



**Fleet Management:**  
*Implement agency-wide management*

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March 2009  
A Report by the Office of the Auditor

Suzanne Flynn  
*Metro Auditor*



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## MEMORANDUM

March 11, 2009

To: David Bragdon, Council President  
Rod Park, Councilor, District 1  
Carlotta Collette, Councilor, District 2  
Carl Hosticka, Councilor, District 3  
Kathryn Harrington, Councilor, District 4  
Rex Burkholder, Councilor, District 5  
Robert Liberty, Councilor, District 6

From: Suzanne Flynn, Metro Auditor

**Subject: Audit of Fleet Management**

The attached report covers our audit of Metro's management of its fleet. This audit was not in our FY08-09 Audit Schedule; it was added as a result of work completed in the Sustainability Management audit and at the request of management.

Metro does not manage its fleet consistently across departments, most likely because of historical arrangements. We identified 94 vehicles potentially available for employees to use for work purposes. With the recent reorganization, Metro has the opportunity to change this management system to a more centralized operation. We also found that it could be possible to achieve some efficiencies and savings.

We have discussed our findings and recommendations with Scott Robinson, Deputy COO, and management from the Department of Parks and Environmental Services, Oregon Zoo, and Procurement Services. My office will schedule a formal follow-up to this audit within 1-2 years. We would like to acknowledge and thank the management and staff in the Departments who assisted us in completing this audit.

A handwritten signature in black ink, appearing to read 'Suzanne Flynn'.

SF/lcb



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## Summary

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Metro departments have various methods to provide employees with transportation. These include mileage reimbursement, a motor pool, and the availability of individually assigned vehicles either to programs or employees. The management of Metro's fleet was decentralized, most likely because of historical arrangements and differing funding sources. Each department employed different methods of making vehicles available, fueling, maintenance, and replacement. Recent reorganization further increased this decentralization.

The purpose of this audit was to determine whether Metro had the ability to manage fleet services efficiently and effectively. The audit was not part of the FY08-09 Audit Schedule; it was added as a result of work in another audit and after consultation with management.

The Metro Regional Center (MRC), headquarters for most of Metro's services, operated a motor pool for employees located at MRC. Metro rented the vehicles from the State of Oregon. Compared with other transportation methods, management practices for the Motor Pool were the strongest. There were procedures for checking out vehicles and monitoring availability; however, there was no clear responsibility for management and ensuring that operations were effective and efficient.

Each of the two divisions within the Parks and Environmental Services Department (PES), Solid Waste Operations and Property Stewardship, had separate fleet arrangements. In both cases, they were decentralized and inconsistently managed. Property Stewardship leased vehicles from Multnomah County in an historical arrangement, rented one vehicle assigned to an individual employee, owned one vehicle, and used the MRC Motor Pool. The recent reorganization resulted in some vehicles being reassigned to the Sustainability Center and the Finance and Administrative Services Department.

The Oregon Zoo had vehicles used only on its grounds and others that were used both on grounds and for employee transportation. It had 27 vehicles of which nine were used primarily on Zoo property. Similar to the PES, the Zoo lacked systems to manage its fleet, although it was beginning to develop policies and procedures.

We were able to calculate performance measures for the vehicles at MRC and in Property Stewardship. We found that average miles per car were higher and cost per mile was lower for the MRC Motor Pool. In fact, we found that the cost for County rented vehicles was 60% higher compared to the State rented vehicles. Based upon the limited mileage information available in all departments, it did appear that Metro might be able to gain efficiencies if it managed its fleet consistently agency-wide.





## **Background**

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At times, the work of Metro employees requires travel from the work location to other sites. For example, Metro employees provide recycling education, regulate solid waste activities, and restore natural areas, all occurring in locations outside of their assigned office. Metro departments have various methods to provide employees with transportation. These include mileage reimbursement, Motor Pool services and the availability of individually assigned vehicles either to programs or to employees. The management of Metro's fleet is decentralized. Each department employed different methods of making vehicles available, fueling, maintenance, and replacement.

