, user satisfaction with vehicle condition, and trip pool operations.

File and Document Reviews

As part of this study, JLARC staff reviewed complaint files and agency vehicle purchase requests. Complaint files were reviewed to assess the nature and extent of the complaints that OFMS receives about employees who improperly use fleet vehicles. The agency purchase requests were reviewed to identify the types of vehicles that agencies purchase and their reasons as to why vehicles supplied through the centralized fleet are unable to meet their transportation requirements.

JLARC staff also reviewed numerous documents to obtain background information on the history of the State's centralized fleet and current fleet management operations. Previous fleet management studies were reviewed in addition to relevant sections of the *Code of Virginia* and Appropriation Act, fleet management regulations, internal OFMS documents, and past studies impacting the centralized fleet. Also, the Internet web sites of professional associations and private vehicle maintenance vendors were reviewed to obtain information on alternative approaches to fleet management.

Data Analysis

JLARC staff collected data from OFMS, the Department of Accounts, and the Department of General Services to analyze vehicle utilization, commuting use in State-owned vehicles, personal mileage reimbursements, and vehicle purchases. The purpose of these analyses was to determine if fleet regulations, oversight, and management procedures are appropriate and effective. The data were inadequate to determine whether current vehicle utilization criteria and vehicle rental rates are appropriate.

REPORT ORGANIZATION

This report is organized into four chapters. This chapter presented an overview of the centralized fleet and the research methods that were used to address the study mandate. The regulation and oversight of State-owned vehicles is discussed in Chapter II. Chapter III examines the efficiency and effectiveness of the centralized vehicle fleet. Finally, Chapter IV addresses alternatives to the State's current fleet management operation.

II. Regulation and Oversight of State-Owned Vehicles

The adequacy of the policies and management governing the regulation and oversight of State-owned vehicles are examined in this chapter. The Joint Legislative Audit and Review Commission last reviewed the State's fleet management and operations in 1988 and developed 28 recommendations to address concerns identified in that study. The State's progress toward implementing those recommendations is evaluated here. In addition to the issues previously identified in the 1988 report, JLARC staff also examined current policies and procedures for preventing the inappropriate use of centralized fleet vehicles and the adequacy of controls on the procurement and use of agency-owned vehicles.

While this review found that most of the 1988 recommendations were fully implemented, some problems still remain concerning State oversight of employee mileage reimbursement and commuting fees, vehicle operator orientation, and the distribution of safety information. The State still does not adequately track personal mileage reimbursement to identify employees who should be assigned a fleet vehicle. Also, the Office of Fleet Management Services (OFMS) does not adequately supervise commuting fees to ensure that employees pay the appropriate rate for all classes of vehicles.

This review found that the State's policies to prevent the inappropriate use of State-owned vehicles appear to be adequate. However, several options are provided for consideration to better ensure that employees are not using State-owned vehicles for personal transportation purposes. These options include: clarifying the activities that constitute appropriate use of the vehicles, requiring employees to receive driver training before being issued a State vehicle, and enhancing the visibility of State-owned vehicles through the use of decals or bumper stickers.

Finally, this review found that nearly all purchase requests for agency-owned vehicles are approved by OFMS. A closer review could possibly reduce the number of unnecessary vehicles or at least limit the procurement of vehicles to more economical models. Furthermore, there appears to be justification for providing sport utility vehicles to agencies through the centralized fleet to ensure the efficient utilization of these vehicles.

IMPLEMENTATION OF THE 1988 JLARC FLEET MANAGEMENT STUDY RECOMMENDATIONS

JLARC staff performed a comprehensive examination of the centralized fleet in 1988 and found that the fleet suffered from a number of problems, including ambiguous vehicle assignment criteria, the underutilization of fleet vehicles, lax oversight of employee commuting practices, and inadequate rental rates. JLARC staff developed 28 recommendations to address concerns identified in the study. It

was estimated that the State could save more than $2 million annually by implementing the study recommendations.

For the current study, JLARC staff reviewed the State's progress toward implementing the 1988 recommendations, and found that most were implemented. However, limitations were identified in the State's implementation of four recommendations involving the review of employee personal mileage reimbursements, employee commuting fees, transportation officer safety training, and vehicle operator training. An overview of the 1988 recommendations and an analysis of the implementation of these recommendations are provided in the following section.

The 1988 Fleet Management Study Contained 28 Recommendations

In 1988, JLARC staff conducted the commission's second review (the first was in 1979) of the State's fleet management practices. The review sought to measure the State's progress toward implementing the 1979 study recommendations and to identify any new issues that had developed as a result of the centralized fleet's designation as an internal service fund.

JLARC staff found that the State had implemented most of the original study recommendations. However, staff observed that the centralized fleet was still plagued by persistent issues, including the underutilization of fleet vehicles, improper commuting practices, the need for improved rate-setting methodology, and the need for better overall management. Twenty-eight recommendations were developed to address concerns identified during the study. Among the more significant recommendations were the ones to: (1) establish OFMS as a division of VDOT, (2) increase vehicle operator accountability, (3) revise vehicle assignment and replacement criteria, and (4) clarify and enforce regulations governing the commuting use of fleet vehicles by State employees. It was estimated that the State could save approximately $2.7 million annually by implementing the study recommendations.

Most of the 1988 Study Recommendations Were Implemented

The State's progress toward implementing the 1988 study recommendations was reviewed as part of the current study, and it was found that most of the recommendations were implemented. However, JLARC staff identified some limitations in the State's implementation of four study recommendations (Exhibit 2). These recommendations involve the annual review of employee personal mileage reimbursements, the annual review of employee commuting fees, transportation officer and vehicle operator training, and the distribution of safety information to State employees.

Review of Personal Mileage Reimbursements. In 1988, JLARC staff estimated that as many as 558 State employees used their personal vehicles for official travel in excess of the minimum mileage required for the assignment of fleet vehicles. These employees were reimbursed by the State for mileage expenses incurred while using personal vehicles to conduct official business. Because it is not cost-

Exhibit 2

1988 JLARC Study Recommendations Not Fully Implemented

The fleet manager should annually review the travel requirements of all employees reimbursed for more than the mileage necessary for assignment of a State vehicle to determine if such assignment is appropriate.
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.
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.
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 new communication could take several forms: newsletter, memos, promotional safety information, formal training sessions, or films.

Source: JLARC staff analysis.

effective for employees to use personal vehicles to travel more than the minimum mileage requirement, JLARC staff concluded that these employees should have been assigned fleet vehicles. JLARC recommended that the fleet administrator annually review the travel requirements of all employees reimbursed for more than the minimum mileage to determine if the assignment of fleet vehicles was warranted.

As a result of this recommendation, the Department of Accounts (DOA) was instructed to annually provide OFMS with data on the amount of personal mileage reimbursements paid to State employees. Currently, the fleet administrator reviews the data, forwards it to State agencies, and requests that they examine it to determine if it would be more cost-effective to assign fleet vehicles to employees with substantial travel requirements than to reimburse them for official travel in personal vehicles. However, JLARC staff identified two limitations with the State's implementation of this recommendation: (1) OFMS is not able to determine if individual

employees actually received personal mileage reimbursements exceeding the minimum mileage criterion due to DOA's method of collecting and reporting the data, and (2) OFMS does not ensure that agencies actually analyze employee personal mileage reimbursements to determine if a fleet vehicle is warranted.

In an attempt to estimate the number of employees whose personal mileage exceeded the minimum mileage criterion, JLARC staff examined FY 2003 reimbursement data obtained from fleet management and DOA. However, there are two main problems with this data. The first problem is that it is impossible to determine the reimbursement amounts that were paid to individual employees. The data provided to OFMS by DOA is summarized only by agency, and the data that DOA provided to JLARC staff includes reimbursements for groups of employees. The second problem is that the reimbursement rate is not included in the data, and therefore it is impossible to determine the number of miles that employees actually drove in their personal vehicles.

Despite these problems, JLARC staff estimated that in FY 2003, approximately 626 employees received personal mileage reimbursements for travel in excess of 7,059 miles, which is the minimum number of miles required for assignment of a compact sedan. Assuming that these individuals were reimbursed at the rate of 32.5 cents per-mile, the State could have saved as much as $291,000 had those employees been assigned compact sedans from the centralized fleet. Compact sedans cost only 19 cents per mile to operate according to the latest fleet management estimates (conducted in 2000).

The review also found that over 200 State agencies reimbursed employees $11,925,755 for official travel in personal vehicles. The total reimbursements paid by agencies ranged from $3.74 at the Virginia Rehabilitation Center for the Blind and Visually Impaired, to over $2 million at the Department of Health. Reimbursements paid by 16 agencies and institutions accounted for almost 60 percent of the total personal mileage reimbursements paid by all State agencies in FY 2003 (Table 3).

OFMS and State agencies need to closely monitor employee personal mileage reimbursements to ensure that the State is not paying too much for business travel. DOA needs to send OFMS a list of individual employee reimbursements on an annual basis – not just an agency summary list. OFMS should then submit lists of employees who exceeded the minimum mileage criterion to the respective agencies for their review. Agencies should then be required to justify in writing why these employees should not be assigned a fleet vehicle.

Recommendation (1). **The Department of Accounts, the Office of Fleet Management Services, and all State agencies should annually review personal mileage reimbursements to individual employees of the Commonwealth. Employees who exceed the minimum mileage criteria should be assigned a fleet vehicle unless specific justification is provided in writing for not doing so.**

Table 3

Agencies and Institutions Paying the Highest Personal Mileage Reimbursements During FY 2003

Agency	Personal Mileage Reimbursement
Department of Health	$ 2,223,447
Virginia Tech	689,269
University of Virginia	455,261
Circuit Courts	431,634
Virginia Tech (Cooperative Extension)	413,568
Virginia Commonwealth University	411,951
Virginia Employment Commission	381,825
Department of Education	256,061
Department of Agriculture and Consumer Services	255,021
Department of Transportation	249,136
University of Virginia (Medical Center)	241,733
Department of Rehabilitative Services	240,022
Department of Taxation	224,652
Department of Social Services	216,263
Juvenile and Domestic Relations District Court	204,801
General District Courts	200,776
Subtotal	**$ 7,095,420**
Other Agencies	4,830,821
Total	**$ 11,926,241**

Source: JLARC staff analysis of data provided by the Office of Fleet Management Services.

Oversight of Commuting Fees. In 1988, JLARC staff found that many employees failed to properly reimburse the State for commuting in fleet vehicles. This was attributed to the fact that commuting regulations were unclear and that no central agency was responsible for ensuring that employees reimbursed the State for such use. It was estimated that the State lost more than $300,000 annually because commuting regulations were not enforced. JLARC staff recommended that regulations governing commuting be clarified and enforced to ensure that all employees properly paid the State for such use.

The State implemented this recommendation by issuing commuting regulations and directing fleet management to ensure that the costs associated with commuting travel were recovered from employees. (Law enforcement officers and employees who work from home are exempt from this requirement.) Fleet management regulations state that agencies must charge employees per-mile fees for commuting that are based on the OFMS rental rates for the particular class of vehicle operated by the employees. OFMS charges agencies rates ranging from $0.19 per-mile to $0.26 per-mile for four classes of vehicles: compact, mid-size, upper mid-size, and full-size sedans and minivans.

JLARC staff reviewed commuting data for FY 2003 to determine if agencies appropriately charged employees for commuting travel. This review found that some agencies did not charge employees the appropriate per-mile commuting fee. In addition, OFMS does not appear to have an accurate count of the number of employees who commute in State vehicles. Commuting use of State-owned vehicles is discussed in further detail later in this chapter.

Transportation Officer and Vehicle Operator Training. During the 1988 study, JLARC staff found that many transportation officers and vehicle operators were either misinformed or uninformed about State vehicle policy. It was noted in the report that employee unfamiliarity with State vehicle policy could result in the misuse of centralized fleet vehicles. Staff also observed that the number of vehicle accidents attributed to State employees had increased between fiscal years 1985 and 1987. The report thus recommended that fleet management implement training programs for both transportation officers and vehicle operators, and that safety information be distributed to employees periodically.

OFMS sought to address these recommendations in 1989 by developing a training video for vehicle operators and distributing posters on safe driving techniques to State agencies. The training video was distributed to all State agencies and was intended for use during new employee orientations. However, the overall implementation of these recommendations by fleet management has been limited. OFMS has not updated or reissued its training video in the past 14 years, and it has not provided transportation officers with safety training or ensured that safety information is distributed to employees. In fact, the fleet administrator reported that safety training is one area in which fleet management has “not been very active.”

OVERSIGHT AND ENFORCEMENT OF FLEET REGULATIONS

House Joint Resolution (HJR) 518 directed JLARC staff to determine if there were effective controls governing fleet vehicle use by State employees to ensure that the vehicles are not used for inappropriate personal transportation purposes. This review found the policies contained in the *Code of Virginia*, fleet management regulations, and executive order to be adequate and found limited evidence of inappropriate use. However, options are presented for strengthening oversight and further limiting inappropriate vehicle use.

As part of this study, JLARC staff also reviewed the commuting use of fleet and agency-owned vehicles. This review found that the number of employees who commute is significantly lower than in 1988. However, some problems remain with inadequate oversight of commuting fees paid by employees. JLARC staff found that many agencies fail to charge employees appropriately for commuting in fleet vehicles. It was also found that agencies are not required to charge employees standard rates for commuting in agency-owned vehicles. Although JLARC staff estimate that these errors cost the State only about $12,000 in FY 2003, they point to the need for improved oversight of employee commuting travel.

Enforcement of Appropriate Use of Fleet Vehicles

Policies governing the appropriate use of fleet vehicles are found in the *Code of Virginia*, fleet management regulations, and an executive order. These documents state that the use of fleet vehicles is limited to the conduct of official State business. In addition, the State Standards of Conduct give agencies the authority to discipline employees for misusing State vehicles. This study found that the policies and controls appear to be effective, as most employees do not misuse fleet vehicles for personal transportation. However, ultimate responsibility for enforcing State vehicle use policy rests with the individual agency heads. The following section provides detail on State vehicle policies and the misuse of fleet vehicles.

State Has Effective Policies Governing the Appropriate Use of Fleet Vehicles. JLARC staff reviewed the State's vehicle policy to determine if measures were in place to prevent State employees from using fleet vehicles for inappropriate personal transportation purposes. Policies governing the use of fleet vehicles are established in executive order, fleet management regulations, and statute. These documents state that the use of fleet vehicles is strictly limited to the conduct of official State business. The documents also indicate that the fleet administrator, agency heads, and transportation officers are all responsible for ensuring that fleet management regulations are communicated to vehicle operators and for enforcing these regulations. However, only agencies are authorized to discipline employees for misusing fleet vehicles.

Executive Order 20, signed by Governor Warner in 2002, specifically assigns enforcement responsibilities to agency heads. The order states that agency heads are responsible for ensuring that employees use State-owned vehicles only to conduct official business. The Virginia Standards of Conduct give agency heads the

authority to discipline employees for inappropriately using vehicles through either informal counseling or formal disciplinary action, depending upon the nature of the incident. The Standards of Conduct also give agency heads the authority to terminate staff who repeatedly misuse vehicles. However, agencies must be willing to enforce State vehicle policy and to hold employees accountable for their actions in order for these controls to be effective.

