Special Report

Office of the State Auditor

Where the Rubber Meets the Road

Issues, Observations & Recommendations to Improve
the Oversight and Management of
Vermont State Government's Passenger Vehicle Fleet

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Vermont State Auditor

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Mission Statement

The mission of the State Auditor's Office is to be a catalyst for good government by promoting reliable and accurate financial reporting as well as promoting economy, efficiency and effectiveness in State government.

Office of the State Auditor

Special Report: Issues, Observations & Recommendations to Improve the Oversight and Management of Vermont State Government's Passenger Vehicle Fleet

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Cover: State police cruiser awaiting auction, Fall 2003. Photy by Office of the State Auditor

Message from the Auditor

How much can the State of Vermont save by improving procurement and management of its passenger fleet vehicles? No one knows.

That's because while the State is believed to own approximately 2,050 cars, SUV's pickups, vans, police cruisers, trucks and special use vehicles, no one knows the exact number, or how much the State spends to purchase and maintain these public assets. This is due to flaws and gaps in the way the State keeps records of purchases, registrations, maintenance, administrative overhead and disposals.

The State is believed to own about 2,050 cars, SUVs, pickups, vans, police cruisers, trucks and other vehicles.

But, the truth is:

No one knows for sure.

At the center of the problem is Administrative Bulletin 2.3, the State's outdated administrative policy on passenger vehicles. We found that the policy was last updated in 1987, and many of its provisions are neither followed nor enforced. This may be, in part, because there is no entity-wide software system or other mechanism to effectively track and compare costs.

For example, State policy requires that official travel by State vehicles be done safely and "at the lowest cost to the State." Executive Order 11-02 directs all State departments to "purchase vehicles that have the highest available fuel efficiency in each respective vehicle class ..." But we found the percentage of lower miles per gallon vehicles and SUV's may be increasing, counter to these policies. The extent of the problem is difficult to pinpoint because of inadequate records. There also appears to be little evaluation of whether more efficient vehicles, or other cost-effective transportation alternatives, can meet the State's goals.

We also found that the State may be operating and maintaining many vehicles past their optimal disposal dates, which typically leads to higher gas and repair costs. However, it is difficult to assess the potential for savings with such poor data and policy implementation.

A number of State employees are allowed to use State vehicles for official business *and* personal use. The personal use of a State vehicle should be considered, according to Federal tax rules, a fringe benefit for the employee and reported by the State as a taxable fringe benefit for the employee. It is not clear if the State has always applied this rule.

Finally, we found that departments are not using proceeds from the sale of auctioned vehicles to fund the travel reimbursement of State employees as required by law. However, the rules regarding this transfer of funds are not clear and could be clarified by the Administration.

These findings were produced, in part, as a result of our Office's periodic review of internal controls over assets in selected departments. Our Office also interviewed various State fleet managers and examined a vareity of fleet system records.

As State government improves controls over its fixed assets, we hope our recommendations will bring specific improvements to accounting and management procedures for the vehicle fleet. Ultimately, these improvements will mean greater savings, more efficiency, and less pollution.

Elizabeth M. Ready
State Auditor
October 30, 2003

Observations & Recommendations

OBSERVATION 1

The State of Vermont does not systematically track the cost of purchasing, equipping, insuring, maintaining, disposing of, and managing the State's passenger vehicle fleet.

DISCUSSION

The best-run fleet management systems in private and public agencies have up-to-date information systems which managers can utilize to understand and analyze their fleet and total system costs[1]. Vermont does not have such a system. In fact, no single list or database in State government today can claim with certainty to list each and every vehicle owned by State government. This is due to differing vehicle definitions, a decentralized system of keeping records, and other factors.

"Having the needed information and supporting management information systems to enable management to make sound decisions and assess performance" is one of five "essential management practices," according to a federal study on best practices in fleet management.[2]

Vermont financial managers do not collect and report system-wide fuel consumption, parts and labor costs of repairs, miles driven, carbon dioxide emissions, total overhead, total passenger fleet cost per mile, and other indicators to benchmark against other states and public agencies. This lack of easily-accessible data hampers the State's ability to better manage the millions of dollars invested in vehicles and transportation support resources.

