



PERFORMANCE AUDIT REPORT

**Providing Vehicles for Official State Travel:
Reviewing the Impact of Decisions
To Disband the State's Motor Pool**

Executive Summary ***with Conclusions and Recommendations***

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 2007**

Legislative Post Audit Committee

Legislative Division of Post Audit

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April 24, 2007

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions, together with a summary of our recommendations and the agency responses, from our completed performance audit, *Providing Vehicles for Official State Travel: Reviewing the Impact of Decisions To Disband the State's Motor Pool*.

The report includes several recommendations for the Department of Administration, including requiring Enterprise to report all data required by the contract, ensuring that Enterprise is billing the State at the appropriate rates and only for allowable charges, identifying agencies that are renting vehicles long-term when it would be less costly to purchase them, developing a complete database of the State's vehicle fleet, tracking and recording all complaints, and having Enterprise provide all State agencies with the detailed billing information they need.

We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials. These findings are supported by a wealth of data, not all of which could be included in this report because of space considerations. These data may allow us to answer additional questions about the audit findings or to further clarify the issues raised in the report.

If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Overview of the State's System for Providing Vehicles for Official Employee Travel, and How It Changed in 2003

Before November 2003, the State's vehicle fleet included vehicles owned either by individual agencies or by the State's Central Motor Pool. page 3
In all, the State owned about 8,784 vehicles in 2003, including heavy trucks, buses, and equipment like riding lawn mowers and road graders. In this audit, we tried to focus on passenger vehicles.

Changes implemented in November 2003 significantly altered the way the State provides vehicles for official State business. page 4
The changes can be summarized as follows:

- Central Motor Pool was disbanded and would no longer own cars. Vehicles it had owned that were permanently assigned to State agencies were given to those agencies. The Motor Pool's dispatch function in Topeka was eliminated, and State employees who needed a vehicle for short-term official business now had to rent from Enterprise-Rent-A-Car.
- A moratorium was placed on vehicle purchases for two years, and the mileage limits for replacing vehicles was increased. The moratorium applied to all agencies except the Highway Patrol and Regents' universities; however, the universities voluntarily complied with the moratorium. The Department of Administration increased the minimum mileage needed before a vehicle could be replaced from 95,000-100,000 miles for cars, and from no limit to 140,000 miles for trucks.
- Underused and unneeded vehicles in the State fleet were sold. The Governor asked State agencies to identify vehicles that were driven less than 12,000 miles a year, and to turn those vehicles into the Department of Administration to be sold.

These changes were projected to free up \$9.3 million for fiscal year 2005 to be used for other General Fund purposes that year.

Question 1: Has the Decision To Change the State's Vehicle Policy Resulted in Savings for the State?

We looked at savings for the State as a whole, not by individual agency, and classified those savings as one-time or on-going. page 5
We looked at the financial impact of all changes, not just the decision to disband the Central Motor Pool. One-time actions included the moratorium, selling vehicles, and sweeping funds. On-going actions include having agencies own and manage cars that used to be handled by the Motor Pool, raising the mileage limits, and contracting with Enterprise for short-term rental needs.

Changes in vehicle policies generated about \$24.5 million in one-time savings. page 6
First, the Department swept \$5.1 million in unspent

Motor Pool funds into the General Fund, and generated \$1.6 million by selling off unneeded or underused vehicles. During 2004 and 2005, when the moratorium on vehicle purchases was in effect, the State spent a total of about \$18 million less on vehicle expenditures than before the policy changes.

On-going annual costs before and after the changes are about the same overall, but are lower on a cost-per-mile basis. For 2006 the State spent about \$3.1 million less replacing vehicles than it did in 2003. That's because the passenger fleet size has dropped by 850 cars.

However, these savings were offset by a \$2.9 million increase in vehicle operating expenditures, compared with 2003 (as shown in the figure below).