Misuse of Fleet Vehicles by Employees Does Not Appear to Be Widespread. JLARC staff reviewed fleet management complaint files and surveyed transportation officers to determine if the use of fleet vehicles by State employees for personal transportation was a common occurrence. The results of this analysis indicate that while some vehicle operators apparently misuse fleet vehicles for personal transportation, the vast majority do not.

During FY 2003, OFMS received 20 complaints from citizens concerning the misuse of fleet vehicles: 17 complaints involved employees speeding or driving recklessly, and three complaints involved employees using vehicles for inappropriate personal transportation purposes. All cases were reported to the respective agencies for resolution. The fleet administrator does not typically follow-up with agencies to ensure that action is taken to address speeding or reckless driving incidents. However, the fleet administrator will follow-up with agencies when incidents occur involving serious violations of State policy.

The complaints involving the personal use of fleet vehicles were investigated by the agencies. One employee received a verbal reprimand for using a fleet vehicle to perform a personal errand at a shopping center. No action was taken against employees in the other two cases because the reports were not substantiated. Based on the file review of citizen complaints, it appears that few State employees actually misuse fleet vehicles for personal transportation.

Results of the survey of agency transportation officers further support this observation (Table 4). Fifteen of 59 transportation officers reported on the survey that employees misused fleet vehicles during FY 2003. However, the majority of the vehicle offenses did not concern employees using fleet vehicles for personal transportation, but instead involved speeding or reckless driving incidents. The transportation officers reported only seven instances of employees running personal errands in a fleet vehicle or otherwise using a fleet vehicle for reasons other than official State business. The transportation officers reported that employees typically received verbal reprimands for misusing fleet vehicles; however, one employee was fired for this offense.

Options the State May Wish to Consider to Address Concerns About the Misuse of Fleet Vehicles

While State employees' use of fleet vehicles for personal transportation does not appear to be widespread, JLARC staff identified three options that the State may wish to consider to increase its oversight of employee vehicle use. They are: (1) continue the present structure, but clarify what types of activities constitute official

Table 4

Agency Transportation Officer Survey
Selected Vehicle Abuse Questions

	Survey Response	
	Yes	**No**
During fiscal year 2003, were you ever notified by OFMS (or by any other State employee) about the inappropriate use of fleet vehicles by staff assigned to your agency? (n=59)	15	44
Which of the following Statements describes how these staff inappropriately used fleet vehicles? (*Please check all appropriate boxes*.)		
Speeding or other reckless activity (n=14)	7	
Running personal errands such as going to the bank, gym, or a store before or after the official work day (n=15)	4	
Transporting family member or friends (n=15)	2	
Using the fleet vehicle as their primary means of transportation for evening or weekend travel not related to official State business (n=15)	1	
Driving while intoxicated (n=14)	0	

Source: JLARC staff analysis of agency transportation officer survey.

use, (2) require mandatory driver training, or (3) enhance the visibility of fleet vehicles through the application of bumper stickers or State decals. These options are discussed in greater detail in this section.

Option 1: Maintain Regulatory Control Structure, but Clarify Activities that Constitute Official Use of Fleet Vehicles. Since this study found little evidence to suggest that many employees misuse fleet vehicles for personal transportation, it could be argued that current fleet management provisions are sufficient. However, the State could improve its regulatory oversight by providing examples of official and unofficial vehicle use in its regulations. Currently, fleet management regulations state that:

> [o]perators shall use fleet vehicles for official State business only. When an employee is using a fleet vehicle for travel away from his

> work site, the vehicle may be used for travel to obtain meals or other necessities.

The regulations do not contain any guidance on the types of activities that constitute official and unofficial vehicle use. While many employees probably understand that fleet vehicles can only be used to perform official duties, some employees may not realize that activities such as performing personal errands while operating fleet vehicles violates State policy. In fact, ten percent of the vehicle operators and 12 percent of the transportation officers who responded to the surveys reported that fleet management regulations were unclear.

JLARC staff reviewed fleet management regulations from other states and found that South Carolina's regulations contained guidance on the types of activities that represent official and unofficial vehicle use (Exhibit 3). By adopting guidance similar to that of South Carolina, Virginia could possibly reduce the extent of employees inadvertently misusing fleet vehicles.

Option 2: Require All Employees to Receive Driver Training Before Operating Fleet Vehicles. Another option that the State could adopt is to require that all employees receive mandatory driver training before operating fleet vehicles. This training could take the form of a short video, similar to the one produced by fleet management in 1989, covering topics such as the proper use, operation, and maintenance of fleet vehicles. The training could be conducted during new employee orientations or whenever agencies determine that the need is justified.

Other states require employees to undergo vehicle operator training. For example, South Carolina requires employees to attend eight hours of driver training. South Carolina implemented driver training as a means to reduce the amount of money paid for insurance premiums due to vehicle accidents. West Virginia currently conducts transportation officer training and is considering adopting a driver-training program.

Data collected during this study suggests that there is sufficient evidence to justify that the State should initiate a driver-training program. For example, 415 out of 1,014 employees responding to the vehicle operator survey reported having received no training on the use of fleet vehicles, and 133 indicated having never reviewed fleet management regulations (Table 5). Moreover, 24 out of 59 transportation officers reported that their agencies did not provide vehicle operator training, and 41 indicated that the State should implement a driver-training program.

These results suggest that there are employees operating fleet vehicles who are uninformed about State vehicle policy, and that many agencies do not provide employees with training on the proper operation of fleet vehicles. One way for the State to address these issues, and to reduce the potential for employees to misuse fleet vehicles, is to implement a driver-training program.

Exhibit 3

Excerpt from South Carolina Fleet Management Regulations

Examples of Authorized and Unauthorized Use

The listing below is not intended to be all-inclusive in regard to examples of authorized and unauthorized use of State vehicles. It will, however, indicate to the driver, agency head, or motor vehicle supervisor the intent of the official use only policy.

I. Authorized Use of State Vehicles

Travel between place of vehicle dispatch and place of performance of official business.

When on **official out-of-town travel statu**s, travel between place of temporary lodging and place of official business.

When on **official out-of-town travel status** and not within reasonable walking distance between either of the above places and:

- Places to obtain suitable meals
- Places to obtain medical assistance, including drugstores
- Places of worship
- Barber or beauty shops
- Cleaning establishments
- Similar places required to sustain health and welfare or continued efficient performance of the user, excluding places of entertainment.

Transport of officers, official employees, or official guests of the State

Transport of materials, supplies, parcels, luggage, kits or other items belonging to or serving the interests of the State.

Use of the vehicle when it is clearly serving the interest of the State.

II. Unauthorized Use of State Vehicles

Travel or task of a personal nature having no connection with the accomplishment of official business or beyond the rated capabilities of the vehicle.

Transport of friends, associates, or other persons who are not serving the interests of the State.

Extending the length of time or travel beyond that required to complete the official purposes of the trip.

Travel to and/or from social events unless acting as an official representative of the State.

Use of a vehicle while on vacation.

Travel to places of entertainment (lounges, etc.) when not connected with official State business.

Source: South Carolina State Fleet Management, *Motor Vehicle Operator's Handbook*.

Table 5

Agency Transportation Officer and Vehicle Operator Surveys Selected Training Questions

Transportation Officer Survey	Survey Response Yes	No	NA
Does your agency provide any formal training to employees concerning the proper use of fleet vehicles? (n=59)	24	35	0
Would you recommend that OFMS develop a training package (for example a video tape) that provides vehicle operators with instruction on the proper use of fleet vehicles? (n=59)	41	8	10

Vehicle Operator Survey	Yes	No
Have you ever received any training or orientation from your agency on the proper use of fleet vehicles? (n=1,014)	599	415
Have you ever reviewed the *Rules and Regulations Governing the Use, Operation and Maintenance of Fleet Management Regulation*? (n=1,012)	879	133

Source: JLARC staff surveys of operators of transportation officer and vehicle operator surveys.

Option 3: Enhance the Visibility of Fleet Vehicles through the Use of State Decals or Bumper Stickers. Another way for the State to reduce the opportunity for employees to use fleet vehicles for personal transportation is to enhance the visibility of the vehicles. Many fleet management professionals believe that the primary deterrent to unofficial vehicle use is to ensure that the vehicles are clearly marked as government property. Fleet vehicles are currently identified by special State license plates. However, the license plates may not adequately enhance the visibility of the vehicles, and therefore employees who misuse vehicles may go unnoticed by the public or other State employees.

One method the State could implement to increase vehicle visibility is to require that State decals be placed on the doors or rear windows of State-owned vehicles. This review found that other states use door and window decals to increase vehicle visibility. For example, South Carolina requires that state decals be placed on the rear windows of its vehicles, and Kentucky and Tennessee attach state decals to the doors of their fleet vehicles. Several Virginia jurisdictions, such as Henrico County and the City of Richmond, also use door decals to increase vehicle visibility.

Another method that the State could adopt to increase the visibility of its fleet vehicles is to attach special stickers with toll-free phone numbers to its vehicle bumpers. The toll-free number could be connected to OFMS, and individuals observ-

ing the inappropriate use of fleet vehicles could call the number to report the incidents. The Virginia Lottery Department attaches agency door decals and bumper stickers to its vehicles. The lottery department transportation officer reported that these methods effectively deter employees from misusing vehicles because they enhance vehicle visibility.

Oversight of Commuting Use of Fleet Vehicles by State Employees

Commuting represents the authorized personal use of State-owned vehicles by State employees. State policy requires agencies to charge employees for commuting based on the fleet management rate for the specific class of vehicle operated. The fleet administrator is responsible for verifying that employees appropriately reimburse the State for this travel. However, this study found that the fleet administrator has not ensured that all employees pay the appropriate commuting fees. Thus, some employees actually underpaid the State for the personal use of fleet vehicles during FY 2003.

In addition, the State does not have standards governing the fees that agencies charge employees for commuting in agency-owned vehicles. According to the fleet administrator, agencies are allowed to charge employees for commuting based on internally established rates. However, these rates may not accurately recover the costs associated with operating and maintaining the different types of vehicles that employees drive. The following section provides an overview of State vehicle commuting policy, a review of the commuting use of fleet vehicles by State employees, and a review of the commuting use of agency-owned vehicles.

State Policy Governing the Commuting Use of Fleet Vehicles. State policy governing the commuting use of State-owned vehicles is established through statute, executive order, and fleet management regulations. Section 2.2-1179 of the *Code of Virginia* states that:

> [n]o passenger-type vehicle purchased or leased with public funds shall be used to commute between an employee's home and official work station without the prior written approval of the agency head and, in the case of vehicles assigned to the centralized fleet, the [DGS] Director.

The *Code* also states that DGS is to issue regulations governing the commuting use of State-owned passenger-type vehicles and shall ensure that costs associated with such use are recovered from employees. (The DGS director delegated this authority to the fleet administrator.) Passenger-type vehicles are defined as automobiles that are used "primarily for the transportation of the operator and no more than 15 passengers." Law enforcement officers and employees who work from home are exempt from reimbursing the State for commuting travel.

Executive Order 20 directs agency heads to limit commuting in State-owned vehicles to those employees whose job requirements make it the most cost-effective option available to the State. The executive order also requires the director of DGS to ensure that commuting regulations are applied uniformly to all State-

owned vehicles. Fleet management regulations provide the formula that agencies must use to calculate employee-commuting fees:

> the rental rate per-mile for fleet vehicles times the round trip mileage between the employee's home and official work station times 220 days of commute per year or on the actual amount or anticipated commute days per year based on the previous year's travel log.

According to the fleet administrator, employees should be charged the per-mile rental rate established by OFMS for the specific class of fleet vehicle operated. For example, because the rental rate for a compact sedan is $0.19 per-mile, an agency should charge an employee $0.19 per-mile for commuting in that class of vehicle. In the past, OFMS charged agencies rental rates for two classes of vehicles: $0.19 per-mile for sedans and minivans and $0.27 per-mile for full-size vans. However, fleet management revised its rental rate structure in FY 2001 and began charging agencies rates for four classes of vehicles:

- $0.19 per-mile for compact sedans,
- $0.22 per-mile for mid-size sedans,
- $0.26 per-mile for upper mid-size sedans, full-size sedans, and minivans, and
- $0.35 per-mile for full-size vans.

Agencies were directed to revise the per-mile fees that they charged employees for commuting to reflect the new rental rates.

To provide oversight, the regulations require the fleet administrator to collect information from State agencies on all employees who commute in State-owned passenger-type vehicles. The information is to include the operator's name, social security number, vehicle number, annual commuter miles, and annual commuting fees. The fleet administrator is supposed to verify the accuracy of this information against data provided by the Department of Accounts (DOA) to ensure that employees actually paid the State for commuting. The fleet administrator is then supposed to compile this data into a report and submit it to the director of DGS.

However, JLARC staff identified problems in how this information is collected and reported by OFMS. The fleet administrator informed JLARC staff that even though he is able to use DOA payroll data to identify employees who commute, he does not include information on them in the DGS report if their agencies do not respond to his request for information. For example, because the agency did not respond to his request, the fleet administrator did not show that eight Marine Resources Commission staff commuted in fleet vehicles during FY 2003, even though this information was clearly evident in the payroll data. In addition, it does not appear that the fleet administrator clarifies discrepancies in the mileage and commuting fee data before reporting it to DGS. For example, the fleet administrator

reported that one VDOT employee paid the State $668.88 to commute 4,060 miles, but this amount is clearly incorrect if the mileage is multiplied by the fleet management per-mile rate. JLARC staff contacted VDOT for clarification on this issue and found that the employee actually commuted 3,520 miles during the fiscal year.

Commuting Use of Fleet Vehicles Appears Limited, But Agencies Need to Charge Employees Proper Commuting Fees. In past JLARC studies, staff found that many employees who commuted did not pay the required commuting fees. As a result, the State lost money because employees used fleet vehicles for personal travel between their homes and official workstations without paying for the personal use of the vehicles. It was estimated in 1988 that the State lost about $341,000 annually because the commuting fee requirement was not properly enforced. As a result of this finding, new regulations were implemented, and the number of employees who commute in State-owned vehicles has dropped significantly.

