METRO

Office of the Auditor

Fleet Management
Audit Follow-up

Brian Evans
Senior Management Auditor

February 16, 2011

Summary

Metro's Office of the Auditor assessed the status of the five recommendations from the 2009 audit report ***"Fleet Management: Implement Agency-Wide Management."*** Two of the recommendations were implemented and three were in process. Metro reduced costs by ending its contract with Multnomah County for fleet services. Some work was done to standardize procedures, but more is needed to centralize management.
High priority areas for further work include developing replacement and allocation policies and implementing systems to track fleet use across the agency.

Background

Metro's fleet consists of vehicles and equipment located at nine different facilities in the region. The most recent inventory of fleet assets showed 103 vehicles and 167 pieces of equipment. The vehicles have a replacement value of just over $2 million. In March 2009, Metro's Office of the Auditor released an audit report that contained five recommendations for improving the efficiency and effectiveness of fleet management. The purpose of this report is to gauge progress on each of the recommendations.

Scope and Methodology

The objective of this audit was to determine the progress made on recommendations from the 2009 audit. We conducted interviews with management and staff. We reviewed policies and procedures, systems to monitor fleet utilization and best practices for fleet management. In addition, we collected and analyzed data about Metro's fleet to determine if there was accurate and complete data to make management decisions. Although Metro's fleet consisted of vehicles and equipment, this audit focused on fleet vehicles to be consistent with the scope of the first audit.

We conducted our follow-up audit work 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

In the time since the first audit, Metro laid the foundation for a consistent and automated fleet management system and moved from a manually tracked and loosely managed system. We found fleet management at Metro improved, but more work can be done to achieve additional cost savings. Metro ended its contract with Multnomah County for fleet services, saving the agency money. Without further centralization and implementing systems to monitor fleet utilization, additional cost savings may not be realized.

SUZANNE FLYNN
Metro Auditor
600 NE Grand Avenue
Portland, OR 97232
tel: 503-797-1892
fax: 503-797-1831
www.oregonmetro.gov/auditor

Recommendations Implemented

Two recommendations from the 2009 audit were implemented. Metro ended its contract with Multnomah County for fleet services, effective July 1, 2010. A report from October 2010 stated that $60,538 was saved during the final six months of the contract. Metro was also able to negotiate the return of $540,000 in renewal and replacement funds paid to the County as part of the contract. Further, Metro estimated that ending the contract will save between $120,000 and $148,000 annually (excluding potential renewal and replacement cost savings) moving forward.

In addition, management and staff implemented another recommendation by researching other jurisdictions' fleet management practices. Models considered included rental cars from private companies, car sharing services (i.e. Zipcar) and the State of Oregon's rental program.

Recommendations In Process

Progress was made on three other recommendations. Systems to monitor fleet operations improved but more needs to be done to ensure management decisions are guided by complete and accurate data. Policies and procedures were drafted but have yet to be put into operation. Some elements of fleet management were centralized, but greater centralization is possible.

Systems to Review Efficiency and Effectiveness

Metro purchased AssetWorks, a software system intended to be the central repository of fleet data. At the time of this audit, the software was just beginning to be implemented, but it appeared to have the functionality to meet Metro's needs. Data collected in Assetworks will be derived from several sources.

We collected data about vehicle use and costs to determine if it was accurate and complete. The data sources we identified were:

- Monthly reports from fuel providers (Voyager and Petrovend), which contained odometer readings for tracking mileage and charges by vehicle.
- State of Oregon data, which included total costs and mileage by vehicle.
- Bills from 14 vendors for maintenance and repair costs by vehicle.
- Mechanic logs for fleet at the Zoo, which included maintenance costs and mileage by vehicle.
- An Access database used to track motor pool reservations, including hours of use, destination, vehicle occupancy and mileage by vehicle.

We concluded that data quality needed to be improved to support management decision-making because the data was neither accurate nor complete. For example, there were errors in the odometer readings and/or total miles driven for nine of the 39 vehicles (23%) included in the November 2010 Voyager report. In addition, there was no data reported for 14 vehicles that should have been covered in the November 2010 reports from Petrovend and Voyager. This may indicate that these vehicles were fueled outside the established vendors. Alternatively, it may indicate that these vehicles were not fueled in November, which suggests there could be potential costs savings by removing these vehicles from the fleet.