Since 1987, Revised Administrative Bulletin 2.3, "State Vehicles (Purchase/Usage)," has required that all agencies and departments file annual reports containing all motor vehicle costs. Form AA-B-28 asks for information on each vehicle, including miles driven, parts and labor cost of repairs, insurance cost, depreciation, and anticipated replacement year.

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[1] State budget experts do not collect and report system-wide fuel consumption, parts and labor costs of repairs, miles driven, carbon dioxide emissions, total overhead, total passenger fleet cost per mile, and general measures to benchmark against other states and public agencies which today are collecting such types of information.

[2] Federal Motor Vehicles: Private and State Practices Can Improve Fleet Management (GAO/GGD-95-18), U.S. General Accounting Office, December 1994, p. 3.

Only one entity, the Agency of Transportation, appears to have complied with this policy regularly over the years. Other departments such as the Department of Public Safety and the Department of Buildings and General Services do have records of their own specific vehicles and gas and repair expenses. However, none of the departments develop annual fleet cost reports which include overhead costs such as administration, facilities, and relevant salaries.

Recently, the Douglas Administration has stated that it is “giving serious consideration to consolidating the management of the many small vehicle fleets operated by departments under a single state entity.” In a September 11, 2003 memo, Secretary of Administration Michael Smith adds, “We firmly believe that such a program can lead to the more efficient use by employees of these vehicles, improve the service and maintenance of vehicles, assist us in right-sizing purchases to actual needs, and increase our use of low emission vehicles.”

Consolidation may make good sense, but first Vermont should create a system that provides timely, accurate and useful information for decision-making about its vehicle fleet.

RECOMMENDATION 1

The Secretary of Administration should complete an enterprise-wide inventory of passenger fleet vehicles to include vehicle identification number (VIN), purchase cost, current mileage, fuel and maintenance costs.

OBSERVATION 2

The State's policy on passenger vehicles, Administrative Bulletin 2.3, is outdated and is not uniformly followed and enforced. For example:

- **Requirements to report annual vehicle costs for insurance, repairs, parts and cost per mile have largely been ignored;**
- **Departments do not evaluate alternative methods of providing government travel at least cost to the State;**
- **Departments do not conduct regular utilization assessments which would show managers if they have the right number of vehicles and if they are being used effectively; and,**
- **Departments do not annually calculate fleet miles per gallon or emissions necessary to comply with Executive Order 11-02, August 22, 2002, which directs State government agencies to reduce greenhouse emissions from State government buildings and operations.**

DISCUSSION

The last revision to the State's governing policy statement on vehicle purchasing and usage occurred in 1987 when it was modified to explicitly state that "seat belts are to be worn when operating state vehicles." (See Appendix C.) Form AA-B-28, "Motor Vehicle Operation Report," was also changed in 1987 "to include the anticipated replacement year for vehicles." Form AA-B-28 was designed to help the State track system-wide passenger fleet expenses. It seems to have been a well-intentioned request to which few departments have responded in recent years. The purchasing standards discussed in Administrative Bulletin 2.3 appear to have met with more compliance in recent years.

The effort to produce uniform statewide purchase and operating policies for the dozen or so departments with significant vehicles was important, but much has changed in the past 16 years to justify new policies and a new formal bulletin on vehicles and State government auto travel. For instance, the State has a new enterprise-wide financial management and information system. Many departments have new organizational shapes and expanded missions. And, fleet managers and policymakers today are much more sensitive to public demands to limit the impact of transportation operations on the environment.

One thing has not changed, and that is the fact that the State fleet requires a significant annual capital investment and millions of dollars in annual costs for official in-state travel. New vehicle purchases of all types totaled nearly $6 million in FY03, for example. According to VISION data for FY03, outside vendors were paid $977,447 by State departments for motor vehicle repairs and maintenance. The State also reimbursed employees $5.4 million for in-state mileage during FY03.

With constant pressure on the State budget reinforcing a continuing effort to spend money and provide services as efficiently as possible, it's clear that a new policy on State vehicles and government travel is needed. The policy should set performance targets in areas such as fleet size and costs, vehicle utilization, and management information systems, in addition to revising outdated policies and procedures.