Based on a review of data obtained from OFMS and selected State agencies, 88 State employees paid the State approximately $42,380 to commute 213,173 miles in fleet vehicles during FY 2003. Most of the employees who commuted worked for the Department of Motor Vehicles, the Department of Corrections, the Department of Business Assistance, and various community colleges (Table 6). Because the fleet

Table 6

Estimated Employee Commuting Use of Fleet Vehicles
(FY 2003)

Agency	Employees Commuting in Fleet Vehicle	Total Commute Miles	Total Commuting Fees
Department of Motor Vehicles	39	9,031	$ 1,718.92
Department of Corrections	11	36,694	6,971.86
Department of Business Assistance	10	16,867	3,907.86
Marine Resources Commission	8	32,080	6,095.26
Northern Virginia Community College	6	40,260	7,649.40
Other (14 agencies with one commuter each)	14	78,240	16,036.53
Total	**88**	**213,173**	**$ 42,379.83**

Source: JLARC staff analysis of data provided by the Office of Fleet Management Services and selected agencies.

administrator is responsible for ensuring that employees pay the appropriate commuter charges for the personal use of fleet vehicles, JLARC staff examined the per-mile commuting fees that agencies charged employees. The objective of the review was to verify that agencies charged employees the proper per-mile fees for the specific classes of vehicles that they operated. This review found that several agencies did not charge employees the proper commuting fees. JLARC staff estimated that agencies undercharged 55 employees for commuting travel, which cost the State approximately $5,635 during FY 2003 (Table 7). The following case examples show how some agencies undercharged employees for commuting.

> *The Department of Corrections had 11 staff who commuted in fleet vehicles during FY 2003: four employees drove compact sedans, two employees drove mid-size sedans, four employees drove upper mid-size sedans, and one employee drove a full-size sedan. The 11 staff paid the State approximately $6,972 to commute 36,694 miles during the fiscal year. DOC charged the employees $0.19 per-mile for commuting. While this was the proper fee for the compact sedans, DOC actually undercharged the employees who drove the mid-size, upper mid-size and full-size sedans. JLARC staff estimate that these incorrect charges cost the State about $1,255 during FY 2003.*
>
> * * *
>
> *During FY 2003, the Virginia Department of Transportation (VDOT) charged an employee $0.19 per-mile for commuting in a Dodge Intrepid, which is an upper mid-size sedan. However, the employee should have been charged $0.26 per-mile, which is the fleet management rental rate for this class of vehicle. The employee commuted 3,520 miles during the fiscal year. The employee paid the State about $669 for this travel. However, the employee should have actually paid the State approximately $915. Undercharging the employee cost the State about $246.*
>
> * * *
>
> *An employee of the Northern Virginia Community College was charged $0.19 per-mile for commuting 6,600 miles in a Dodge Intrepid. However, the community college should have charged the employee $0.26 per-mile, which is the fleet management rate for an upper mid-size vehicle. This cost the State about $462 during the fiscal year.*

According to fleet management regulations, it is the responsibility of the fleet administrator to ensure that employees properly reimburse the State for commuting in fleet vehicles:

> [t]he fleet administrator will also verify on an annual basis, through information provided by the Department of Accounts, that employees are reimbursing the State for the appropriate commuter charges. Any discrepancies between the initial fee determination

Table 7

Estimated Cost to State for Undercharging Employees for Commuting in Fleet Vehicles (FY 2003)

Agency	Number of Employees Who Underpaid	Estimated Cost to State
Department of Motor Vehicles	33	$ 249.77
Department of Corrections	7	1,254.52
Northern Virginia Community College	2	653.40
Marine Resources Commission	2	189.00
Other (11 agencies with one undercharged commuter each)	11	3,288.79
Total	**55**	**$ 5,635.48**

Source: JLARC staff analysis of data obtained from the Office of Fleet Management Services and various State agencies and institutions.

and the actual reimbursement will be brought to the attention of the appropriate agency head for reconciliation.

However, this review found that the fleet administrator has not adequately monitored the fees that employees pay for commuting to verify that they properly reimburse the State for the personal use of fleet vehicles. (In November 2003, the fleet administrator has taken steps to address this issue by directing agencies to review the commuting fees that employees are charged and to ensure that they pay the appropriate rates for the specific classes of vehicles.)

In one instance, it appears that an employee was improperly exempted from paying for commuting:

> *In FY 2004, the Secretary of Public Safety authorized the Commissioner of VDOT to commute 9,680 miles annually in a centralized fleet Dodge Intrepid. The commissioner should pay the State about $2,517 for the personal use of this vehicle; however, the Office of the Governor directed that the commissioner not be charged for commuting. This directive contradicts §2.2-1179 of the* Code of Virginia, *which states that only law enforcement officers and em-*

> *ployees who do not report to official work stations are exempt from reimbursing the State for commuting.*

This exemption appears to be the result of an inadequate understanding of the statutory requirements for recovery of commuting costs, which state that:

> The Director [of DGS] shall issue regulations governing such use of vehicles and shall ensure that costs associated with such use shall be recovered from employees. Employees who do not report to an official work station shall not be required to pay for travel between their homes and field sites. Regulations promulgated by the Director and recovery of costs shall not apply to use of vehicles by law-enforcement officers.

Since the VDOT Commissioner reports to an official workstation and is not a law enforcement officer, he is required by law to pay for any commuting use of a State-owned vehicle. The *Code* does not authorize the Governor or the director of DGS to make any exemption to this requirement.

Agencies Establish Their Own Commuting Fees for Agency-Owned Vehicles. State employees are also allowed to commute in agency-owned vehicles as long as they obtain approval from their agency heads. Agencies are required to provide fleet management with information on all agency-owned passenger-type vehicles used for commuting during the fiscal year. The fleet administrator assembles the data (along with the fleet vehicle commuting data) and submits it to the director of DGS.

JLARC staff reviewed data obtained from fleet management and selected agencies and found that 44 employees paid approximately $18,936 to commute 98,573 miles in agency-owned vehicles during FY 2003. (Employees who commuted in pickup trucks and cargo minivans, which are not defined as passenger-type vehicles in the *Code*, were included in this analysis because they paid to commute during the fiscal year.) Most of the employees who commuted in agency-owned vehicles were assigned to the Department of Corrections (Table 8).

The fleet administrator does not require agencies to charge employees fleet management rates for commuting in agency-owned vehicles. According to the fleet administrator, agencies should determine how much it costs to operate and maintain their vehicles and then charge employees appropriately for commuting. JLARC staff contacted several agency transportation officers to determine how their agencies established commuting rates. None of the transportation officers reported that their agencies analyzed vehicle costs to determine appropriate commuting rates. Instead, the agencies appeared to charge employees basic fleet management rates for commuting.

Table 8

Employee Commuting Use of Agency-Owned Vehicles
(FY 2003)

Agency	Agency-Owned Vehicles	Total Miles Traveled	Total Commuting Fees
Department of Corrections[1]	33	74,153	$ 14,089.03
Marine Resources Commission[1]	3	8,640	1,641.58
Department of Forestry	3	1,344	255.36
Department of Motor Vehicles[1]	2	320	60.80
Department of Emergency Management	1	228	43.32
Economic Development Partnership	1	6,904	1,518.88
Office of Commonwealth Preparedness	1	6,984	1,326.96
Total	**44**	**98,573**	**$ 18,935.93**

[1]Employees commuting in non-passenger type vehicles such as pickup trucks and cargo vans are included in the data presented for these agencies.

Source: JLARC staff analysis of commuting data obtained from the Office of Fleet Management Services and selected State agencies.

Although the fleet administrator claims agencies may set their own rates, Executive Order 20 extended fleet management regulations to all passenger-type vehicles owned by the Commonwealth. Therefore, agencies should charge employees fleet management rates based on the types of vehicles that they operate. For example, if an employee commutes in an agency-owned SUV or full-size sedan, the agency should be required to charge the employee $0.26 per-mile for commuting, as this is the rate that OFMS charges agencies for these types of vehicles. By not charging employees appropriate fees for the vehicles they commute in, agencies did not adequately recover vehicle use costs to the State. JLARC staff estimated that inadequate commuting fees in agency-owned vehicles cost the State about $6,693 during FY 2003 (Table 9).

Table 9

Estimated Cost to State from Undercharging Employees for Commuting Travel in Agency-Owned Vehicles
(FY 2003)

Agency	Number of Employees Uncharged	Estimated Cost to State
Department of Corrections[1]	33	$ 5,190.70
Marine Resources Commission[1]	3	604.79
Department of Forestry[1]	3	94.08
Department of Motor Vehicles[1]	2	22.40
Department of Emergency Management	1	15.96
Office of Commonwealth Preparedness	1	488.88
Economic Development Partnership	1	276.16
Total	**44**	**$ 6,692.97**

[1]Employees assigned to these agencies commuted in pickup trucks, cargo minivans, and SUVs. While pick up trucks and cargo minivans are not considered to be passenger-type vehicles, they were included in this analysis because the agencies charged the employees for commuting. There are currently no established fleet management per-mile rates for these types of vehicles. As a result, JLARC staff estimated costs for these vehicles based on a $0.26 per-mile rate, which is the fee that OFMS charges the Marine Resources Commission for leasing Ford Explorers through the centralized fleet.

Source: JLARC staff review of data obtained from the Office of Fleet Management Services and selected State agencies.

Recommendation (2). **The Office of Fleet Management Services should audit the fees that agencies charge employees for commuting in fleet vehicles to verify that employees are appropriately charged for this travel based on the specific class of vehicle operated.**

Recommendation (3). **The Office of the Governor may wish to notify agencies of Executive Order 20 and direct them to charge employees appropriate fleet management rates for commuting in agency-owned passenger-type vehicles. This will allow the State to more accurately recover the costs associated with allowing employees to use State-owned vehicles for personal transportation.**

CONTROLS GOVERNING THE PURCHASE AND USE OF AGENCY-OWNED VEHICLES

The centralized fleet exists to meet the transportation needs of the State by providing agencies and institutions with passenger-type vehicles. However, some agencies may require vehicles that are not provided by fleet management. Therefore, the State authorizes agencies to purchase these vehicles with the approval of the State fleet administrator. As of July 1, 2003, agencies owned 4,453 passenger-type vehicles. Agencies submitted requests to purchase 1,043 vehicles in FY 2003.

This study found that the review of purchase requests by OFMS is cursory, and that a more critical review of the requests is warranted – especially with regard to the purchase of sport utility vehicles (SUVs). Furthermore, in order to better ensure that SUVs are efficiently utilized, these vehicles should be provided to agencies through the centralized fleet.

State Agencies Must Obtain Authorization from OFMS to Purchase Vehicles

Procedures governing the purchase of agency-owned vehicles are established in the *Code of Virginia* and DGS policy guidelines. These documents require agencies to obtain fleet management approval before purchasing vehicles. However, VDOT and institutions of higher education are exempt from this requirement. This review found that OFMS provides only cursory review of most vehicle purchase requests.

Procedures Governing the Purchase of Agency-Owned Vehicles Are Promulgated in Statute and DGS policy. The *Code of Virginia* requires that all passenger-type vehicles purchased with public funds by any State agency or institution will be assigned to the centralized fleet with the following exceptions: (1) vehicles used by law enforcement agents, (2) vehicles used by elected officials, and (3) any vehicles that are excepted by the director of DGS. Agencies may purchase vehicles as long as they first obtain authorization from OFMS. Fleet management regulations require that State agencies submit vehicle purchase requests in writing to the fleet administrator, indicating the type of vehicle needed and the rationale for why a fleet vehicle will not meet their transportation needs. Regulations promulgated by DGS require the fleet administrator to:

> review all requests and evaluate the justification for the type of vehicle requested, the use to be made of the vehicle and the requesting agency's reasons why such need cannot be fulfilled with a vehicle provided from the DGS Office of Fleet Management Services' Centralized Fleet.

After evaluating the requests, the fleet administrator either approves or denies them based on his assessment. If the fleet administrator denies an agency's request, the agency may appeal the administrator's decision to the DGS director. Agencies can purchase vehicles after their requests have been approved. The fleet administrator reported that he rarely denies requests from agencies to purchase ve-

hicles. Requests from State agencies are approved based on two conditions: (1) if agencies have funds available to purchase the vehicles, and (2) if the centralized fleet is unable to provide vehicles capable of meeting the agencies' specialized transportation needs.

During FY 2003, agencies requested authorization to purchase 1,043 vehicles (Table 10). JLARC staff found that all of the requests were approved except one. Agencies do not always purchase vehicles once they obtain authorization from fleet management, however. According to the fleet administrator, a variety of factors such as a change in purchase priorities or the unavailability of funds can influence the number and types of vehicles that agencies purchase.

The data in Table 10 show that the Department of State Police requested more vehicle purchases than any other State agency during FY 2003. While §2.2-1174 of the *Code of Virginia* exempts vehicles that are used for law enforcement purposes from assignment to the centralized fleet, the State Police and other State law enforcement agencies must still obtain authorization from the fleet administer to purchase vehicles. Table 10 also shows that colleges and universities as a group requested more vehicle purchases than any other State agency except the State Police. (Beginning in FY 2004, colleges and universities are no longer required to submit purchase requests.) The Department of Corrections also submitted a considerable number of purchase requests during the fiscal year.

Nearly one-half of the vehicles for which agencies submitted purchase requests were sedans, primarily from the State Police and college and university police departments. The data also show that agencies requested permission to purchase pickup trucks, SUVs, and vans (Figure 3). All truck and SUV purchase requests were approved because the centralized fleet does not have these vehicles in its inventory. Agencies requesting approval to purchase SUVs included the Department of Corrections, the Department of Health, and the Marine Resources Commission. Institutions of higher education submitted a considerable number of requests to purchase 12- and 15-passenger vans, cargo minivans, and maintenance trucks.

Oversight of Agency Vehicle Purchase Requests Is Limited. The results of this review suggest that there is limited oversight regarding agency vehicle purchases. While the fleet administrator does review agency purchase requests to determine if they are justified, it appears that the review is only cursory. In fact, the fleet administrator reported to JLARC staff that vehicle requests were basically approved because "it's agency money." JLARC staff identified instances in which a more critical review of the requests appeared to be warranted due to the costs associated with the particular type of vehicle requested. These cases primarily involved the purchase of SUVs.