Exhibit 1: Vehicles by Physical Location and Data Source

Physical Location	State of Oregon	Petrovend	Voyager	Mechanic Logs	No Data	Total Vehicles
Metro Regional Center	11	0	16	0	2	29
Blue Lake Park	0	10	0	0	3	13
Oxbow Park	0	4	0	0	1	5
Borland Natural Area	0	0	11	0	2	13
Latex Paint Facility	0	0	1	0	2	3
Metro Central Transfer Station	0	0	6	0	0	6
Metro South Transfer Station	0	0	1	0	1	2
St. Johns Landfill	0	0	4	0	3	7
Oregon Zoo	0	0	0	25	0	25
TOTAL VEHICLES	**11***	**14**	**39**	**25**	**14**	**103**

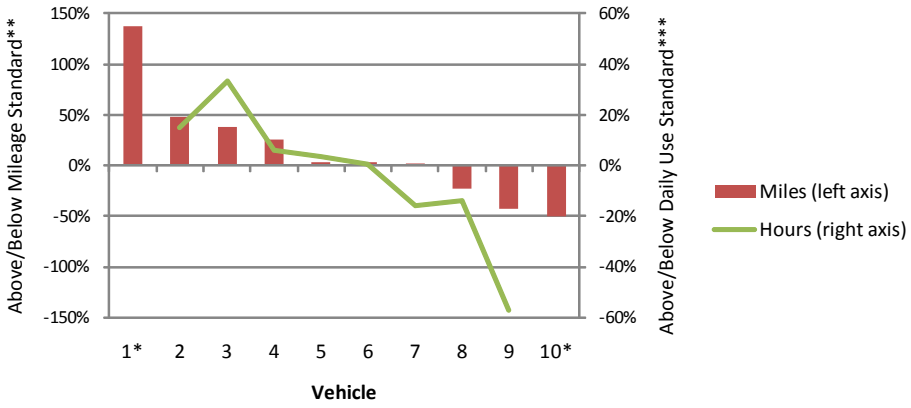
Source: Auditor's review of data source reports.

* The shared vehicles available for use by all Metro employees (motor pool) consists of 10 of the 11 vehicles rented through the State of Oregon. An Access database is used to track utilization of these vehicles.

Metro needs to establish performance measures for fleet operations as a whole. One performance measure for fleet operations was used, but only applied to the ten shared vehicles available for use by all Metro employees (motor pool). The Fleet Manager reported monthly motor pool costs as part of the quarterly Property Services management report. The performance measure, which was achieved, was to keep costs below $3,500 per month.

Best practices indicate that performance measures should focus on vehicle utilization and costs to manage the fleet effectively. Fleet utilization measures typically focus on annual mileage and percent of time in use. Cost measures focus on the total cost of ownership, which includes fuel, maintenance and repairs, and rental or purchase costs. Motor pool vehicles, 10% of the total fleet, were the only ones where sufficient data was available to track these measures (see Exhibit 2).

Exhibit 2: Over and Under Utilization of Motor Pool Vehicles (FY 2010-11)



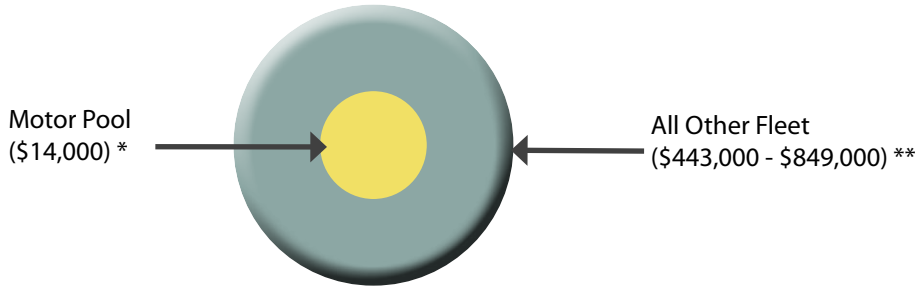
Source: Auditor's Office analysis of motor pool data.