**Figure 1-4
Estimated Vehicle-Related Costs for Calendar Years 2003-2006
Inflated to CY 2006 Dollars (a)**

Object Code	Description	Before State Policy Changes	Moratorium Years		After State Policy Changes	Difference Between
		CY 2003	CY 2004	CY 2005	CY 2006	CY 2006 & CY 2003
Vehicle Charges						
2511	Private Car Mileage -- In State	\$3,937,449	\$4,701,649	\$4,614,809	\$4,854,915	\$917,466
2512	Private Car Mileage -- Out-of-State	\$564,622	\$772,090	\$795,706	\$861,007	\$296,385
2521	Hire of Passenger Cars -- In State	\$51,283	\$659,532	\$902,822	\$1,092,411	\$1,041,128
2531	State Car Expense -- In State	\$1,375,620	\$1,669,523	\$2,127,471	\$2,187,728	\$812,108
2532	State Car Expense -- Out-of-State	\$244,308	\$249,346	\$301,653	\$354,949	\$110,641
Subtotal Vehicle Charges		\$6,173,282	\$8,052,140	\$8,742,461	\$9,351,010	\$3,177,728
Repairs						
2410	Passenger Car Repair and Service	\$1,104,469	\$1,135,923	\$1,190,315	\$1,162,542	\$58,073
3508	Motor Vehicle Parts	\$62,871	\$440,675	\$604,241	\$722,014	\$659,143
3590	Other Parts, Supplies, Accessories	\$6,132,062	\$6,337,191	\$6,838,967	\$6,165,386	\$33,324
Subtotal Repairs		\$7,299,402	\$7,913,789	\$8,633,523	\$8,049,942	\$750,540
Fuel						
3510/3530	Gasoline/Gasohol	\$9,301,845	\$9,183,449	\$9,274,607	\$9,508,421	\$206,576
3560	Motor Oil	\$381,779	\$286,290	\$231,140	\$288,371	(\$93,408)
Subtotal Fuel		\$9,683,624	\$9,469,739	\$9,505,747	\$9,796,792	\$113,168
Vehicle Insurance						
2960	Insurance Premiums	\$1,424,735	\$922,255	\$1,076,999	\$1,519,859	\$95,124
Subtotal Vehicle Insurance		\$1,424,735	\$922,255	\$1,076,999	\$1,519,859	\$95,124
Other Motor Pool Expenses						
(b)	Other Motor Pool Expenses	\$1,305,275	\$416,581	\$198,705	\$50,810	(\$1,254,465)
Subtotal Other Motor Pool Expenses		\$1,305,275	\$416,581	\$198,705	\$50,810	(\$1,254,465)
Total Operating Costs		\$25,886,318	\$26,774,504	\$28,157,435	\$28,768,413	\$2,882,095
State Vehicle Purchases						
4050/4060	Passenger Cars and Trucks (c)	\$11,594,503	\$1,124,176	\$1,124,176	\$8,516,049	(\$3,078,454)
Total State Vehicle Purchases		\$11,594,503	\$1,124,176	\$1,124,176	\$8,516,049	(\$3,078,454)
Grand Total		\$37,480,821	\$27,898,680	\$29,281,611	\$37,284,462	(\$196,359)
Total Miles Driven		76,308,529	--	--	78,159,577	1,851,048
Total Costs Per Mile		49.1¢	--	--	47.7¢	(1.4¢)

(a) Excludes the Highway Patrol
(b) Includes object codes for salaries, computer systems, rents, fees for other services, etc.
(c) CY 2003 purchases are the average from fiscal years 2000-2003; CY 2004-2005 purchases are the average of those two years; CY 2006 purchases are the average of years 2006-2010
Source: LPA analysis of STARS data

The figure also shows total operating costs have been increasing steadily over the years (adjusted for inflation). We identified several reasons for this:

- State employees are driving more miles
- the State increased its reimbursement rate for private car mileage (from 30¢ to 40¢)
- in some cases renting vehicles from Enterprise was more costly than previous transportation arrangements:
 - ▶ on a per-mile basis, Enterprise rentals in Topeka cost more than what we estimated the Motor Pool would have charged
 - ▶ some agencies were paying large amounts of money to rent vehicles from Enterprise when it would have been cheaper to own them. We found agencies paying \$615- \$862 per month for rental cars from Enterprise. At these rates the agencies could pay for a car in less than two years.

Although overall operating costs have increased since 2003 (adjusted for inflation), per-mile costs are about 1.4¢ less than in 2003.