> *The Department of Housing and Community Development (DHCD) submitted a request to purchase a 2003 Chevy Tahoe for use by its community development division staff. The vehicle cost approximately $33,000. DHCD justified its purchase request on the basis that staff needed a large four-wheel drive vehicle to travel to rural*

Table 10

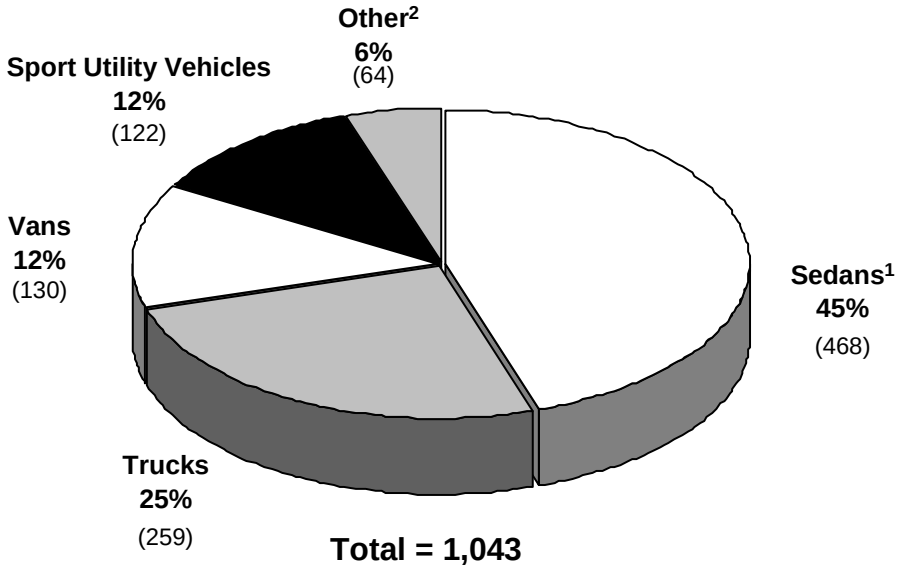
Agencies Requesting Authorization to Purchase Vehicles
(FY 2003)

Agency	Number of Vehicles
Department of State Police	407
Colleges and Universities	239
Department of Corrections	160
Department of Forestry	53
Department of Mental Health, Mental Retardation, and Substance Abuse Services	40
Department of Game & Inland Fisheries	34
Department Alcoholic Beverage Control	27
Department of Conservation & Recreation	26
Department of Health	14
Department of Agriculture and Consumer Services	13
Marine Resources Commission	7
Department of Emergency Management	5
Department of Mines, Minerals and Energy	4
Department of Environmental Quality	4
Virginia State Lottery	3
Department of General Services	2
Jamestown-Yorktown Foundation	2
Department of Criminal Justice Services	1
Department of Housing and Community Development	1
Department of Professional and Occupational Regulation	1
Total	**1,043**

Source: JLARC staff analysis of data provided by the Office of Fleet Management Services

Figure 3

Vehicles Requested for Purchase by State Agencies (FY 2003)



[1] Includes requests from Department of State Police for 380 sedans for law enforcement use.

[2] Vehicles such as motorcycles, buses, electric cars, and highway tractors are included in this category.

Source: Office of Fleet Management Services.

locations around the State to meet with recipients of federal grants. The agency needed a large vehicle because staff are sometimes required to transport officials to inspection sites. DHCD purchased the vehicle using federal funds that the agency receives to administer the Community Development Block Grant program.

* * *

Virginia Commonwealth University (VCU) requested authorization to purchase a 2003 Chevy Tahoe to replace a 1993 Chevy Caprice that was driven by the university's police chief. According to VCU staff, the $26,000 vehicle was needed because the police chief required a four-wheel drive vehicle to travel to the university during periods of inclement weather.

* * *

The University of Virginia (UVA) submitted a request to fleet management to purchase a Ford Excursion to transport students and equipment to outdoor recreation programs and for use during new student orientations. The vehicle cost more than $30,000. The fleet

administrator questioned UVA's rationale for purchasing this vehicle; however, the request was approved.

While not all SUV purchase requests appear to have merit, some appear to be clearly justified. For example:

The Department of Health submitted several requests to fleet management to purchase Ford Explorers and Chevy Tahoes for staff to use in responding to disaster/terrorist events. The department stated that its staff needed four-wheel drive vehicles to haul equipment to any location in the State under a variety of weather conditions.

In FY 2003, State agencies and institutions purchased 83 SUVs at a cost of about $2 million. Agencies and institutions received approval to purchase 122 SUVs in FY 2003, the cost of which is estimated to be $2.9 million. While the purchase of SUVs is warranted in many cases because of their off-road capabilities, inclement weather capabilities, and greater hauling capacity, purchase requests for these vehicles should be closely evaluated to ensure that the vehicles are actually needed and cost-effective when compared to a sedan or minivan. SUVs are more expensive to purchase, operate, and maintain than sedans. They also consume more fuel, as an average SUV gets 15 miles per gallon compared to 25 miles per gallon for an average sedan. SUVs consequently generate more air pollution than sedans. In addition, the excessive procurement of SUVs by State agencies does not appear to comply with the intent of Governor Warner's Executive Order 20, which directed agencies to set an example of "frugality" in purchasing and using State-owned motor vehicles:

> [t]he purchase, assignment, and use of [State-owned] vehicles are to be determined solely according to whether it will promote efficiency and economy in State government.

Thus, fleet management would be justified in closely scrutinizing SUV purchase requests to ensure that the vehicles are actually needed. Another option for better control would be for SUVs to be incorporated into the centralized fleet and assigned to agencies that need them. This option is discussed later in this chapter.

Some Agencies Are Exempt from Obtaining Permission from OFMS to Purchase Vehicles. Section 2.2-1176 of the *Code of Virginia* states that the Virginia Department of Transportation (VDOT) "shall be exempted from the approval of purchase, lease, or contract rental of motor vehicles used directly in carrying out its maintenance, operations, and construction programs." Thus, VDOT is exempt from obtaining fleet management authorization to purchase maintenance and construction vehicles. In FY 2003, VDOT owned about 9,418 construction and maintenance vehicles. Examples of these vehicles include dump trucks, tractors, graders, excavators, pick up trucks, and SUVs. According to VDOT staff, the agency does not consider SUVs to be passenger-type vehicles because the vehicles are used to perform maintenance and construction work.

The 2003 Appropriation Act exempted institutions of higher education from obtaining fleet management approval to purchase vehicles. However, the Act requires that each institution report its entire inventory of purchased vehicles, including acquisition costs, to OFMS annually. Fleet Management staff will compare the cost of each vehicle acquired by the State's colleges and universities to similar vehicles that were purchased by fleet management. If the analysis indicates that a college or university purchased vehicles that were more expensive than those purchased from a centralized fleet contract, then the Governor may suspend the exemption for a given institution and require it to obtain fleet management approval before purchasing vehicles.

Agency-Owned Vehicles Are Subject to the Same Regulations Governing the Use of Centralized Fleet Vehicles

As previously mentioned, Executive Order 20 extended the statutory and regulatory controls governing the centralized fleet to all passenger-type vehicles owned by State agencies and institutions. Thus, agencies must report the number and types of agency-owned vehicles to fleet management annually. As part of this report, agencies must justify the assignment of their vehicles based on the criteria contained in §2.2-1178 of the *Code of Virginia*. Vehicle assignments must be justified based on meeting the minimum mileage, law enforcement, special equipment, 24-hour emergency call, transportation of personnel, or critical agency function criteria.

According to fleet management, 69 State agencies and institutions owned 4,453 passenger-type vehicles (2,447 sedans, 1,070 vans, and 936 utility vehicles) in FY 2003. A majority of the vehicles were owned by eight agencies (Table 11). Assignments of most of the agency-owned vehicles were justified based on the law enforcement and transporting personnel assignment criteria (Figure 4). The fleet administrator reviewed the vehicle justification data that agencies submitted and determined that the assignment of all agency-owned passenger-type vehicles was in accordance with §2.2-1173 and §2.2-1181 of the *Code of Virginia*.

Justification Exists for Providing Sport Utility Vehicles Through the Centralized Vehicle Fleet

State agencies and institutions owned 936 sport utility vehicles as of July 1, 2003. Excluding VDOT and the colleges and universities, which are exempt from requiring the approval of OFMS to purchase vehicles, 768 SUVs were owned by State agencies. Of these 768 SUVs, 182 were purchased to fulfill law enforcement needs. The remainder of these vehicles (586 SUVs) were purchased by agencies primarily because the centralized fleet does not provide them. However, there appears to be justification for including these vehicles in the centralized fleet, as this inclusion would better ensure that the vehicles are not underutilized.

The centralized vehicle fleet was created to better enforce rules governing the use of State-owned vehicles and to ensure that vehicles which are underutilized

Table 11

Agencies Owning Most Passenger-Type Vehicles
(FY 2003)

Agency	Number of Vehicles
Department of State Police	1,936
Department of Corrections	595
Virginia Tech	325
Department of Game and Inland Fisheries	249
Department of Alcoholic Beverage Control	182
Department of Transportation	164
Department of Mines, Minerals, and Energy	139
Department of Mental Health, Mental Retardation, and Substance Abuse Services	106
Other	757
Total	**4,453**

Source: Office of Fleet Management Services.

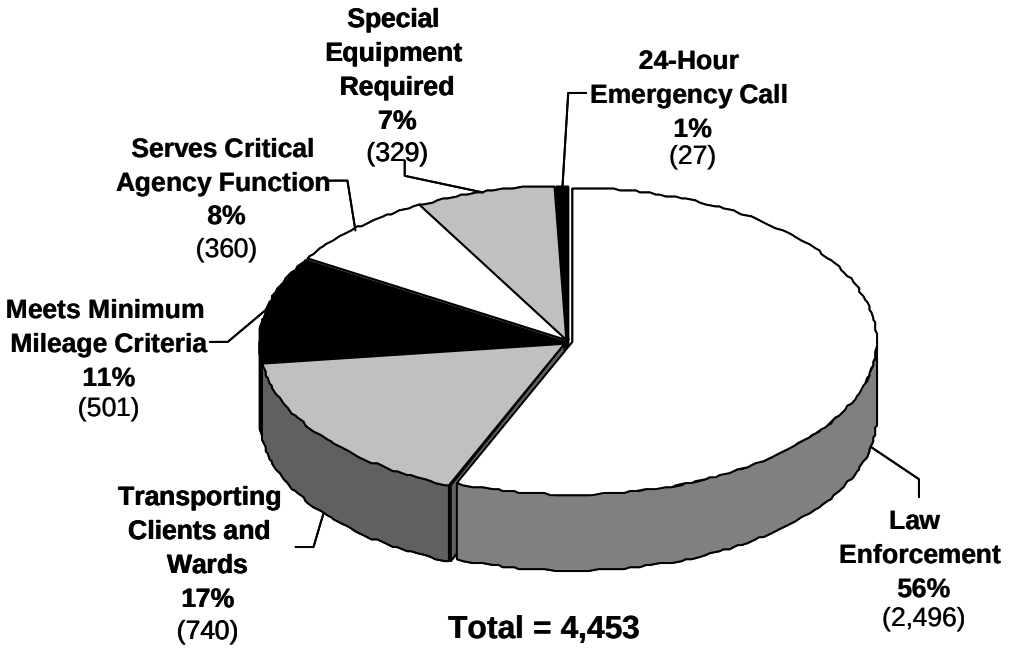
are transferred to employees who need them more. Another rationale for creating the centralized fleet was to ensure that the minimum mileage criteria for vehicle assignment is supported by the operating and capital costs of the vehicles. Currently, fleet management tracks utilization of agency-owned vehicles only through agency self-reporting, and the operating costs of SUVs have never been adequately estimated to establish minimum mileage criteria.

The fleet administrator stated that the primary reason for SUVs not being in the centralized fleet is that they have never been included in the fleet in the past. However, SUVs are primarily passenger-type vehicles, and therefore should be provided by the centralized fleet in most cases. The determination of SUV assignment should be similar to the method used for determining which employees are eligible to receive a mid-size, upper mid-size, or full-size sedan.

Fleet management has begun to include SUVs in the fleet on a limited basis, as five SUVs were purchased in 2003 and assigned to the Marine Resources

Figure 4

Assignment Justification of Agency-Owned Vehicles



Source: Office of Fleet Management Services.

Commission. However, the per-mile operating and capital costs of these vehicles have not been properly estimated, and OFMS charges the Marine Resources Commission a rate of 26 cents per-mile for their use – the same rate applied to an upper mid-size or full-size sedan. The operating and capital costs of SUVs need to be properly estimated to determine minimum mileage and replacement criteria, and the appropriate rental rates.

Recommendation (4). **The Office of Fleet Management Services should closely review requests from State agencies to purchase sport utility vehicles and develop a consistent methodology for determining when the purchase of a sport utility vehicle is justified.**

Recommendation (5). **The Office of Fleet Management Services should include sport utility vehicles in the centralized fleet and lease these vehicles to State agencies in lieu of agencies purchasing the vehicles.**

Recommendation (6). **The Office of Fleet Management Services should set rental rates for sport utility vehicles based on their operating and capital costs. These rates should be submitted by OFMS for approval by the Joint Legislative Audit and Review Commission.**

III. Effectiveness and Efficiency of the Centralized Vehicle Fleet

House Joint Resolution 518 directed JLARC to determine whether "the numbers, types, and quality of fleet vehicles are adequate to address the missions of the agencies that use them." To address this issue, JLARC staff conducted surveys of agency transportation officers, operators of permanently assigned vehicles, and a sample of employees who used a trip pool vehicle from the Office of Fleet Management Services (OFMS). The results of these surveys suggest that the numbers, types, and quality of fleet vehicles are adequate to address the missions of the agencies that use them. However, as was discussed in the previous chapter, the number of agency-owned sport utility vehicles suggests there is a shortcoming in the types of vehicles contained in the centralized fleet.

HJR 518 also directed JLARC to determine whether "fleet vehicles are being used in situations where mileage reimbursement to State employees can accomplish the same purpose." JLARC staff were unable to conduct this analysis due to the absence of reliable data concerning fleet vehicle operating costs. Because OFMS and VDOT were unable to produce accurate maintenance cost data on the vehicles, JLARC cannot determine the optimal vehicle replacement schedule, the appropriate rental rate structure, the appropriate minimum mileage criteria for issuance of a fleet vehicle, or the optimum number of trip pool vehicles. Therefore, this report requests that the General Assembly consider directing OFMS to furnish accurate fleet vehicle maintenance data to JLARC staff so that this review may be completed according to the study mandate contained in HJR 518.

JLARC staff found two additional inefficiencies in the procurement and utilization of fleet vehicles. First, OFMS allows vehicle operators who are within 25 percent of the minimum mileage criteria to retain their vehicles. This practice has basically reduced the minimum mileage criteria below the level at which assigning vehicles to employees is cost-effective. A second problem is that Department of General Services (DGS) procures vehicles based on the purchase price and does not examine which vehicles would be most economical to own and operate.

ADEQUACY OF THE NUMBER, TYPES, AND QUALITY OF VEHICLES IN THE CENTRALIZED FLEET

The Office of Fleet Management Services (OFMS) is charged with providing agencies with vehicles that are adequate to meet their transportation needs. To meet these needs, OFMS has a centralized fleet consisting of about 3,700 vehicles. The centralized fleet consists of compact, mid-size, upper mid-size, and full size sedans, as well as minivans, cargo vans, and a few sport utility vehicles. The vast majority of these vehicles are permanently assigned to agencies and institutions across the State, while a small number (165 as of July 1, 2003) remain in the trip pool for short-term transportation use. The number of vehicles and composition of the centralized vehicle fleet generally appear to be adequate to meet the needs of State

agencies and institutions, as most employees are satisfied with the services provided by OFMS.

Adequacy of the Number, Types, and Quality of Permanently Assigned Centralized Fleet Vehicles

JLARC staff surveyed agency transportation officers and vehicle operators to determine their level of satisfaction with the vehicles and services provided by fleet management. Based on the survey results, the transportation officers were generally satisfied with the vehicles and services provided by the centralized fleet. In fact, 95 percent of the responding transportation officers reported that they were satisfied or very satisfied with the types of vehicles provided by OFMS. Moreover, 97 percent reported that they were satisfied or very satisfied with the quality of permanently assigned fleet vehicles, and 98 percent were satisfied with the overall service provided by OFMS. Table 12 shows the transportation officer survey results for questions related to their satisfaction with services provided by OFMS.