* Data about the daily use of these two vehicles was not available.
** Based on United States Department of Agriculture vehicle utilization standards. Analysis of daily use assumes vehicle was available five days a week for 10 hours a day (2,600 available hours per year).

Based on our analysis of motor pool data, we found potential opportunities to consolidate Metro's fleet. Utilization standards state that passenger vehicles should be driven at least 10,000 miles a year (7,000 for trucks, vans and SUVs) and be in use at least 80% of the time. Three vehicles did not meet the mileage standard and three vehicles did not meet the daily use standard. Two of those did not meet either standard. If the size of motor pool was reduced based on these standards, Metro could save almost $14,000 in annual costs. We were unable to conduct this analysis for all 103 vehicles because data wasn't available.

Based on the mileage readings of some vehicles, it appeared further savings could be achieved by analyzing costs and utilization of the entire fleet. For example, if the potential savings we identified for the motor pool were consistent with utilization of the entire fleet, Metro could realize costs savings of between $56,000 and $75,000 annually. It could also save between $387,000 and $774,000 in renewal and replacement costs. Decisions about consolidating Metro's fleet should take into account the geographic and seasonal needs of some vehicles, which may reduce opportunities for cost savings.

Exhibit 3: Potential Cost Savings of Implementing a Vehicle Utilization Policy



Source: Auditor's Office analysis of Metro fleet data.

* This figure includes rental, fuel and maintenance costs.
** Based on motor pool data extrapolated to the entire Metro fleet. This figure includes $56,000-$75,000 per year in fuel and maintenance costs and $387,000-$774,000 in renewal and replacement costs.

Policies and Procedures

Three draft procedures were developed for fleet purchasing, internal maintenance and driving and vehicle use. These documents were not in effect at the time of the audit, but were anticipated to be presented to Metro's Senior Leadership Team in the first quarter of 2011. Several other policies and procedures were in the planning phase, but no timeline was available for their development.

Many of the existing and draft policies were intended to be applicable to all departments. However, in practice, we found that some departments were treated as separate entities with their own management structures and standards for operations. Consistent application of policies and procedures is important to establish clear expectations, realize costs savings and reduce the risks associated with fleet operations.

The most pressing need is the development of policies and procedures to guide fleet replacement and allocation decisions. Metro has developed renewal and replacement schedules but not a vehicle replacement policy or an allocation policy. A policy is needed to clarify whether the Fleet Manager or the Finance and Administrative Services department will make these decisions. Management and staff expressed frustration about the renewal and replacement process and were concerned about the lack of clarity about how decisions were made.

Best practices indicate that clear standards for vehicle utilization are the key to "right sizing" fleet. Two interrelated policies help implement a cost-effective fleet:

- *Replacement policies* specify who has the authority to make replacement decisions and what standards about the useful life of each asset will be used.
- *Allocation policies* detail who has the authority to make allocation decisions and provides standards for determining whether a dedicated vehicle is needed for an individual/program, or whether a pooled/shared vehicle will meet the business need.

Centralized Responsibility

After the first audit, Metro undertook a "Fleet Modernization Project" that began the process of centralizing fleet management. The project made considerable progress and went beyond the scope of the original audit recommendations by developing systems for monitoring Metro's entire "rolling stock" of vehicles and equipment. During the project, work was done to inventory all assets over $500, which resulted in old equipment being scrapped and surplused. However, responsibilities for on-going operations were very similar to what we observed in the first audit.

Several aspects of fleet management remained decentralized. MERC vehicles and equipment were not included in the Fleet Modernization Project and it was not clear if those assets were to be included in the fleet monitoring software. Fleet assets at the Zoo were managed separately from Metro's other fleet vehicles. Data about the Zoo's fleet was planned to be included in the software, but will be managed by the Operations Manager at the Zoo, not the Fleet Manager or Fleet Analyst. Data for other vehicles in Metro's fleet will be tracked in the software, but it is unclear who has management authority.