The Metro Auditor's Office completed an audit of internal sustainability management in February 2009. During the course of that audit, the full extent of the decentralization of fleet services and fuel management became apparent. Metro itself identified fleet management as an area to improve during the recent reorganization. One of the purposes of that reorganization was to address business practices that were inconsistently applied across the organization. The Auditor's Office proposed that an official audit of fleet services be conducted and in November 2008, the audit was initiated.

## **Scope and methodology**

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The purpose of this audit was to determine whether Metro had the ability to manage fleet services efficiently and effectively. The audit was not part of the FY08-09 Audit Schedule, but was added because of work in another audit and after consultation with management.

The scope of the audit was vehicles available for Metro employees to use as transportation outside of the work location. We excluded vehicles used by employees of the Metropolitan Exposition Recreation Commission facilities. Also excluded were vehicles such as all terrain vehicles, tractors, dump trucks, and trailers. We also did not include in our cost calculations the costs paid for parking at the Metro Regional Center for either an employee's personal car or a Metro owned, rented or leased vehicle.

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



## Results

Most likely because of historical arrangements and differing funding sources, Metro lacked an effective system to manage employee use of its vehicles. Each department located at the Metro Regional Center (MRC) had different arrangements. We identified a total of 94 vehicles potentially available for employee use.

**Exhibit 1**  
Metro Fleet FY08

	Vehicles
MRC Motor Pool	11
Property Stewardship	25
Sustainability Center	5
Solid Waste Operations	18
Finance & Admin Services	8
Oregon Zoo	27
<b>Total</b>	<b>94</b>

We reviewed the fleet management practices in each department for the following basic components:

- Designated responsibility for management of the fleet
- Fleet capital and/or operating budget
- Documented fleet management policies and procedures
- Fleet management information system
- Fleet cost and performance measures

In almost all instances, we found that none of these basic components existed.

### **Motor Pool at MRC more systemized**

Metro had a contract with the State of Oregon, renewed every two years, for permanently assigned vehicles located at the Metro Regional Center. The State contract required certain safety precautions, that employees only used vehicles for allowable purposes, and that Metro kept vehicles secure. Because of the recent reorganization, new managers became responsible for this operation.

Based upon our review of operations, we found that the MRC Motor Pool had established some procedures that created sounder management practices. Employees reserved a vehicle, signed a form at check-out to acknowledge use for business purposes only and documented beginning and ending mileage. Staff required that employees provide a valid driver's license at the time of check out.

Within PES, the Finance Manager, Administrative Services, and Property Stewardship each had partial responsibility for fleet management of the Motor Pool. We found no written procedures readily available to employees. Since Metro rented all but two of the vehicles, management based the fleet capital or operating budget upon anticipated State charges. The State rental fee included all maintenance, repair, and replacement. The State billed Metro monthly for fuel charges.

We found minimal tracking of utilization of the Motor Pool. Staff entered mileage by month into a spreadsheet that was used to develop an allocation formula for fleet charges incurred by each Department. Management did not have performance measures or cost information.

However, we did find that data was available and could be used to create measures for both cost and utilization. We obtained two data files from the Department of Administrative Services, State of Oregon. One file contained monthly charges and mileage by vehicle, the other contained monthly fuel charges by vehicle. We were also able to calculate charges for maintenance and repair from monthly billing reports. As a result, we could calculate total cost, miles, cost per mile and average miles per vehicle for FY06 to FY08.

**Exhibit 2**  
Cost and performance  
measures  
MRC motor pool

	FY06	FY07	FY08
Total cost	\$27,197	\$26,967	\$35,017
Total miles	71,075	88,629	80,705
Cost/mile	\$ 0.38	\$ 0.34	\$ 0.43
Average miles per car	7,897	11,079	8,071

Source: Auditor's Office Analysis

Utilization of the MRC State-rented fleet was high in the three-year period we studied. Cost per mile each year was consistently lower than the federal rates for reimbursement for use of an employee's personal vehicle. Because scheduling sheets are hand written we were unable to complete any analysis regarding availability.