Table 12

State Agency Transportation Officers' Level of Satisfaction with Centralized Fleet Vehicles

Survey Questions	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	No Opinion
Types of fleet vehicles provided for permanent assignment	24%	71%	5%	0%	0%
Quality of fleet vehicles provided for permanent assignment	24	73	3	0	0
Availability of fleet vehicles for permanent assignment	24	66	5	0	5
Ability of OFMS to provide particular types of fleet vehicles for permanent assignment, such as large sedans or minivans that staff need to perform their duties	27	58	5	2	8
Overall service provided by OFMS (n=58)	43	55	2	0	0

Note: Unless otherwise noted, n=59.

Source: JLARC staff survey of agency transportation officers.

Results of the vehicle operator survey indicated that most drivers believed that their permanently assigned fleet vehicle was adequate to assist them in performing their duties. When asked about the adequacy of the type of vehicle issued them, 882 out of 1,009 (87 percent) responded they were satisfied. Of the 127 vehicle operators who were not satisfied, 100 (or ten percent of all vehicle operators surveyed) stated the vehicle was too small. Table 13 shows the results of the questions relating to vehicle adequacy.

Another measure of fleet management's ability to supply agencies with vehicles needed to perform agency functions is the amount of time that elapsed between when a vehicle was requested and when it was received. Vehicle operators were asked, "Approximately how long did it take to receive a fleet vehicle once your agency submitted a request to receive a permanently assigned fleet vehicle?" Based on the responses of those operators who were aware of the length of time, 79 percent of the vehicle requests were filled within three months, and 90 percent were filled within six months; 35 percent of the vehicle requests were filled immediately, and only three percent of the requests required more than one year to fill.

Table 13

Proportion of Vehicle Operators Satisfied with the Adequacy of Fleet Vehicles

Survey Question	Survey Response: Yes	Survey Response: No
Was the type of vehicle (such as a Chevy Cavalier or Dodge Intrepid) that you used during fiscal year 2003 adequate to assist you in performing your duties? (n=1,009)	87%	13%
Please indicate why the type of vehicle was not adequate. (*Please check <u>all</u> that apply*.) (n=127)		
Vehicle was too small		79%
Vehicle was not equipped with specialized equipment needed to perform job		20
Vehicle did not have enough power		17
Vehicle received poor gas mileage		2
Vehicle was unreliable		7
Other		25

Source: JLARC staff survey of operators of permanently assigned vehicles.

Finally, comments provided by respondents of both surveys generally revealed satisfaction with the services provided by OFMS. A few examples of the open-ended comments are listed below.

> OFMS has always been very willing to meet all of our agency needs regarding vehicles – even at the last minute. This is a great service to State agencies and their employees. (Transportation Officer survey)

* * *

> I have been very satisfied with fleet management staff. The ladies in the front office and the gentlemen in the shop are always very accommodating whenever I've talked with them. (Transportation Officer survey)

* * *

> In general, I believe the fleet vehicle system is well managed and operated. I do not have any complaints. (Operators of Permanently Assigned Vehicles Survey)

Adequacy of the Number, Types, and Quality of Trip Pool Vehicles

State agencies in the Richmond metropolitan area with transportation requirements lasting less than three weeks in duration are normally assigned vehicles from the OFMS trip pool. In FY 2003, the trip pool consisted of approximately 165 sedans, minivans, full-size vans, and cargo vans. State employees typically used trip pool vehicles to travel to meetings or conferences throughout the State. Based on the survey results of agency transportation officers and trip pool users, the number, types, and quality of the trip pool vehicles appear to be adequate. However, the lack of accurate operating cost data precluded JLARC staff from conducting an analysis of the optimal trip pool size.

JLARC staff surveyed transportation officers and trip pool users to assess their views concerning these vehicles. Based on the survey results, agency transportation officers appear to be satisfied with the number, types, and quality of the trip pool vehicles (Table 14). The results showed that 92 percent of responding transportation officers indicated they were satisfied with the types of trip pool vehicles, 98 percent reported satisfaction with the quality of trip pool vehicles, and 100 percent reported satisfaction with the overall level of service provided by fleet management.

The vast majority of vehicle operators responding to the trip pool survey also reported that they were satisfied with the vehicles and services provided by the trip pool (Table 15). The results showed that 96 percent of the trip pool users indicated they were satisfied with vehicle pick-up and return procedures, and 94 percent reported that they were satisfied with the overall quality of the trip pool vehicles. Moreover, 97 percent of the trip pool users reported satisfaction with the helpfulness

Table 14

Transportation Officer Satisfaction with Trip Pool Services

Survey Questions	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	No Opinion
Types of trip pool vehicles (for example, Chevy Cavaliers, Dodge Intrepids, GM Safaris)	23%	69%	6%	2%	0%
Quality of trip pool vehicles (n=47)	21	77	2	0	0
Availability of trip pool vehicles	47	51	2	0	0
Ease of requesting trip pool vehicles on-line through the OFMS web site	35	48	4	2	10
Length of time between submitting trip pool vehicle requests and receiving confirmations when ordering vehicles on-line through the OFMS web site	27	48	10	2	13
Ability of OFMS to provide particular types of fleet vehicles for trip pool assignments, such as large sedans or minivans that staff need to perform their duties	27	58	4	4	6
OFMS operating hours	31	63	0	0	6
Overall service provided by OFMS	42	58	0	0	0

Note: Unless otherwise noted, n=48.

Source: JLARC staff survey of agency transportation officers.

of the OFMS staff, and 99 percent indicated that they were satisfied with the overall quality of service provided by fleet management.

An analysis of the optimal trip pool size was to be conducted for this report, but the absence of accurate vehicle operating cost data prevented JLARC staff from performing this analysis. If the operating costs are known, the efficient number of vehicles in the trip pool could be estimated based on the cost of vehicles in the trip

Table 15

Trip Pool User Satisfaction with Fleet Management Services

Survey Questions	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
Vehicle pick-up and return procedures (n=103)	75%	21%	3%	1%
Helpfulness of OFMS staff	83	14	2	0
Overall quality of trip pool vehicles	54	40	6	0
OFMS operating hours (n=102)	54	37	7	2
Convenience of the location of the OFMS facility (n=103)	59	35	3	3
Overall OFMS service	65	34	1	0

Note: Unless otherwise noted, n=104.

Source: JLARC staff survey of trip pool vehicle operators.

pool not being used versus the cost of renting a vehicle in the case of excess demand for trip pool vehicles. A discussion of this lack of adequate vehicle cost data is included in the following section.

EFFICIENCY OF FLEET VEHICLE UTILIZATION AND PROCUREMENT

Efficient fleet vehicle utilization implies that vehicles are assigned to agencies only when it is cost-effective to do so, they are recalled when it is more cost-effective reimburse employees for mileage traveled in personal vehicles, they are replaced when it is no longer cost-effective to maintain them, and the rental rates charged to the agencies for their use are equal to the cost of using them. In order to analyze the efficiency of fleet vehicle utilization, it is necessary to know all of the capital and operating costs of the vehicles. Unfortunately, the Office of Fleet Management Services (OFMS) was unable to provide accurate fleet vehicle maintenance costs on each of the vehicles, and therefore JLARC staff were unable to conduct this analysis.

While an analysis of the adequacy of existing minimum mileage criteria, vehicle replacement criteria, and the existing rental rate structure could not be performed, JLARC staff reviewed the enforcement of existing minimum mileage criteria as well as the procurement of fleet vehicles. This review found that OFMS does not adhere to the minimum mileage criteria for long-term vehicle assignment as specified in the *Code of Virginia*. Furthermore, the review found that the State might not be purchasing the most cost-effective vehicles.

Fleet Vehicle Operating Costs Are Not Accurately Stored

In order to conduct an analysis of the efficiency of fleet vehicle utilization, all vehicle capital and operating costs must be known. Due to a technical problem with the information system used by VDOT and OFMS to record vehicle maintenance expenses, the operating costs of the individual fleet vehicles, which used to be available, were not to JLARC staff for this study. Given the inability to conduct this analysis at this time, the General Assembly may wish to direct VDOT and OFMS to provide JLARC with the data needed to perform an analysis of fleet vehicle rental rate structure.

OFMS is directed to track total fleet vehicle costs and conduct periodic reviews of the rental rates that are charged to State agencies for use of the fleet vehicles. OFMS, which was only recently transferred from VDOT to DGS, still relies on VDOT information systems to store vehicle operating cost data. VDOT stores fleet vehicle maintenance expense histories in its equipment management system, which is now a sub-system of VDOT's financial management system (FMS II). However, some of the maintenance expenses on the fleet vehicles were entered incorrectly into the equipment management system. When servicing fleet vehicles, parts from VDOT internal supplies were debited from VDOT's inventory and credited to the fleet vehicles. The expense entries for these parts appear as a negative amount in the vehicles' maintenance histories. However, parts supplied by external vendors appear as a positive amount – as they should be entered. The result of this reporting error is that some vehicles appear to have negative maintenance expenses, and it is impossible to determine if any of the total maintenance expenses for each vehicle in the report are accurate. (VDOT was unable to sort in-house parts expenses from external parts expenses within the timeframe for this study.)

The State fleet administrator claimed this problem has been known since FMS II was created in 2001. However, it appears that no action was taken to address the problem until OFMS was notified of it by JLARC staff.

VDOT staff stated they can sort out the in-house maintenance expenses and will be able to provide accurate vehicle maintenance costs for each vehicle in the centralized fleet. Until this is completed, however, JLARC cannot perform its review of vehicle efficiency and the internal service fund rates charged to State agencies for the use of centralized fleet vehicles. Therefore, the General Assembly may wish to direct VDOT and OFMS to furnish accurate fleet vehicle operating cost data so that JLARC can complete its review in 2004 and ensure that fleet vehicle rental rates are appropriate.

Recommendation (7). **In order for the Joint Legislative Audit and Review Commission to conduct its review of centralized fleet vehicle efficiency and rental rates, the General Assembly may wish to direct the Virginia Department of Transportation and the Office of Fleet Management Services to furnish accurate fleet vehicle operating cost data in 2004.**

OFMS Allows Underutilization of Centralized Fleet Vehicles

In order for the State's investment in the centralized fleet to be cost effective, vehicles must be appropriately utilized. Cost-effective utilization occurs when fleet vehicles are driven a certain number of miles within a set period of time to justify the capital investment made in the vehicles. If a fleet vehicle were driven less than this amount, it would have been more cost-effective for the State to reimburse an employee for miles driven in a personal vehicle. Therefore, it is essential that minimum mileage criteria are appropriately set and adhered to for the continued assignment of a fleet vehicle. Currently, however, centralized fleet vehicles are not recalled as long as they are driven within 25 percent of the minimum mileage criteria set by the *Code of Virginia*.

Section 2.2-1178 of the *Code of Virginia* identifies criteria governing the long-term, or permanent, assignment of fleet vehicles. The *Code* states that fleet vehicles may be permanently assigned to persons performing State duties only if deemed necessary by the head of the agency requesting such vehicle, and if approved in writing by the director of DGS. (The DGS director delegated this responsibility to the fleet administrator.) The *Code* further states that requests from agencies for the long-term assignment of fleet vehicles will only be approved by OFMS on the basis of one of the following criteria:

- the vehicle will be driven not less than the annual minimum mileage requirement (7,059 miles per year for compact sedans, 8,571 miles per year for mid-size sedans, and 10,851 miles per year for upper mid-size sedans, full-size sedans, and vans),
- the vehicle will be used by a law enforcement officer;
- the vehicle will be used by an employee on 24-hour emergency call;
- the vehicle will be used by an employee whose job duties require the constant use of specialized public safety equipment;
- the vehicle will be used to transport clients or wards of the State; or
- the vehicle will be used to perform essential agency administrative functions.

Vehicles used to perform public safety activities, transport clients or wards of the State, or conduct essential agency functions are exempt from the minimum mileage requirement.

Given the potential cost-savings available to the State through the efficient utilization of fleet vehicles, JLARC staff evaluated the ability of OFMS to enforce the minimum mileage requirement. Agencies are currently required to submit monthly mileage reports to OFMS for all assigned fleet vehicles. OFMS staff review the mileage reports to ensure that the vehicles are driven enough miles to meet the minimum mileage requirement. Agencies are advised on a quarterly basis of those

vehicles that failed to meet the minimum mileage criteria. Vehicles failing to meet the criteria are recalled to the centralized fleet at the end of the fiscal year.

JLARC staff collected vehicle utilization data for FY 2003 from OFMS to determine if the minimum mileage requirement was properly enforced. The data revealed that there were 3,504 vehicles permanently assigned to State agencies and institutions during the fiscal year. OFMS staff found that 730 vehicles failed to meet the minimum mileage requirement. Of this number, 360 vehicles were exempt from the requirement, 204 vehicles were within 25 percent of the requirement, and 166 vehicles were deemed underutilized. These 166 vehicles were recalled to the centralized fleet.

This review shows that while OFMS does recall many underutilized vehicles, it has lowered the actual minimum mileage criteria by 25 percent. Table 16 shows the prescribed minimum mileage criteria and the enforced minimum mileage criteria, which are 25 percent lower. According to the fleet administrator, OFMS adopted this variance in 1989 because it was not feasible to recall vehicles that failed to meet the minimum mileage requirement by "a few miles." While the reasoning behind allowing some variance appears logical, no analysis was performed by OFMS to determine if a 25 percent variance was appropriate. The 25 percent level was instead arbitrarily selected by OFMS. Furthermore, OFMS does not recall vehicles that are consistently utilized below the prescribed criteria but within 25 percent of the criteria. Therefore, the actual minimum mileage criteria are 25 percent below what they should be, and 204 underutilized vehicles continue to be assigned to agencies and institutions. Many of these vehicles should probably have been recalled.

Due to the potential costs involved with underutilized fleet vehicles, the 25 percent variance used by OFMS should be examined to ensure that the most economical threshold is selected. In addition, OFMS should track vehicle utilization over time to ensure that individual fleet vehicles that consistently fall below the minimum mileage threshold are appropriately recalled.

Table 16

Minimum Mileage Criteria For the Long-Term Assignment of Centralized Fleet Vehicles

Vehicle class	Prescribed Threshold (miles)	Enforced Threshold (miles)
Compact sedan	7,059	5,294
Mid-size sedan	8,571	6,428
Upper mid-size/full size/minivan	10,851	8,138

Source: JLARC staff analysis of data provided by OFMS.