Budgets for fleet also remained decentralized. Each department maintained its own budget for fleet, which reduced the ability of the Fleet Manager to achieve costs savings from managing the fleet as a whole. The vehicles in the motor pool were the only ones funded through internal service charges based on each department's usage. Three separate renewal and replacement schedules were each managed by a different person. One schedule was for assets purchased using the general fund, another was for assets purchased using the solid waste fund and a third was being developed for assets associated with MERC operations. None of these schedules was managed or coordinated through the Fleet Manager.

Areas Needing Further Attention

The three recommendations that remain in process are interdependent. They are the keys to effective and efficienct management of fleet assets. When one of them is underdeveloped, the effectiveness of the others is reduced. Without them, it will be difficult for Metro to "right size" its fleet and realize any additional cost savings.

- Policies and procedures are needed to provide guidance for replacement and allocation decisions.
- Roles and responsibilities need to be clarified to centralize authority for fleet management.
- Systems to monitor operations and ensure data quality are needed to review the efficiency and effectiveness of fleet operations.

Status of Metro Auditor Recommendations

2009 Recommendations	Status
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.	*IN PROCESS*
2. Assign clear centralized responsibility for managing fleet.	*IN PROCESS*
3. Develop systems to review the efficiency and effectiveness of operations.	*IN PROCESS*
4. Review other management models, such as centralization and operating fleet as an internal service, for cost effectiveness	*IMPLEMENTED*
5. Complete the transfer of fleet from Multnomah County to Metro	*IMPLEMENTED*

MANAGEMENT RESPONSE

600 NE Grand Ave.
Portland, OR 97232-2736
503-797-1700
503-797-1804 TDD
503-797-1797 fax

www.oregonmetro.gov

Metro | *Memo*

Date: February 11, 2011

To: Suzanne Flynn, Metro Auditor

From: Michael Jordan, Chief Operating Officer
Scott Robinson, Deputy Chief Operating Officer
Paul Slyman, Parks and Environmental Services Director

Subject: Fleet Audit Follow-up Report

Thank you for the opportunity to respond to your "Fleet Audit Follow-up Report." We appreciate your thorough input and analysis of work that Metro's Parks and Environmental Services (PES) has done to address issues related to the management of Metro's fleet of vehicles and equipment. Metro has made tremendous strides in internalizing fleet operations, terminating a costly contract with Multnomah County and laying a foundation for automating many systems.

Overall Comments

Overall the report was accurate and well researched, and has pointed out that additional work is needed to fully address the recommendations made in the 2009 Audit. The report notes that development of policies and procedures, centralization efforts and systems development are in process. After severing the contract with Multnomah County, the process of establishing internal systems and a network of private contractors to address fleet needs in various parts of the organization remains our biggest challenge.

Centralization of Services

A key finding from the report was that centralization and standardization of fleet policies, budgeting, and replacement present continued opportunities for improved decision-making and cost savings. Staff agrees with this assessment, as well as the need to adopt agency-wide policies and procedures to guide purchase, replacement and allocation of resources. Centralizing budget responsibility for this program and treating this function as a true central service would provide better utilization of resources and an opportunity to meet agency-wide sustainability goals.

Performance Measures

Performance measures need to be developed to evaluate the success of centralization efforts, implementation of the Assetworks Software system, and continued improvement in the collection of data. As the Assetworks system is fully implemented, we expect the quality and breadth of data to improve, which will provide a foundation for robust analysis and strategic decision-making. We agree that specific measures need to be developed and should be part of an annual evaluation process that reviews resource allocation, sustainability goals, cost of services and consistent application of policies and procedures.

Conclusion

We look forward to implementing the recommendations contained in this report and appreciate additional review as this program is fully implemented.

MJ:PS:LN:gbc
cc: Scott Robinson, Deputy Chief Operating Officer
Paul Slyman, Director, Metro Parks & Environmental Services
M:\rpg\parks\projects\Fleet\Fleet Project Files\Policy_Fleet_report_docs\Flynn management response ltr 020811.doc