A statewide policy which mandates periodic utilization reviews would be useful in determining the "right size" and most efficient deployment of the State's fleet investments. For example, our review of service and use records on a small number of vehicles across State government showed one station wagon traveled less than 60 miles during a five-week period in 2001, and that a large pickup truck was driven an average of about three hours a week during its 10 years of State service. Such utilization may be justified, but periodic reviews are needed to assess and document the situation.

RECOMMENDATION 2

The Secretary of Administration should work with State fleet administrators and fleet management experts to update Administrative Bulletin 2.3 to provide up-to-date uniform guidance to State fleet managers and operators. The updated bulletin on passenger fleet vehicles should address, among other issues:

- **The directives of Executive Order 11-02 related to reducing greenhouse emissions;**
- **Minimum mileage use requirements;**
- **System performance targets regarding fleet size, costs and environmental impacts;**
- **Budgeting, purchasing and disposal procedures;**
- **Preventive maintenance policies and procedures;**
- **Allowable uses and procedures to record vehicle usage;**
- **Vehicle replacement policies to maintain efficiency and control fleet costs; and,**
- **Uniform cost data collection, information sharing, and benchmarking.**

OBSERVATION 3

There is no common software system or other mechanism to track and compare costs on a statewide basis, though individual departments do keep records on their own fleets.

DISCUSSION

Some State fleet administrative functions such as insurance, claims adjusting, purchase contract bidding, and disposal are coordinated on a statewide basis. Others, such as vehicle purchases, maintenance, repairs, and record-keeping are done by agencies and departments.

With decentralized decision-making and record-keeping has come a variety of record-keeping practices and the adoption of various computer systems to record fleet cost information for business analysis.

Each agency or department with a significant number of vehicles does it a different way and there are a variety of software systems at work in State government tracking vehicles and their costs. The data remains in the specific system, providing important, but localized, information on overall costs and utilization. There is limited statewide trends data available.

A federal fleet management study defined the benefits of accurate, system-wide fleet data:

> *"To operate an efficient, low-cost fleet, a manager must have an information system that captures all direct and indirect costs associated with operating a vehicle … Accurate and instantly-available data are essential for the management of virtually every fleet activity, including vehicle acquisition, operations, maintenance, and disposal…. To make informed decisions, managers need information on (1) the profile of the fleet and the life-cycle history of each vehicle; and (2) sufficient information to compare fleet costs and benefits between the organization's fleet and those of other organizations."*[3]

The State's new VISION system, with PeopleSoft software, does have the ability to record maintenance schedules and repair costs in the Asset Management Module (where vehicles must be listed). At the current time, however, this is not being done. The system does not seem to have the range of features, and ease of operation, needed to function as a standard fleet management system.

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[3] Federal Motor Vehicles: Private and State Practices Can Improve Fleet Management (GAO/GGD-95-18), U.S. General Accounting Office, December 1994, p. 24.

A consulting firm analyzed the information systems in a decentralized fleet in Utah, and delivered a verdict which perhaps could apply to Vermont:

> *"The State's fleet management information systems need to be streamlined and standardized. The fleet operations use a multitude of computerized tools and information systems to support record keeping, accounting, planning, and decision making efforts. While these systems attest to the desire of the State's fleet managers to employ information technology to produce effective management information, independent action and continuous incremental advancement has resulted in a plethora of incompatible, high-maintenance systems which lack much of the functionality of today's integrated packaged fleet management systems."*[4]

Managers of the Buildings and General Services fleet indicated during interviews that a new fleet management software system for all State vehicles, other than those of the Agency of Transportation and the Department of Public Safety, was being investigated. AOT managers are reviewing possible upgrades to their 11-year-old MCMS fleet data system which could accommodate other departments' needs also. These would most likely be improvements over the current situation, if properly implemented and kept up to date, but a single statewide system might provide greater information and management potential.

RECOMMENDATION 3

The Secretary of Administration should develop a system whereby State agencies and departments can maintain fleet information in a standard system so that managers can analyze and compare total passenger vehicle fleet costs on an enterprise-wide basis. Using such a system, the Secretary should prepare an Annual Fleet Report for the Legislature and fleet managers.