Recommendation (8). **The Office of Fleet Management Services should adhere to the prescribed minimum mileage criteria for long-term vehicle assignment to the extent feasible. Fleet vehicles that are consistently underutilized should be recalled, regardless of how close they are to meeting the minimum mileage threshold.**

Fleet Vehicle Purchasing Process Is Competitive, But Vehicle Selection Criteria Could Be Improved

The process used for vehicle selection and purchasing to supply the centralized fleet is examined in this section. The process undertaken by DGS to develop vehicle specifications and award contracts is described below. While the process is competitive, it could be improved by using estimated vehicle lifecycle costs as a criterion for awarding contracts to automobile dealers.

The Department of General Services Uses Competitive Bidding Process to Select Vehicles for the Centralized Fleet. The fleet administrator purchases all centralized fleet vehicles from annual State contracts, which are initiated by the Department of General Services (DGS). DGS is responsible for developing vehicle specifications and contracts. According to DGS staff, vehicle specifications are broadly developed to allow the State to receive competitive contract bids from vendors representing all automobile manufacturers. DGS notifies vendors once it develops the bids, and the vendors compete against each other by submitting contract proposals to DGS.

DGS evaluates the proposals and awards contracts to the vendors that submitted the lowest bids. The contracts are normally awarded during the late summer of each year to Ford, General Motors, and Daimler-Chrysler dealers. Once the contracts are established, the fleet administrator orders vehicles through eVA, the State's Internet-based procurement system. The contracts are designed so that there is no minimum number of vehicles that must be purchased. In FY 2003, DGS established 15 vehicle contracts for the centralized fleet, and the fleet administrator purchased 190 vehicles from these contracts at a cost of approximately $2.8 million.

Estimated Lifecycle Costs of Vehicles Are Not Considered in Selection Process. As noted above, contracts are awarded to vendors who submit the lowest bids for the purchase of their vehicles. Because they normally offer substantial discounts on their fleet vehicles, contracts are almost always awarded to either Ford, General Motors, or Daimler-Chrysler dealerships. Although these vehicles may be the least expensive to purchase, they are not necessarily the least expensive to own and operate. Vehicles with the lowest lifecycle costs are the least expensive to own and operate, and purchase price is only one factor in determining the lifecycle cost of a vehicle. Other factors that need to be considered are fuel economy, estimated maintenance costs over the life of the vehicle, and the estimated resale value of the vehicle.

Although it may be more difficult to base vehicle contracts on lifecycle cost as opposed to purchase price, the effort would better ensure that the State receives the most economical vehicles. Also, the calculation for estimating vehicle lifecycle cost is fairly straightforward. The average fuel economy is published by the U.S. Environmental Protection Agency for all new vehicles, and therefore expected fuel costs on the vehicles can be calculated based on the current price of gasoline and the number of miles the vehicle will be driven before it is replaced. Maintenance expenditures can be estimated based on recommended service intervals for the vehicles and the cost of replacing fluids, tires, and other parts through normal preventive maintenance. The resale value of the vehicles may be estimated based on their expected depreciation. (For new model vehicles, the estimated resale value may be less precise.)

One automotive research company published expected lifecycle costs for various 2003 vehicle models within several different vehicle classes. This analysis was based on a 60,000 mile replacement schedule and does not take into consideration the discounts that may be offered by vehicle dealers. However, the results are illustrative in showing how vehicles with the lowest acquisition costs are not necessarily the most economical to own and operate. Table 17 shows the estimated per-mile costs for selected vehicles that were analyzed in the report. Per-mile costs were estimated based on the following equation:

$$\textit{Cost Per Mile} = \frac{\textit{Total Fuel Cost} + \textit{Total Maintenance Cost} + \textit{Depreciation}}{\textit{60,000 miles}}$$

Because Chevrolet, Ford, and Daimler-Chrysler offer significant discounts on their fleet vehicles to the State, the results in Table 17 should not be interpreted to mean that Toyota or Honda models would definitely be more cost-effective alternatives. However, the results clearly show how fuel economy and depreciation (acquisition cost minus resale value) affect the per-mile vehicle costs. In fact, those two factors affect the per-mile vehicle costs to a much greater extent than small differences in the purchase price of the vehicles.

Recommendation (9). **The Department of General Services should develop a methodology for estimating vehicle lifecycle costs, and the department should award contracts based on vehicles that meet the specifications and have the lowest estimated lifecycle cost.**

Table 17

Estimated 60,000 Mile Lifecycle Costs for Selected 2003 Vehicles

Vehicle	EPA MPG	Total Fuel Cost	Maintenance Cost	2003 Price[1]	Depreciation	Cost per mile
			Compact Sedans			
Chevrolet Cavalier	28	$ 3,043	$ 1,195	$ 14,008	$ 9,508	$ 0.229
Chevrolet Malibu[2]	24	3,550	1,195	16,897	11,197	0.266
Dodge Neon	27	3,156	1,178	13,702	9,202	0.226
Honda Civic	34	2,506	1,222	13,893	5,812	0.159
Toyota Corolla	34	2,506	1,247	12,893	6,893	0.177
			Mid-Size Sedans			
Chevrolet Impala	25	3,408	1,228	18,794	10,994	0.260
Dodge Intrepid	24	3,550	1,162	18,900	11,275	0.266
Ford Taurus	24	3,550	1,247	17,885	11,385	0.270
Toyota Camry	24	3,550	1,247	20,506	9,806	0.243
Honda Accord	24	3,550	1,222	21,056	9,875	0.244

[1] Manufacturer's suggested retail price; the State pays considerably less due to discounts from competitive bids.
[2] The 2003 Chevrolet Malibu was classified as a compact sedan by the State fleet administrator.

Source: *Business Fleet*. January/February 2003.

IV. Alternatives to Current Fleet Management Operations

The State could possibly achieve additional cost savings or be able to provide better fleet vehicle service by adopting alternative policies for its fleet management operations. The alternative policies examined in this chapter include: outsourcing maintenance of the centralized vehicle fleet to a private vendor, leasing fleet vehicles instead of purchasing them, and implementing a public transportation voucher program.

While surveys of vehicle operators and agency transportation officers revealed an overall satisfaction with the quality and timeliness of the State's in-house maintenance operations, the State may want to consider issuing a request for proposals (RFP) to private vendors for maintenance of the centralized vehicle fleet. If an RFP is issued, a managed competition approach should be taken in which the Virginia Department of Transportation (VDOT) and the Office of Fleet Management Services (OFMS) would be allowed to compete with private vendors for the fleet maintenance contract. Additionally, the State may want to initiate a pilot program before deciding whether or not to outsource maintenance of the entire vehicle fleet. The State may also want to initiate a maintenance control center, either in-house or through a private vendor.

Procuring fleet vehicles through a leasing program has some advantages over purchasing the vehicles, but a commercial lease would likely be more costly than purchasing the vehicles. Therefore, leasing vehicles may be an appropriate alternative to purchasing vehicles only when funding is inadequate to meet agency transportation needs.

Based on State employee travel demands and the lack of an adequate public transportation infrastructure in most areas of the Commonwealth, it does not appear that a public transportation voucher program would represent a viable alternative to the use of fleet vehicles or personal vehicle mileage reimbursements. However, the State may wish to pursue an agreement with Amtrak to offer Public employees a discount for travel between the Richmond area and Northern Virginia.

MAINTENANCE OF FLEET VEHICLES COULD BE OUTSOURCED

Because several private companies offer fleet maintenance services, it is possible to outsource vehicle maintenance, which is currently provided jointly by VDOT and OFMS. The primary criteria for determining if vehicle maintenance should be outsourced are cost, quality, and timeliness. If a private vendor can maintain the centralized fleet cheaper, better, and faster than the in-house shops, then it would be advantageous to the Commonwealth for this function to be outsourced. This section examines the costs and quality of maintaining the fleet in-house and explores options for outsourcing Virginia's centralized fleet maintenance activities.

Vehicles Are Maintained In-House Through VDOT and OFMS

Centralized fleet vehicles are maintained primarily by VDOT and OFMS facilities. VDOT operates 83 vehicle maintenance facilities throughout the State, and OFMS operates the central garage in Richmond. VDOT operated the central garage maintenance facility until 2001, at which time the administrative duties were transferred to the Department of General Services. The VDOT maintenance facilities are located in the nine district headquarters, and there is at least one facility in each VDOT residency. Figure 5 shows the distribution of VDOT and OFMS facilities across the State. Some agencies use their own in-house maintenance facilities, and occasionally fleet vehicle maintenance is outsourced to a private vendor.

The VDOT and OFMS facilities conduct routine preventive maintenance on fleet vehicles, such as oil and tire changes, brake repairs, and replacement of radiator hoses. Other non-routine activities, such as windshield repair, body repair, and exhaust system replacement, are outsourced. The facilities located at the district headquarters are equipped to handle larger tasks, such as transmission and engine replacement.

Vehicle Maintenance Records Are Stored by VDOT. VDOT keeps a record of all maintenance work performed on fleet vehicles. All maintenance of fleet vehicles, whether performed by VDOT, OFMS, an agency's in-house facility, or a private vendor, is recorded in the equipment management system, which is a subsystem of VDOT's Financial Management System (FMS II). OFMS has access to the equipment management system and uses it to record maintenance done at its own facility as well as maintenance performed by agencies at their in-house facilities.

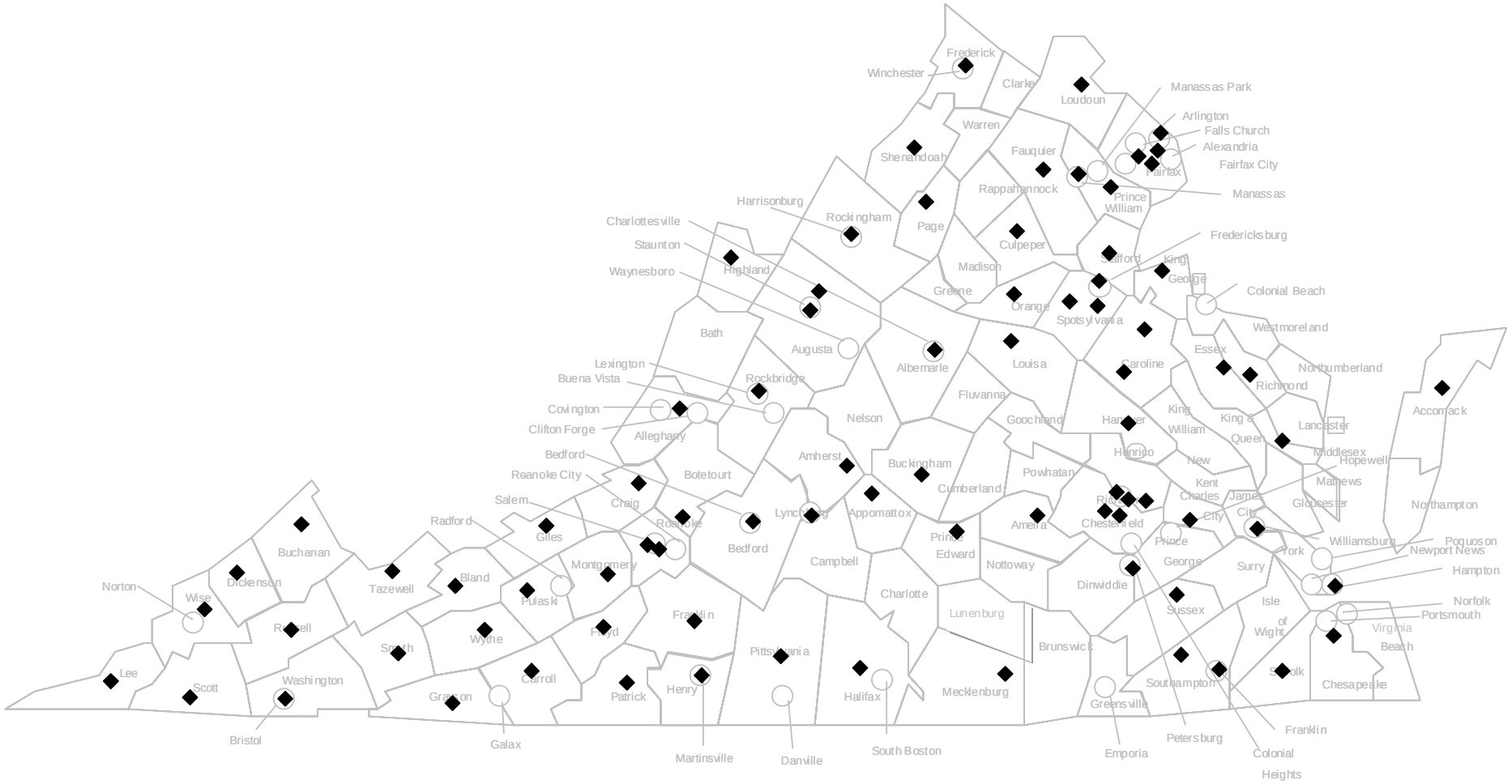
In addition to a record of the maintenance history, which includes parts and labor expenses, the equipment management system keeps track of all fuel, oil, and fluids expenses for each vehicle in the centralized fleet. This maintenance record is important for determining the operating costs of the vehicles, which is necessary for establishing appropriate rental rates, minimum mileage criteria, and the vehicle replacement schedule. In FY 2003, OFMS paid approximately $2 million for vehicle repair and maintenance services and parts, and $2.1 million for gasoline.

Maintenance of VDOT Equipment Takes Precedence Over Maintenance of Centralized Fleet Vehicles. Because VDOT's primary responsibility is the maintenance and construction of Virginia's network of highways, maintenance of fleet vehicles may be postponed or outsourced depending on the workload of the VDOT facilities. VDOT maintenance facilities are charged with maintaining VDOT equipment, which takes precedence over maintaining fleet vehicles. According to one VDOT official, the timeliness of servicing fleet vehicles depends on the weather (such as when VDOT is involved with snow removal operations) and the construction schedule.

Although maintenance of fleet vehicles could be delayed at VDOT facilities, this does not appear to be a significant problem. As is shown in the following sec-

Figure 5

State Vehicle Maintenance Facilities



Note: Locations are approximate.

Source: VDOT Directory of Motor Vehicle Service Facilities.

tion, a large majority of employees appear to be satisfied with the timeliness of maintenance at VDOT facilities.

Employees Are Generally Satisfied with the Quality and Timeliness of Vehicle Maintenance

JLARC surveys of vehicle operators show that employees are generally satisfied with the quality and timeliness of the maintenance services provided by both VDOT and OFMS (Table 18). When asked their opinion on the timeliness of vehicle maintenance, 83 percent of the respondents rated VDOT facilities as excellent or good. OFMS received slightly lower ratings, with 74 percent rating the timeliness as excellent or good. Vehicle operators were more satisfied with the overall quality of the maintenance provided by the facilities: 87 percent of the respondents rated VDOT facilities as excellent or good, compared to 82 percent for the OFMS facility. Fewer than five percent of the respondents gave a poor rating to either organization for their timeliness or overall quality of maintenance services.