In contrast, the two owned vehicles had much lower mileage. We were able to calculate annual utilization by review of quarterly reports available through the fuel card vendor. Over the same three-year period, utilization for each vehicle was less than 3,000 miles annually. Because Metro did not track maintenance and repair costs by vehicle, we were unable to calculate cost per mile.

**Exhibit 3**  
MRC owned vehicle  
utilization FY06-FY08

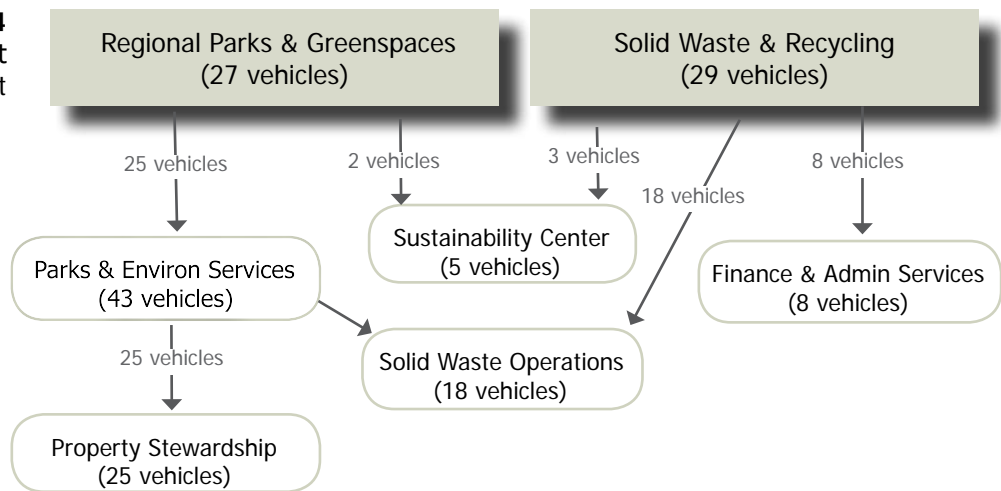
Vehicle ID	FY06	FY07	FY08
E197132	1,038	1,107	2,526
E219246	1,758	2,510	2,838
Total miles	2,796	3,617	5,364
Average miles per car	1,398	1,809	2,682

Source: Auditor's Office Analysis

**Reorganization further dispersed fleet management**

Metro recently reorganized several departments. The former Regional Parks and Greenspaces Department was separated into two new departments: Parks and Environmental Services and the Sustainability Center. Functions in the former Solid Waste and Recycling Department were also divided. Solid Waste facility operations became a division in the new Parks and Environmental Services Department. The regulatory and rate setting functions were incorporated into the Finance and Administrative Services Department. As a result, almost every department had a responsibility to manage vehicles.

**Exhibit 4**  
New assignment of fleet management



Source: Auditor's Office Analysis

**Property Stewardship**

The Property Stewardship Division (PS) within the Parks and Environmental Services Department managed the various parks that Metro owned, as well as the Pioneer Cemeteries and the Metro Regional Center. The PS provided transportation for its employees in several ways. It leased 23 vehicles from Multnomah County, most located at the various park and cemetery sites. Employees used these vehicles on the grounds for park maintenance as well as transportation off the site. In addition, PS rented one vehicle from the State that was assigned to an individual employee and had just completed purchase of one vehicle. Employees in the former Department of Regional Parks and Greenspaces located at MRC also accessed the MRC Motor Pool and drove an additional 24,083 miles in FY08.

The contract provision for leased vehicles with Multnomah County was part of an agreement that transferred ownership of parks, the Glendoveer Golf Course, Pioneer Cemeteries and EXPO from the County to Metro in 1996. As part of that transfer, the County agreed to provide maintenance, upkeep and scheduled replacement of vehicles in the same manner and at the same rate provided to County departments.

Both managers assigned oversight of leased County vehicles expressed frustration. One stated he had found overcharges on repairs and the other found that charges for replacement were not adequate to fund that replacement. With the State contract, the State replaces vehicles according to their replacement policies. Fees include the estimated replacement cost and an allowance for resale after replacement occurs. Vehicles are replaced by the State regardless of the fees collected.