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[4] Utah Fleet Management and Operations Review, David M. Griffith & Associates, Ltd., 1998.

Special Features of Fleet Vehicles

A trade newsletter offered this tongue-in-cheek overview of some facts about fleet vehicles that repair technicians and fleet administrators have learned over the years.

- Fleet vehicles travel faster than privately owned vehicles in all gears – especially reverse;
- Fleet vehicles accelerate at a phenomenal rate;
- Fleet vehicles enjoy a much shorter braking distance;
- Fleet vehicles have a much tighter turning radius;
- Fleet vehicles can take bumps at twice the speed of privately-owned vehicles;
- Fleet vehicles never need to have oil level, tire pressure, water or battery checks.
- Fleet vehicles have floors shaped like ashtrays.
- Fleet vehicles do not have to be garaged at night.
- Fleet vehicles can be driven up to 100 miles with the oil warning light on.
- Fleet vehicles need cleaning less often, especially on the inside.

- Fleet vehicles have reinforced suspension to allow for concrete slabs and other heavy building material to be carried – especially the sedans.
- Fleet vehicles are adapted to allow reverse to be engaged while the vehicle is still moving forward.
- Fleet vehicles have special tires for bumping into and driving over curbs.
- Fleet vehicles can have unusual or alarming noises eliminated by the adjustment of the radio volume control.
- Fleet vehicles need no security. They may be left anywhere, unlocked, with the keys in the ignition.

SOURCE: *Fleet Administration News,* published by the National Conference of State Fleet Administrators, Vol. 12, No. 1, Spring 2003.

OBSERVATION 4

State policy requires that official travel by state vehicles be done safely and "at the lowest cost to the State." Executive Order 11-02 directs all State departments to "purchase vehicles that have the highest available fuel efficiency in each respective vehicle class …" We observed a possible trend toward the purchase of larger, more costly and lower miles-per-gallon vehicles such as four-wheel drive pickups and SUVs, which is in conflict with the State vehicle purchasing policy and new directives on reducing greenhouse gas emissions.

DISCUSSION

The State fleet may be adding larger, lower miles-per-gallon, and more costly passenger vehicles at the expense of sedans, station wagons and light trucks. SUVs and larger pickups deliver approximately 10-15 miles per gallon, as compared to 20- 25 miles per gallon in a typical sedan, and cost substantially more to acquire. Purchasing more expensive vehicles such as SUVs and large pickups, if not clearly justified by work requirements, would be in conflict with the basic state policy on vehicles which says that official travel must be performed "safely and at [the] **lowest cost** to the State…"[5] (Emphasis added.)

The Governor's Executive Order No. 11-02 addresses the reality that SUVs and large pickups also carry a higher environmental price tag and points the State toward an overhaul of purchasing policies in order to reduce greenhouse gas emissions by State government. For example, according to the U.S. Department of Energy and the U.S. Environmental Protection Agency, a 2002 Ford F-150 four-wheel drive pickup truck with an 8-cylinder, 5.4-liter engine and automatic transmission, will emit 12.5 tons of greenhouse gas emissions each year with annual gas bills of $1,551. A 2002 Chevy Malibu sedan, on the other hand, with a 6-cylinder, 3.1-liter engine and automatic transmission, will emit 8.2 tons of greenhouse gas emissions yearly with an annual fuel cost of $1,011.[6]

Fleet managers indicated to us that despite the best intentions of guidelines and procedures in place to acquire the most economical new vehicle, a trend toward larger vehicles such as SUVs and heavy-duty pickup trucks may be taking place. The Purchasing and Contract Division within the Department of Buildings and General Services, which manages the bidding for car and truck contracts with state dealers, works with buyers to choose the most economical vehicle for the specified work duties. Departmental managers requesting new vehicles must justify larger vehicles and heavy-duty, non-standard options.

[5] Agency of Administration Revised Bulletin No. 2.3, September 21, 1987, page 1.

[6] See www.fueleconomy.gov.

Further study of recent SUV and large pick-up truck purchases would be required to determine the nature and rationale of any trend toward bigger vehicles, and if proper vehicle justification has been performed and documented.