In addition, employees appear to be satisfied with the condition of both the permanently assigned fleet vehicles and the trip pool vehicles. Table 19 and Table 20 show the ratings on the condition and performance of permanently assigned fleet vehicles and trip pool vehicles, respectively. For permanently assigned fleet vehicles, "good" ratings ranged from 68 percent for acceleration to 93 percent for engine starting and the lights/turn signals on the vehicles. For trip pool vehicles, "good" ratings ranged from 81 percent for the interior condition to 97 percent for heating. The trip pool vehicles rated slightly higher in all categories, which is likely explained by the fact that they are usually newer than permanently assigned vehicles.

Table 18

Satisfaction with Timeliness and Quality of Maintenance Services

	Excellent	Good	Fair	Poor
Timeliness of maintenance (n=1,001):				
VDOT	46%	37%	13%	4%
OFMS	30	44	21	5
Overall quality of maintenance (n=1,000):				
VDOT	44	43	10	2
OFMS	26	56	15	3

Note: Numbers may not total 100 percent due to rounding.

Source: 2003 JLARC survey of permanently assigned vehicle operators.

Table 19

Condition and Performance Ratings of Permanently Assigned Fleet Vehicles

	Good	Fair	Poor
Engine Starting	93%	6%	1%
Engine Running	89	9	1
Steering	89	10	1
Braking	81	16	3
Tires	82	16	2
Transmission	85	13	3
Acceleration	68	23	9
Heating	90	9	1
Air Conditioning	82	13	4
Windshield Wipers/Washer	79	16	4
Lights/Turn Signals	93	6	0
Radio	81	15	4
Fuel Economy	83	15	2
Body Condition	83	12	5
Interior Condition	78	17	5

(n=997)

Numbers may not total 100 percent due to rounding.

Source: 2003 JLARC survey of permanently assigned vehicle operators.

Private Vendors Offer Comprehensive Fleet Vehicle Maintenance Services

Several private vendors offer various fleet vehicle maintenance services. There are two basic methods for outsourcing fleet vehicle maintenance. One method involves the use of a maintenance control center (MCC) that negotiates service costs with a network of existing maintenance shops throughout the state. The other method involves the privatization of existing in-house maintenance facilities. These two methods are examined in further detail below.

Maintenance Control Center (MCC) for Negotiating Costs with Private Vendors. The maintenance control center approach for outsourcing fleet vehicle maintenance involves initiating a contract with a fleet management company to monitor vehicle maintenance histories and to negotiate maintenance and repair prices with a network of private maintenance shops throughout the state. The private maintenance shops would bill the MCC directly, and the MCC would submit consolidated monthly bills to the State. The MCC is staffed by trained mechanics that operate a 24-hour, seven day a week call center that vehicle operators can contact if they need maintenance services. The MCC is responsible for scheduling, procuring, and controlling all vehicle maintenance and repair services for fleet vehicles.

Table 20

Condition and Performance Ratings of Trip Pool Vehicles

	Good	Fair	Poor
Engine Starting	93%	6%	1%
Engine Running	94	5	1
Steering	90	8	2
Braking	88	11	1
Tires	93	7	1
Transmission	92	7	2
Acceleration	84	11	4
Heating	97	3	0
Air Conditioning	95	4	1
Windshield Wipers/Washer	86	9	5
Lights/Turn Signals	96	3	1
Radio	89	7	4
Fuel Economy	89	10	1
Body Condition	89	9	2
Interior Condition	81	14	5

(n=122)

Numbers may not total 100 percent due to rounding.

Source: 2003 JLARC survey of permanently assigned vehicle operators.

The rationale for entering into an MCC contract is that maintenance shops may be more likely to offer reasonable prices if the costs are negotiated through a centralized office with maintenance expertise. Private maintenance shops may be less likely to offer competitive prices if they believe the vehicle operator is unconcerned about the cost because the State will pay the bill. In addition, maintenance shops would have an incentive to offer lower prices because they want to be on the list of approved vendors, which could secure a significant amount of business from a large fleet. Finally, because the MCC has immediate access to each vehicle's maintenance history, maintenance shops will be less likely to try to sell unnecessary services.

Several states have contracts of this nature with private fleet management companies, including Georgia, Maryland, Michigan, New York, West Virginia, and Wisconsin. In addition, other states have instituted their own in-house centers that establish a list of approved vendors and operate call centers for vehicle assistance. Of the states contacted by JLARC staff, Kentucky, Pennsylvania, and South Carolina have this type of arrangement.

Virginia does not have an in-house call center, but the State's electronic procurement system, eVA, acts as a network of maintenance service providers. Agencies are able to select a vendor from the list of providers in eVA. However, this arrangement does not provide vehicle operators with the technical expertise needed to negotiate service prices, nor does it provide immediate access to a vehicle's maintenance history to determine if suggested repairs are necessary. The fleet administrator does, however, have the authority to deny payment to an agency if he believes the service charge is too high compared to what VDOT would charge for the same service.

Privatization of Existing In-House Maintenance Facilities. The other primary method for outsourcing fleet vehicle maintenance is to privatize the existing maintenance facilities managed by VDOT and OFMS. Under this arrangement, the State-owned facilities would be sold or leased to a private company. The company would then manage the daily maintenance activities and hire its own mechanics to service the vehicles.

Vendors that offer this type of service claim they can reduce maintenance costs by utilizing best management practices and the flexibility afforded private companies in managing their personnel. According to one local official, a major advantage to privatization is that the grievance process for removing an employee whose work is poor can be avoided. Private fleet maintenance vendors claim they typically achieve savings of 15 percent to 30 percent over in-house costs.

Although no state has entered into this type of contract, several localities have done so. The cities of Baltimore, Dallas, and Washington, DC have privatized their maintenance activities for all or part of their vehicle fleets with one company. The City of Richmond School Board entered into a contract with a private vendor to maintain its school buses, and the School Board appears to be satisfied with both the quality and cost of the service. However, JLARC staff were not provided with cost savings information for the school bus maintenance program.

Options for Fleet Vehicle Maintenance in Virginia

Virginia could implement either or both of the fleet maintenance outsourcing arrangements discussed above, or it could maintain the status quo. The advantages and disadvantages of each option are examined below. Because Virginia has numerous in-house maintenance facilities throughout the State, and because there are many levels of maintenance and repair services, the State could choose more than one option. To determine the most appropriate option or combination of options, the State will need to assess its fleet maintenance costs and then issue a request for proposals to determine if outsourcing any portion of its maintenance services would be cost-effective.

Option I: Maintain Status Quo. The primary advantage of maintaining the status quo is that there would be no disruption of service or transition costs. The current system of using VDOT facilities and fleet management for minor services and repairs, and private vendors for specialized services, has been in place for

some time, and the agencies and vehicle operators are familiar with the process. Also, agency transportation officers and vehicle operators are generally satisfied with the quality and timeliness of the services provided by both VDOT and OFMS.

The primary disadvantage of maintaining the status quo is that the State may be paying more than what is necessary to maintain and repair its vehicle fleet. Also, the State may not be utilizing its buying power with private maintenance shops, as it does not have a maintenance control center to negotiate service prices or provide immediate technical assistance. Unless the State issues a request for proposals and accepts competitive bids from private vendors, there is no way of knowing if the State is minimizing its maintenance and repair costs.

Option II: Use of Private Maintenance Control Center to Administer Network of Maintenance Service Providers. The primary advantages of entering into a contract with a maintenance control center company are flexibility, discounted service charges from private facilities, and technical expertise offered by the call center. Another advantage of this arrangement is that there would be limited disruption of service.

Private maintenance control centers offer flexibility, as the State could choose to conduct all of its vehicle maintenance through the control center's network of providers, or it could choose to use the service only for certain areas of the State or for certain maintenance activities. According to one vendor, Virginia could continue to operate some or all of its in-house facilities and only use the maintenance control center's network of providers for those services that are currently being outsourced. Similarly, vehicle operators could use control center facilities in areas where VDOT facilities are not convenient. However, because the monthly administration fee is based on the number of vehicles in the fleet, underutilization of the control center service could be costly.

Additionally, agency-owned vehicles could be serviced under the same contract as the centralized fleet. This type of arrangement could especially benefit the Department of State Police, which owns approximately 2,000 vehicles and has little central control over the maintenance of its vehicles. Nearly all of the department's vehicle maintenance is performed by private garages. The department has not negotiated prices for this service on a statewide basis, and individual service charges are reviewed by the sergeant within each of the 48 area offices. Furthermore, an official with the department stated that the vehicle maintenance tracking system is out of date and should probably be replaced. An arrangement with a private maintenance control center would solve its vehicle maintenance information system needs as well as help to control its maintenance costs.

Another advantage of using a maintenance control center is the technical expertise offered by the vendor when vehicles are in need of repair or maintenance. At least one of the vendors staffs its call center with Automotive Service Excellence (ASE) certified mechanics who help determine if certain services are needed based on the vehicle's maintenance history, which is contained within a Web-based information system. Vehicle operators and fleet managers would also have access to the information system through the Internet.

The disadvantage of using a private maintenance control center is that Virginia already has an in-house maintenance tracking system and a network of vehicle service providers through eVA. Also, OFMS is familiar with the rates charged by VDOT and with competitive rates for most vehicle services, and has the authority to deny vehicle service requests if the rate is believed to be too high. Thus, the State has some control over the maintenance and repair costs being charged by private garages for work on centralized fleet vehicles. Depending on the price offered by a private maintenance control center, Virginia's maintenance tracking system and controls over maintenance and repair service prices may be sufficient, at least for the centralized fleet.

Option III: Conduct Managed Competition Program at Selected Maintenance Facilities to Assess Effectiveness of Privatized Management. A final option to consider is to conduct a managed competition program at selected in-house maintenance facilities. Managed competition involves the issuance of a request for proposals (RFP) to private vendors and the in-house management office. The in-house management office is allowed to compete with private vendors for a contract to manage the maintenance facility. Because there are currently no private vendors that manage the maintenance of a fleet over a geographical area the size of Virginia, a more realistic option for the State is to conduct a pilot program at a small number of facilities. If the pilot program is successful, then the State may want to expand managed competition to other in-house facilities. VDOT is currently conducting a managed competition pilot project at four of its maintenance facilities in the Staunton district.

The primary advantage of conducting a managed competition pilot program is that the State can readily compare cost and quality of maintenance between the State-managed and privately managed facilities. First, the State will be able to ascertain the cost-effectiveness of outsourcing maintenance at the selected facilities. Then, if a private vendor wins the bid, the State can compare the quality and timeliness of the privately managed facility with the other in-house facilities across the State. If it is determined that the in-house facilities are more cost-effective while providing similar or better service, the State could regain control of the facilities at the end of the contract term. Conversely, the State could expand privatization to other facilities if the privately managed ones are more cost-effective and provide equal or better service.

One potential problem with privatizing fleet maintenance facilities is that a majority of the maintenance takes place at VDOT facilities, which are responsible for maintaining VDOT equipment first and centralized fleet vehicles second. The managed competition program currently underway at VDOT is primarily directed at the maintenance of VDOT equipment and vehicles. Under the proposal, maintenance of VDOT equipment would be charged at a flat rate, which is based on cents per mile of use. Maintenance of fleet vehicles, however, is considered to be "non-targeted" maintenance, and charges for service on these vehicles would be based on hours of labor and parts. Thus, the contract could be beneficial to VDOT while causing higher rates to be charged to OFMS. The managed competition program needs to take into consideration the dual role of VDOT maintenance facilities, and the con-

tract should be structured in such a way as to provide a net reduction in overall maintenance costs.

Conducting a managed competition program at the central garage in Richmond would not involve the dual needs of VDOT and OFMS. Therefore, it may be prudent for the Department of General Services to solicit bids for the management of the OFMS maintenance facility. If a private vendor demonstrates that it can offer the service for less cost than the in-house management, maintenance at the central garage should be outsourced to that vendor.

Recommendation (10). **The Department of General Services should implement a vehicle maintenance control center for all fleet and agency-owned vehicles. DGS should assess the cost of initiating a vehicle maintenance control center in-house, and a request for proposals should be issued to determine if a private vendor could offer the service at a lower cost.**

Recommendation (11). **The Department of General Services should assess the total cost of conducting maintenance on fleet vehicles at the central garage and initiate a competitive bidding process for the service.**

FLEET VEHICLE LEASING IS NOT APPROPRIATE AT THIS TIME

The mandate for this study (HJR 518) requested that JLARC determine whether "fleet vehicle leasing is more cost-effective than fleet vehicle purchasing." To conduct this review, JLARC staff interviewed officials at the Office of Fleet Management Services (OFMS), fleet management officials from selected other states, automobile dealers, and a representative from an automobile manufacturer's commercial lending service. The different types of leasing arrangements are discussed below, along with the advantages and disadvantages of leasing vehicles instead of purchasing them.

Fleet Vehicle Leasing Arrangements

There are two basic types of leasing arrangements for procuring fleet vehicles: open-end and closed-end. Open-end leases are also known as lease/purchase arrangements. The difference between the two types is that with an open-ended lease, the lessee owns the title on the vehicles at the beginning of the lease and gains equity in the vehicles over the period of the lease. With a closed-end lease, the lessee does not own the vehicles and simply pays rent on the vehicles over the term of the lease contract. The two lease types are described in further detail below.

Closed-End Vehicle Lease. With a closed-end lease, the lessee (in this case, the Commonwealth of Virginia) would make monthly payments to the financing company for the term of the contract. The lease term normally lasts between three to five years. At the end of the term, the vehicles would be returned to the dealer or purchased at a predetermined price or fair market value. Because the dealer retains ownership of the vehicles, and the associated risk, limits are set on

the number of miles the vehicles may be driven each year. If a vehicle exceeds the mileage limit, the State would be assessed a per-mile fee.

A closed-end leasing agreement is equivalent to renting a vehicle, except that the leasing term is significantly longer than for a typical rental vehicle. Because the State would not be paying interest on the principal of the vehicles, the payments for a closed-end lease would be less than payments for an open-end lease. However, a closed-end lease would be more costly, as the State would not accrue equity in the vehicles and would not have the option of selling the vehicles at the end of the lease term (unless it purchased them first).

Open-End Vehicle Lease. With an open-end lease, or lease/purchase, the State would own the title to the vehicles from the beginning of the lease term. The State would basically purchase the vehicles up front but finance the purchase over a number of years – similar to a mortgage on a home. Periodic payments to the financing company would be comprised of principal and interest payments. There is no annual mileage limit on vehicles procured through an open-end lease, as the State would own the vehicles and would assume the risk of vehicles having a lower resale value at the end of the term.

In addition to there being no restrictions on utilization of the vehicles, another major advantage of the open-end lease is that the State would have a non-appropriation clause in the lease contract. The non-appropriation clause would allow the State to return the vehicles if fleet management was not provided with the funds to make payments. With the non-appropriation clause, the lease agreement would not affect the State's debt capacity. Because of these advantages over closed-end leases, open-end leases would provide a better alternative to purchasing fleet vehicles.