Staff in the Property Stewardship Division, Administrative Services, and Office of the Finance Manager all had responsibilities for County vehicles. Managers reviewed bills received from Multnomah County and staff reviewed and posted charges for State-rented vehicles. There was not an established procedure for checking out vehicles nor a log in each vehicle to track use by employee. There was a procedure for logging damage to a vehicle, but employees might not be consistently reporting. As a result, management cannot know which employee is driving a particular vehicle in the event of an accident or citizen complaint or whether an employee has a valid driver's license.

We acquired billing data for a three-year period and calculated cost and performance measures. While managers reviewed monthly bills, the PS Division did not track or analyze information on an annual basis.

**Exhibit 5**  
Cost and performance  
measures: County rented  
vehicles in Property  
Stewardship

	FY06	FY07	FY08
Total cost	\$152,253	\$173,332	\$161,710
Total miles	156,436	157,557	178,743
Cost/mile	\$ 0.97	\$ 1.10	\$ .90
Average miles per car	6,518	6,565	7,448

Source: Auditor's Office Analysis

We found that Property Stewardship's employees drove leased vehicles at lower rates on average than the MRC Motor Pool. Again, we could not calculate availability, e.g. how often during the day vehicles were in use. It is possible that the lower miles were due to the vehicles use on grounds for park maintenance. We did find that some vehicles were driven at considerably lower rates than others were, leaving room for efficiencies to be gained.

However, the cost per mile was considerably higher than the State-rented vehicles. The majority of the PS vehicles are pick-ups or vans, different from the MRC fleet, which could lead to a higher cost per mile. Nevertheless, when we substituted State rates for 2007-2009 for comparable vehicles to the County-leased fleet, we found that cost per mile was still 60% higher.

State-rented vehicles assigned to individual employees

We found three employees who were assigned State-rented vehicles. Two employees are now located in the Sustainability Center and one is located in Property Stewardship. We calculated cost and performance measures for these vehicles. Cost per mile was more in line with the other State-rented vehicles in the MRC pool, however, the average miles per vehicle were lower. It is possible that these two Departments could manage these vehicles more efficiently if they were made available for use by all employees.

**Exhibit 6**  
Cost and performance measures - State rented vehicles in Property Stewardship assigned to an individual

	FY06	FY07	FY08
Total cost	\$4,631	\$4,887	\$9,290
Total miles	12,034	17,515	18,618
Cost/mile	\$ 0.38	\$ 0.28	\$ 0.50
Average miles	6,017	8,758	6,206

Source: Auditor's Office Analysis

Fleet management in Solid Waste Operations decentralized

Using historical records from the former Solid Waste and Recycling Department, we identified 27 owned vehicles located at Metro Regional Center and various other locations, including the St. Johns Landfill and transfer facilities. In addition, the department leased two vehicles and reimbursed three employees for mileage and paid for their parking spots at MRC. Employees also used vehicles from the MRC Motor Pool. In FY08, employees drove an additional 11,178 miles using the Motor Pool.

Responsibility for fleet management was completely dispersed and decentralized prior to the reorganization and more so afterward. We conducted a survey of program managers or in some cases individual employees who were identified as having responsibility. We asked the questions:

- Were there written guidelines for vehicle use?
- Was there a procedure for checking out vehicles?
- Was mileage tracked?

Nine out of ten staff responded. We also followed up for clarification in several cases.

**Exhibit 7**  
Survey results on fleet management

Question	Responses
Written guidelines?	4/9 = 44%
Vehicle checkout procedure?	5/9 = 55%
Mileage tracked?	3/9 = 33%

Source: Auditor's Office Analysis of Survey Responses

Upon request, respondents provided us with written guidelines that were comprehensive. We did not follow up to determine whether the guidelines were readily available or if training occurred. In most cases, the procedure for checking out a vehicle was minimal.

Clearly, these Departments lacked a system to collect information. It was not possible to get meaningful cost or performance measures. The Regulatory Affairs program, now located in Finance and Administrative Services, collected data and developed some cost measures. However, management used this information primarily to prepare the next year's budget.

Based on the data that was available, there appears to be some opportunities for efficiency gains (see Exhibit 8). Some vehicles are more utilized than others.