During this audit, we also identified several problems with the State's contract with Enterprise. Enterprise wasn't adhering to the terms of the contract in several areas:

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- In numerous instances, Enterprise inappropriately charged sales tax or insurance on State employee car rentals
- Enterprise wasn't providing all the information called for under the contract
- Enterprise hasn't responded to complaints as quickly as required by the contract
- Enterprise didn't always have a sufficient supply of vehicles available

We also identified several provisions in the State's contract with Enterprise that we think are problematic. First, State employees have been made responsible for arranging for long-term rental discounts, rather than having them automatically provided. Second, the billing information Enterprise submits doesn't allow State agencies to reconcile their employees' car rental transactions without asking for special supplemental information.

Finally, we found the Department of Administration hasn't sufficiently monitored the Enterprise contract. For example, the Department hasn't analyzed rental data from Enterprise to determine whether current vehicle policies are cost-effective.

Question 1 Conclusion. The decision to disband the State Motor Pool and related changes in State vehicle policies saved about \$24.5 million during the moratorium on vehicle purchases. On an inflation-adjusted basis, we estimate the State's total annual vehicle costs are about the same as before the vehicle policies were changed, but the cost-per-mile driven has gone down slightly. Nonetheless, it appears the Department of Administration could do more to manage the contract with Enterprise to help ensure that the State is getting the rates and information it contracted for, and to ensure that State agencies don't rent from Enterprise when it is not cost effective to do so. The Department also needs better information about the number and mileage of vehicles in the State's fleet to be in a better position to assess agency requests for new vehicles.

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Question 1 Recommendations. *We recommended the Department do the following: require Enterprise report all data required by the contract and ensure that it's accurate; ensure that Enterprise is billing the State at the appropriate rates and only for allowable charges; identify agencies that are renting vehicles long-term when it would be less costly to purchase them. We also recommended the Department develop a complete database of the State's vehicle fleet.*page 16

Question 2: What Impact Have the Vehicle Policy Changes Had on State Agencies That Use Vehicles for Official State Business?

Agency officials told us they've incurred additional staff costs since the changes to the State's vehicle policy. *Officials in five agencies—the Departments on Aging, Agriculture, Health and Environment, and SRS, and the KBI—told us they've incurred higher staff costs associated with managing their vehicle fleets and reconciling billings from Enterprise. They mentioned having to hire more staff, devoting more staff time, purchasing software, and the like. For the most part, agency staff couldn't quantify the additional costs they've incurred.*page 17

State employees generally had favorable opinions about using Enterprise cars, but they pointed out several problem areas. *On a scale of 1 (lowest) to 5 (highest), employees who responded to our survey generally gave Enterprise a rating of 3.5 or higher in the categories of convenience of location, convenience of making a reservation, customer service, hours of operation, and overall satisfaction. Employees who had experience renting from both the Central Motor Pool and Enterprise provided mixed responses when we asked them to compare the two. Further, more than half of State employees responding to our survey said they'd been impacted by Enterprise not having the type of car they reserved, or not having a car at all.*page 18

Formal complaints employees filed with the Department of Administration generally mirrored the issues employees cited in our surveys. *The main categories of complaints were no car available, incorrect charges on the bill, and not having requested vehicle available or problems with the vehicle.*page 20

Department of Administration officials told us the new Enterprise contract addresses some problems State employees have cited. *These include a referral process to try to address concerns about vehicles not being available (Avis is the back-up vendor), and prohibiting Enterprise from upgrading State employees to trucks and large vans.*page 21

Question 2 Conclusion. *The changes made to the State's vehicle policy in Fall 2003, have had some direct impact on agencies. This includes agencies now owning and managing more vehicles than they used to, and agencies needing additional staff to perform these functions. Another impact is the unquantifiable cost of lost productivity. State*page 21

employees complained about cars not being available, billing problems, and delays—all of which contribute to lost productivity.

Question 2 Recommendations. We recommended the Department track and record all complaints by keeping a log of all phone complaints and by working with Enterprise to record complaints made by employees at the branch locations. We also recommended the Department make a blanket request that Enterprise provide all State agencies with detailed billing information. page 21

APPENDIX A: Scope Statement page 22

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APPENDIX C: State Vehicle Memo Submitted by the Secretary of Administration to the Legislative Budget Committee page 27

APPENDIX D: Agency Response page 33

The agency generally concurred with the report's findings, conclusions, and recommendations.

This audit was conducted by Chris Clarke, Amy Thompson, and Ivan Williams. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact Chris at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.