Advantages and Disadvantages of Leasing Fleet Vehicles

Leasing fleet vehicles has several advantages over purchasing them. The primary advantage of leasing fleet vehicles is that less cash is needed at the time of procurement. Therefore, the State can acquire more vehicles given the same amount of funding, or it could free up cash for other purposes. This advantage makes leasing fleet vehicles especially attractive during times of budget shortfalls. With the same initial investment, the State could procure approximately four times as many vehicles by leasing instead of purchasing them. However, the total cost of the vehicles over their lifecycle would be slightly higher.

Another advantage is that the vehicles would likely be replaced in a timelier manner, as OFMS would be able to replace its high-mileage vehicles with less initial investment. In FY 2003, $6.6 million was transferred to the General Fund, which limited fleet management's ability to replace vehicles that had exceeded 105,000 miles. Most of the high-mileage vehicles could likely have still been replaced by leasing new vehicles. Finally, because the financing of the vehicles would be spread over three to five years, there would be less incentive for the Governor or General Assembly to transfer funds from OFMS, as the State would have out-

standing obligations on the vehicle leases. By maintaining steady funding for the State's vehicle fleet, fleet operations should be less costly because there would be fewer high-mileage vehicles, which are generally more costly to maintain.

The disadvantage of leasing vehicles is that the State would have to pay interest, and therefore it would be less cost-effective than purchasing them. Motor vehicle dealers, finance companies, and fleet administrators from other states all stated that it is more costly to lease fleet vehicles than it is to purchase them. In discussions with officials from other states, Florida, Kentucky, Maryland, and Tennessee all considered leasing fleet vehicles in the past but determined that purchasing vehicles was more cost-effective.

Because vehicle leasing is less cost-effective than vehicle purchasing, leasing should only be used when OFMS has insufficient cash to purchase needed vehicles. If the interest rate is low enough, it may be more cost-effective to lease new vehicles than to delay replacing high-mileage vehicles, with associated high maintenance costs, due to insufficient funds.

Recommendation (12). **The Office of Fleet Management Services should annually review vehicle replacement needs and determine if fleet vehicle leasing would be a cost-effective means of meeting the State's demand for fleet vehicles.**

USE OF PUBLIC TRANSPORTATION VOUCHERS AS AN ALTERNATIVE TO FLEET VEHICLES OR PERSONAL MILEAGE REIMBURSEMENT

House Joint Resolution 518, the study mandate, directed JLARC to determine whether "public transportation vouchers are an appropriate and cost-effective alternative to fleet vehicle use or mileage reimbursements." JLARC staff found that while public transportation may present a viable alternative in limited cases within urban areas of the State, Virginia does not appear to have a public transportation infrastructure capable of meeting the work-related travel demands of most employees. Virginia has a pre-tax public transportation program for employees to commute to work, but this program is designed for personal travel and does not substitute for fleet vehicle use or personal mileage reimbursement. An agreement with Amtrak to offer discounted fares could possibly present a cost-effective alternative for travel between Richmond and Northern Virginia.

State employees travel on business for a variety of reasons. These reasons include: visiting or transporting clients or wards of the State, traveling to meetings or conferences, performing law enforcement or other public safety duties, traveling to various sites to inspect or supervise activities, and performing other work-related errands. The JLARC survey of permanently assigned vehicle operators found that traveling to sites to supervise or inspect products or construction activities was the most common use of fleet vehicles, followed by traveling to work-related meetings and performing law enforcement or other public safety duties. Table 21 shows the

Table 21

Primary Work-Related Travel of Fleet Vehicle Operators

Primary Activity	Number Responding	Percent of Total
Traveling to sites to perform/supervise/inspect products, machinery, buildings, or other construction activities.	345	37.3%
Traveling to work-related meetings and/or conferences	211	22.8
Performing law enforcement or other public safety related duties	177	19.1
Visiting or transporting clients or wards of the State	62	6.7
Other	130	14.0
Total	925	100%

Source: JLARC Survey of Operators of Permanently Assigned Fleet Vehicles, 2003.

breakdown of the use of fleet vehicles during FY 2003. Of the vehicle operators surveyed, 98 percent responded that there were no public transportation alternatives that could adequately meet their business travel needs.

One reason that public transportation may not provide a viable alternative in most cases is that there is very little connectivity between regional public transit services. Virginia's public transportation consists of 39 separate local or regional transit operators, the largest being the Washington Metropolitan Area Transit Authority, which operates the Metrorail system in Northern Virginia. Outside of Northern Virginia, Virginia's public transportation consists of bus and van service, and a ferry service in Tidewater. The 2001 JLARC report on Equity and Efficiency of Highway Construction and Transit Funding found that "connectivity between services is not always available, and transit services between regions is often limited." This lack of connectivity hampers the viability of public transportation being a cost-effective alternative for travel between different areas of the State.

It should be noted, however, that Virginia has a pre-tax public transportation program for State employees in the Richmond area that enables them to commute via the Greater Richmond Transit Commission at a reduced rate. Employees may pay $30 per month for this service, which is deducted from their paychecks prior to taxes being assessed on their incomes. The program is similar to the pre-tax parking program for State employees, in which $35 is deducted from an employee's

paycheck each month prior to taxes being assessed on the income. While this program is useful for encouraging transit ridership and helping to reduce road congestion, it does not constitute an alternative for work-related travel. Employees who use a fleet vehicle to commute to and from work are required to reimburse the State for this travel.

While public transportation appears to be a limited alternative to the use of a fleet vehicle or personal mileage reimbursement, agencies should examine their employees' work-related travel demands to determine if public transportation could be a cost-effective alternative. Opportunities may exist for some State employees to use public transportation for their business travel, depending on the location and nature of the work. This would need to be evaluated on a case-by-case basis.

Finally, for travel between the Richmond and Northern Virginia regions, the State may want to pursue an agreement with Amtrak to offer public employees a discount for use of the train service. Nearly 15 percent of the trip pool users surveyed reported that they traveled to Northern Virginia from Richmond. In addition, a sizeable number of State, local, and Virginia Commonwealth University employees likely travel this corridor annually on work-related trips. The cost of travel between these regions ranges from about $38 for travel in a fleet vehicle (compact sedan) to about $65 for personal mileage reimbursement. Currently, Amtrak offers round trip fares of $69 dollars. If the State could negotiate a discounted price with Amtrak based on a guaranteed number of riders, the use of Amtrak might be a cost-effective alternative to the use of a fleet vehicle or personal mileage reimbursement.

Recommendation (13). The Department of General Services may wish to explore the feasibility of discounted rail fares for public employees traveling on official business between Richmond and Washington, DC.

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Appendix A

Study Mandate

HOUSE JOINT RESOLUTION NO. 518

2003 Session

Directing the Joint Legislative Audit and Review Commission to study management of the Commonwealth's centralized vehicle fleet and use of government-owned motor vehicles by state employees. Report.

WHEREAS, in 2001, the General Assembly enacted legislation (House Bill No. 2419), which transferred responsibility for management of the Commonwealth's centralized vehicle fleet from the Commonwealth Transportation Commissioner to the Director of the Department of General Services; and

WHEREAS, management of the Commonwealth's centralized vehicle fleet involves not only acquisition and maintenance of numerous vehicles and types of vehicles, but also the establishment and enforcement of policies and procedures governing when, how, and by whom state-owned vehicles are used; and

WHEREAS, it is important that the Commonwealth's centralized vehicle fleet be managed economically, efficiently, fairly, and in accordance with best business practices; and

WHEREAS, the Joint Legislative Audit and Review Commission (JLARC) has statutory responsibility for internal service funds pursuant to § 2.2-803, including the oversight of the Commonwealth's centralized vehicle fleet; and

WHEREAS, JLARC has periodically reviewed the efficiency and effectiveness of the Commonwealth's centralized vehicle fleet's operations and business practices; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be directed to study management of the Commonwealth's centralized vehicle fleet and use of government-owned motor vehicles by state employees.

In conducting its study, the Joint Legislative Audit and Review Commission shall determine whether (i) the numbers, types, and quality of fleet vehicles are adequate to address the mission of the agencies that use them; (ii) fleet vehicles are being used in situations where mileage reimbursement to state employees can accomplish the same purpose; (iii) public transportation vouchers are an appropriate and cost-effective alternative to fleet vehicle use or mileage reimbursements; (iv) outsourcing fleet maintenance may save taxpayer dollars; (v) fleet maintenance operations may be accomplished more effectively in-house, rather than through outsourcing; (vi) fleet vehicle leasing is more cost-effective than fleet vehicle purchasing; and (vii) there are sufficient and effective controls on fleet vehicle use by state employees to ensure that fleet vehicles are not being used for inappropriate personal transportation purposes.

All agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request.

The Joint Legislative Audit and Review Commission shall complete its meetings by November 30, 2003, and the Chairman of the Commission shall submit to the Division of Legislative Automated Systems an executive summary of the Commission's findings and recommendations no later than the first day of the 2004 Regular Session of the General Assembly. The executive summary shall state whether the Joint Legislative Audit and Review Commission intends to submit to the Governor and the General Assembly a report of its findings and recommendations for publication as a document. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

Appendix B

Agency Owned Passenger-Type Vehicles
(FY 2003)

Agency	Total
Department of State Police	1,936
Department of Corrections	595
Virginia Polytechnic Institute and State University	325
Department of Game and Inland Fisheries	249
Department of Alcoholic Beverage Control	182
Department of Transportation	164
Department of Mines, Minerals, and Energy	139
Department of Environmental Quality	90
Old Dominion University	83
James Madison University	59
College of William and Mary	54
Division of Community Corrections	54
Department of Forestry	45
Virginia Port Authority	42
George Mason University	38
Department of Emergency Management	37
Department of Motor Vehicles	32
Radford University	26
Southside Virginia Community College	17
Mary Washington College	16
Northern Virginia Community College	16
Southside Virginia Training Center	16
Marine Resources Commission	15
J. Sargeant Reynolds Community College	13
Jamestown-Yorktown Foundation	13
Eastern State Hospital	13
Western State Hospital	13
University of Virginia's College at Wise	12
Central Virginia Training Center	12
Department of Agriculture and Consumer Services	9
Northern Virginia Training Center	9
Mountain Empire Community College	8
Southeastern Virginia Training Center	8
Piedmont Geriatric Hospital	8
Catawba Hospital	7
Northern Virginia Mental Health Institute	7
Longwood University	5
Department of Rehabilitative Services	5
Tidewater Community College	5
Virginia Department of Blind and Vision Impaired	5
Southwestern Virginia Mental Health Institute	5
Southwestern Virginia Training Center	5
Department of Housing and Community Development	4

Virginia Employment Commission	4
Richard Bland Community College	4
Department of General Services	3
Library of Virginia	3
Department of Professional and Occupational Regulation	3
Virginia Institute of Marine Science	3
Southside Virginia Community College	3
Paul D. Camp Community College	3
Patrick Henry Community College	3
Virginia Economic Development Partnership	3
Southern Virginia Mental Health Institute	3
Department of Aviation	3
State Corporation Commission	2
Virginia Western Community College	2
Virginia High Community College	2
Department of Historic Resources	2
Virginia Museum of Natural History	2
Virginia Information Technologies Agency	1
Virginia Science Museum	1
Department of Education	1
Virginia School for the Deaf and Blind at Staunton	1
Virginia School for the Deaf, Blind, and Multi-Disabled at Hampton	1
Danville Community College	1
Piedmont Community College	1
Blue Ridge Community College	1
Lord Fairfax Community College	1
Total	**4,453**

Appendix C

Agency Response

As part of an extensive data validation process, the major entities involved in a JLARC assessment effort are given an opportunity to comment on an exposure draft of the report. Appropriate technical corrections resulting from the written comments have been made in this revision of the report.

This appendix contains the written response of the Department of General Services.

DEC 03 2003

COMMONWEALTH of VIRGINIA

Department of General Services

James T. Roberts
Director

December 2, 2003

202 North Ninth Street
Suite 209
Richmond, Virginia 23219-3402
Voice/TDD (804) 786-6152
FAX (804) 371-8305

Mr. Phil Leone, Director
Joint Legislative Audit and Review Commission
General Assembly Building, 11th Floor
Richmond, Virginia 23219

Dear Phil:

Thank you for the opportunity to review the exposure draft report *Review of the State's Passenger Vehicle Fleet.* The Department of General Services (DGS) does not have significant concerns about the information presented in the report regarding our Office of Fleet Management Services (OFMS). I think the JLARC survey generally confirmed that OFMS is well managed, and the state agencies and their staff are satisfied with the services provided.

We have no serious reservations about the recommendations contained in the report. I must tell you though that implementing several of the recommendations would almost certainly result in increased costs or divert resources from other priorities. The report does not seem to fully address the cost benefit of some of the recommendations, and I therefore do not want to lead you to believe we are prepared to immediately implement all of the recommendations without that level of analysis. By way of a couple of examples, consider the following:

- The report recommends implementing a "vehicle maintenance control center" and/or "initiating a competitive bidding process" for maintenance services at the central garage. The cost benefit of implementing such a program remains to be determined, and an extensive and potentially costly analysis would be needed to evaluate the costs and benefits of this approach.

- The report recommends that annually the Department of Accounts and DGS conduct an analysis of personal vehicle miles traveled by individual state employees to determine whether a fleet vehicle should be assigned to them permanently. This information is already made available each year, and it is the state agencies and institutions that are responsible for policing vehicle mileage reimbursements. Whether the costs of conducting the analysis centrally would save funds at the agency level or result in other fiscal benefits that would outweigh the costs is not altogether clear.

Regardless of the foregoing, let me assure the Commission we will look seriously at implementing all of the report recommendations. To the extent any issues presented in the report require corrective actions, we will do so. In summary, I believe the report portrays fairly and accurately the current state of fleet vehicle use in the Commonwealth.

As always, we appreciate the opportunity to work with you on this and other matters of mutual interest.

Sincerely,

James T. Roberts

c: The Honorable Sandra D. Bowen

JLARC Staff

Director: Philip A. Leone
Deputy Director: R. Kirk Jonas

● *Division I Chief:* Glen S. Tittermary
Division II Chief: Robert B. Rotz

Section Managers:
Patricia S. Bishop, Fiscal & Administrative Services
John W. Long, Publications & Graphics
Gregory J. Rest, Research Methods
Walter L. Smiley, Fiscal Analysis

Project Team Leaders:
● Aris W. Bearse
Linda B. Ford
Harold E. Greer, III
Eric H. Messick
Kimberly A. Sarte

Project Team Staff:
Wendy N. Brown
Ashley S. Colvin
● Gerald A. Craver
Eileen T. Fleck
Michelle Hebert–Giffen
Ellen M. Jackson
Nathalie Molliet–Ribet
Jason W. Powell
Tracey R. Smith
Laura C. Whiteley
Christine D. Wolfe

Administrative and Research Support Staff:
Joan M. Irby
Betsy M. Jackson
Paula C. Lambert

● *Indicates JLARC staff with primary assignment to this project*

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JLARC
Suite 1100
General Assembly Building
Capitol Square
Richmond, Virginia 23219
(804) 786-1258 Fax: 371-0101
http://jlarc.state.va.us