Three employees in Solid Waste Operations were reimbursed for mileage and provided with a parking space. Using financial records, we were able to determine the number of miles driven annually on Metro business. Collectively, these employees drove about 3,500 miles in each of the last three fiscal years. If fleet was managed in a more centralized fashion, it is possible Metro could provide these employees with Metro vehicles and avoid these costs.



**Exhibit 8**  
Annual mileage of  
vehicles in the three  
new departments

<b>Sustainability Center - Waste Reduction &amp; Outreach</b>				
Make	Model			FY08
Dodge	Caravan			5,008
Chevrolet	Astro Van			n/a
Toyota	Prius			4,641

**Finance & Administrative Services**

*Regulatory Affairs:*

Make	Model	FY06	FY07	FY08
Jeep	Gr. Cherokee	3,661	5,224	5,216
Toyota	Tundra	13,547	10,099	9,866
Ford	"crew truck"	14,371	11,481	-
Jeep	Gr. Cherokee	5,033	5,137	8,977
Subaru	Outback	-	6,006	2,146
Toyota	4Runner	-	n/a	n/a
Toyota	Tacoma	13,275	11,956	10,849

*Financial Management & Analysis:*

Chevrolet	Malibu	- mileage not tracked -
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**Solid Waste Operations**

*Engineering & Environmental Services:*

Make	Model			FY08
Chevrolet	Trailblazer			12,827
Chevrolet	1500 pickup			13,490
Chevrolet	Trailblazer			12,397

*St. Johns Landfill:*

Make	Model	
Ford	Ranger pickup	- mileage not tracked -
Ford	F-350 pickup	- mileage not tracked -
Ford	Ext Cab pickup	- mileage not tracked -
Chevrolet	Ext Cab pickup	- mileage not tracked -
Chevrolet	3500 Flatbed	- mileage not tracked -
Ford	Explorer	- mileage not tracked -
Ford	"crew truck"	- mileage not tracked -

*Hazardous Waste & Latex:*

Make	Model	2003		
Ford	Ranger pickup	4,055		
Chevrolet	3500 Club Cab	2,609		
GMC	TC5C042			
Ford	F350 pickup			
Ford	Enclosed truck	1,267		
WHGM	Enclosed truck			
Freightliner	Enclosed truck			
Ford	Ranger pickup	2,487		

Source: Auditor's Office Analysis

**Fleet at Zoo needs better organization**

The Oregon Zoo fleet consisted primarily of heavier vehicles such as pick-ups and vans. The Zoo grounds total 64 acres and many of the vehicles were used on site. Off-grounds vehicles were used to attend meetings, pick up supplies or shuttle staff to other locations. Because of these factors and the fact that the Zoo is distant from other Metro facilities, it may not be feasible to attempt to consolidate these vehicles with those at MRC.

The Zoo did not track mileage, fuel, maintenance or repair. Maintenance and fueling were performed on site. Therefore, we were unable to calculate any cost or performance measures. The manager responsible for the fleet stated that management was in the process of consolidation. In the future, the Zoo plans to track mileage and repairs through a work order system. Employee training on the use of the Zoo fleet is also planned.

## **RECOMMENDATIONS**



## **Recommendations**

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To improve the efficient and effective management of fleet, Metro should:

1. Develop policies and procedures to govern fleet management and apply them consistently across departments.
2. Assign clear centralized responsibility for managing fleet.
3. Develop systems to review the efficiency and effectiveness of operations.
4. Review other management models such as centralization and operating fleet as an internal service for cost effectiveness.
5. Complete the transfer of fleet from Multnomah County to Metro.