The Agency of Natural Resources is putting in place nine new vehicle purchasing guidelines that promote fuel efficiency and require purchases to be based on the everyday use of vehicles and not rare duty needs.

Larger passenger vehicles use more gas and generally produce more emissions than smaller ones. Cities and states around the country are adopting "Green Fleet" policies which mandate reducing emissions by targeted percentages through measures such as outright fleet reductions, purchase of compact and mid-size cars, a ban on non-essential SUV purchases, and increasing the percentage of hybrid and alternative-fuel vehicles in their fleets.

The Agency of Natural Resources has taken a positive step in adopting nine new vehicle purchasing guidelines which will go into effect this fall and which may be expanded to all State departments. The guidelines promote, for example, purchasing vehicles based on typical day-to-day use, and not for rare duties. The example given is: "if 95 percent of a program's intended use of a vehicle is for one or two people to drive with minimal equipment under normal driving conditions, a passenger non-4 x 4 vehicle should be selected. If a four-wheel drive or minivan is occasionally needed, the vehicle rental contract should be used."

In addition, the State may soon adopt new rules to comply with Executive Order No. 11-02 which includes the order (3) that:

> "All State government agencies, offices, and departments are hereby directed to: … Purchase vehicles that have the highest available fuel efficiency in each respective vehicle class (e.g., passenger cars, light duty trucks, etc.), pursuant to performance specifications approved by the Climate Neutral Working Group. In setting these performance specifications, the Working Group shall consider vehicles that not only meet high fuel economy standards but that also provide lower total overall emissions of greenhouse gases, criteria pollutants, and hazardous air contaminants."[7]

[7] State of Vermont, Executive Order No. 11-02, August 22, 2002, page 2.

At this time, the Climate Neutral Working Group mandated by Executive Order No. 11-02 has formed and begun meeting, but has not developed the required performance specifications to apply to future state vehicle purchases.

RECOMMENDATION 4

The Secretary of Administration, the State's Purchasing Division, or a future statewide fleet administrator, should comply with State policy on "least cost" official travel and require thorough justification and documentation for large pickup and SUV purchases which tend to inflate fleet costs and increase emissions, especially when replacing a sedan. The Climate Neutral Working Group's prompt development and promulgation of vehicle performance specifications could be helpful to the Purchasing Division in achieving compliance with Executive Order 11-02.

Improvements in Delaware

Delaware's Department of Administrative Services controls approximately 1,400 passenger vehicles, about 200 more than Vermont's passenger fleet in all departments. The Delaware Auditor of Accounts conducted an "economy and efficiency" audit, dated October 18, 2000, of the Department and found that it could improve its management of the State's passenger vehicles in these areas:

- Enhanced utilization of vehicles;
- Consolidation of parking facilities;
- Improved maintenance record keeping;
- Improved record keeping over vehicle disposals; and,
- Use of vehicles used for commuting.

The Auditor recommended that the Department improve its record keeping and then "perform a comprehensive study of the relevant data to maximize the utilization of the State-owned fleet."

SOURCE: "Department of Administrative Services, Fleet Services Economy and Efficiency Audit," R. Thomas Wagner, Jr., Auditor of Accounts, State of Delaware, October 18, 2000.

OBSERVATION 5

A number of State employees are permitted to have State vehicles for official business and personal use. The personal use of a State-provided vehicle can be considered a taxable fringe benefit for the employee. The Department of Personnel is responsible for reporting all taxable earnings to the Internal Revenue Service, including taxable fringe benefits. The Department is now surveying State agencies and departments to "understand to what extent any employee might be using any State owned vehicles for any personal use."

DISCUSSION

Vermont law (3 V.S.A. §217(a)) allows State government to provide a vehicle for the Governor, Lieutenant Governor, and employees in the departments of Fish and Wildlife and Public Safety, and to other individuals by permission of the Secretary of Administration "in circumstances where there is documented evidence of necessity based upon the requirements or conditions of individual state programs."

If a vehicle is used for personal or commuting trips in addition to official travel, that personal use is considered a taxable benefit subject to income tax, Social Security, and Medicare withholding. The employer must include the value of that personal benefit in the employee's wages for income and employment tax purposes.