## **MANAGEMENT RESPONSE**







**Date:** March 6, 2009

**To:** Suzanne Flynn, Metro Auditor

**From:** Michael Jordan, Chief Operating Officer  
Scott Robinson, Deputy Chief Operating Officer  
Tony Vecchio, Director, Oregon Zoo  
Teri Dresler, Director, Parks and Environmental Services

**cc:** Mike Brown, Program Director, Property Stewardship, PES  
Paul Ehinger, Program Director, Solid Waste Operations, PES  
Rachel Fox, Program Supervisor, Admin Services, PES  
Jeff Tucker, Finance Manager, Parks & Environmental Services  
Ivan Ratcliff, Service Supervisor, Guest Services, Zoo  
Darin Matthews, Procurement Manager, Finance & Administrative Services

**Re:** Management Response to Fleet Management Audit Recommendations

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This memorandum serves as management's response to the final audit report that will be issued by your office on March 11, 2009. The management team fully embraces the recommendations from this audit and is ready to embark on a process to standardize our business and management practices to more effectively and efficiently manage fleet vehicles at Metro.

The staff involved in the current fleet management system(s) began discussing opportunities for improvements in the manner that we manage Metro's fleet as part of the Sustainable Metro Initiative process last summer. While those discussions were under way, your office announced that you were planning to audit fleet vehicle management practices at Metro, so the decision was made to hold off on any changes until the audit was issued. The audit provides a framework for Metro's management to follow as we develop consistent policies and procedures addressing procurement, maintenance, fueling, vehicle sharing, reservations, and replacement of the fleet.

### **Response to Recommendations in the Auditor's Report:**

The following summarizes management's response to the specific recommendations in the auditor's report.

#### **Recommendation #1**

Develop policies and procedures to govern fleet management and apply them consistently across departments.

**Response:** A team of staff from Parks & Environmental Services and the Oregon Zoo have already met to begin work on this recommendation. We will adopt a “Best Management Practices” approach by reviewing the policies and procedures from the City of Portland, State of Oregon and other agencies. These documents will help inform and guide Metro-wide policy development addressing fleet management. Procedures will also be written to address the management practices specific to vehicles in the Metro Regional Center and the Oregon Zoo. Staff will be designated to oversee practices to ensure consistency.

### **Recommendation #2**

Assign clear centralized responsibility for managing fleet at the Departmental or Agency level, whichever is most appropriate.

**Response:** It is clear that centralized fleet management software is needed to manage Metro’s fleet more effectively and efficiently. Given the physical separation of the Zoo from the Metro Regional Center and the specialized operational needs of their fleet, the management at the Zoo believes that their fleet should be managed separately from the fleet at the Metro Regional Center and the Parks. However, the Zoo management also agrees that it must work within the established Metro policies and procedures in the management of their fleet. There is currently a staff person assigned to manage the Zoo fleet who will report via a dotted line relationship to PES on fleet management operations. Parks and Environmental Services (PES) is currently managing the shared fleet housed at MRC and the majority of the departmentally assigned fleet. At this point in our planning, it appears that it would be most efficient for this responsibility to stay in PES. There has not yet been an individual assigned this responsibility. Our expectation at this point is that PES and the other affected Metro departments will work together to tackle the overarching fleet management issues to achieve the highest level of effectiveness and efficiency for the agency.

### **Recommendation #3**

Develop systems to review the efficiency and effectiveness of operations.

**Response:** We plan to immediately institute improved record keeping, ensuring that we have the appropriate data to evaluate our existing fleet management policies and procedures. This is an interim step to be followed by the acquisition of appropriate management information tools to monitor the effectiveness and efficiency of fleet operations. A balanced scorecard method of evaluation will be utilized to evaluate our level of success.

### **Recommendation #4**

Research and analyze other management models, such as centralization and operating fleet as an internal service, for cost benefit at Metro.

**Response:** We are committed to conducting the necessary studies and evaluations to build a comprehensive system of fleet management for Metro. As the audit demonstrates, operating or being part of multiple, discrete systems has not proven to be cost effective. This research will look at various models, including both outsourcing and in-sourcing fleet management completely as well as

hybrid models, to determine which model is most efficient and likely to succeed at meeting the stated goals, given the budget, staffing, technical and operational conditions of Metro.

**Recommendation #5**

Complete the transfer of fleet management from Multnomah County to Metro.

**Response:** The management team agrees with this recommendation and will move in this direction. To accomplish this recommendation, staff will need to complete the research referred to in the Response to Recommendation #4 above, and have a plan in place for replacement of these services.



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