The Department of Personnel is currently conducting a survey of State agencies and departments to determine the extent of personal use of State vehicles.

This issue is an example of a potential problem for employees, and the State, that could have been addressed with better data collection and periodic reviews of the State's general policy on the use of passenger vehicles.

RECOMMENDATION 5

The Secretary of Administration and the Commissioner of the Department of Personnel should comply with Internal Revenue Service regulations regarding the taxable benefit to employees who are provided with State-owned vehicles for commuting and personal use in addition to state duties. The Secretary should review departmental policies that regulate personal use of State vehicles to assure proper controls and consistency and to avoid abuse.

OBSERVATION 6

The State of Vermont is operating and maintaining many passenger vehicles past their "optimal disposal dates," which could be causing higher gas and maintenance costs, and heightened risk of accident to employee operators.

OBSERVATION 6a

Departments are not using proceeds from the sale of vehicles at auction to fund the travel reimbursement of State employees as established by law.

DISCUSSION

Our Office reviewed disposal records and looked at the life history of several vehicles to determine how fleet managers decided to sell a vehicle at auction, and whether or not the life-cycle costs of the vehicle in question justified the sale. In some cases, we found that the State may have held onto a vehicle for too long.

For example, in the public vehicle auction held on April 25, 2002, 37 passenger vehicles went up for sale with an average odometer reading of nearly 117,000 miles, and an average lifespan of 8.75 years.[8] In fact, one vehicle topped 215,000 miles and 10 years.

Similar results were found in the Fall 2002 and Spring 2003 public vehicle auctions reviewed by this Office.

Through experience, experts in fleet management have identified a point, called the optimal disposal point, at which a vehicle's age and mileage make it cost effective to dispose of the vehicle. Disposal points vary by vehicle class. However, public sector fleet policies generally recommend disposing of passenger vehicles, including sedans, light trucks and vans at 80,000 to 100,000 miles. The federal government requires a minimum of 3 years or 60,000 miles before replacement can be considered. In Oregon, state policy calls for fleet managers to replace sedans and station wagons at 85,000 miles. In fact, Oregon requires managers to get special approval from the Fleet Administration Office to keep a vehicle more than 85,000 miles.

Vermont has no such policy, but it would appear that the State sells off many vehicles at least one to two years past the optimal disposal point. National fleet experts point to much higher maintenance costs per mile and greater risk of accident with older vehicles. A thorough life-cycle cost analysis of the Vermont fleet would produce a more informed "optimal disposal point" for typical vehicles. Maintaining a newer

[8] Passenger vehicles do not include heavy duty pickups, vans or special utility vehicles registered to the Agency of Transportation. However, this list does include sport utility vehicles and light duty pickups.

fleet allows the State to take the best advantage of a manufacturer's warranty program, to reduce maintenance costs, and to get a better price at the time of disposal.

A State-owned 1993 Ford Aerostar van sold at auction in May 2003 had been driven less than 6,000 miles a year during its lifetime - which is half what is recognized as the national standard for public fleet vehicles.

Despite the typically high mileage of disposed vehicles, our Office found vehicles at auction that had been driven less than 12,000 miles per year, which, according to fleet management literature, is the nationally recognized mileage standard for best utilization in public sector fleets. In other words, if vehicles are being driven less than 12,000 miles per year, the fleet is not being used efficiently and money is being wasted.

For example, a State-owned 1993 Ford AEROSTAR mini-van was sold in May 2003 for $1,700. It had 58,700 miles, or less than 6,000 miles per year.

At the June 2002 auction, a 1993 Chevy van was sold for $4,000. It had 87,428 miles, less than 10,000 miles a year on average.

Once a car is sold, there is no policy to review the life-cycle cost of that vehicle to inform fleet managers whether or not its replacement is a good, or bad, idea.

As an example, our Office estimated that one auctioned vehicle, a 1996 Ford Taurus acquired in December, 1995 for $15,535, may have cost the State up to $64,000 during its lifetime (depending upon cost accounting assumptions), for purchase, insurance, repairs, gas and overhead (less revenue of $2,300 earned when the State sold the car in May, 2003 with 106,132 miles on its odometer). This is about $685 per month for 90 months, or about $.58 per mile over the ownership period. Further life cycle cost analysis would determine if these costs are typical of this class of vehicle with similar utilization.

Our Office asked a number of Departments how managers decided when to dispose of a vehicle. The most common response was that the vehicle was selected based on its age and mileage, but only after the Department had received funds to purchase new vehicles.

Once a Department sells a vehicle, they receive the money from the Surplus Property Division as special funds (29 V.S.A. § 1557) and manage the funds according to 32 V.S.A. §§ 582-589, which identifies Surplus Property as a special fund in departments, offices and agencies throughout State government (32 V.S.A. § 589 (b)). However, State law additionally provides direction on how departments should apply these surplus funds. Specifically, 3 V.S.A. § 217 (b) reads: *"All money which has been* *budgeted in any fiscal year for the maintenance of those vehicles and the proceeds from the sale of those vehicles shall be applied as necessary for the purpose of reimbursing state employees for the use of their private vehicles. Any unspent balance shall revert to the general fund."*

This requirement, along with the more general guidelines of 29 V.S.A. § 1557 have the effect of muddling the intent of the use of the funds. While it may be prudent to use the funds to offset reimbursements for the use of personal vehicles, it may also be prudent for departments to leverage those funds to replace fleet assets.

RECOMMENDATION 6

The Secretary of Administration should review generally accepted fleet disposal guidelines recommended by the National Conference of State Fleet Administrators and determine standards most appropriate for Vermont's fleet.

RECOMMENDATION 6a

The Secretary of Administration should clarify for departments how to apply the Special Funds generated from the sale of surplus vehicles, and the unspent balance of the maintenance costs for those sold vehicles to maximize the use of those funds.

The Five Steps to Better Fleet Management

The United States General Accounting Office (GAO) reported to Congress that the most successful fleet managers in the private and public sectors had identified five essential management practices:

1. Assessing vehicle utilization - how vehicles are used - to determine the appropriate size of the fleet and to establish a baseline for fleet operations;
2. Having the needed information and supporting management information systems to enable management to make sound decisions and assess performance;
3. Comparing, or benchmarking, the costs and performance of a fleet with those in what they found to be the best fleets;
4. Funding the fleet through a revolving fund; and,
5. Centralizing fleet management responsibilities to establish uniform guidance and identify opportunities for improving a fleet's cost-efficiency.

SOURCE: "Federal Motor Vehicles, Private and State Practices Can Improve Fleet Management," United States General Accounting Office, GAO/GGD-95-18. December, 1994.

Background

By virtue of the 1987 vehicle policy, files maintained by the Department of Motor Vehicles (DMV) constitute "the official inventory of state registered vehicles."[9] There are several reasons why the list is not a true inventory of State vehicles:

- It includes many utility trailers that must be registered, and 16 boats;
- Sold or scrapped vehicles are sometimes not quickly taken off the list; and,
- Agencies and departments are sometimes slow to report license plate transfers.

We observed that the DMV list of 2,050 total vehicles and trailers was missing 150 State Police cruisers from the Department of Public Safety[10]. A recent DMV listing had conflicting numbers of AOT vehicles, showing 931 vehicles, while the AOT computer system, used daily, tracks only 720 vehicles. We also found license plate inaccuracies in the DMV list due to the fact that some departments may re-use a license plate when a vehicle is sold or scrapped, but may fail to inform the DMV in a timely manner about the transfer.

Adding an estimated 150 State Trooper vehicles, and subtracting approximately 200 AOT vehicles, to a recent DMV list of State-registered vehicles produces a probable State vehicle total of approximately:

- 1,015 passenger vehicles, including pickup trucks, vans, SUVs, and Vermont State Police cruisers; and,
- Approximately 934 construction, highway maintenance, utility and special purpose vehicles and trailers.

9 Under GASB 34, a new government financial reporting standard, the State of Vermont will be reporting all capital assets, such as vehicles, and the VISION accounting system could become the official inventory of vehicles in the future. Under VISION guidelines, all assets that "have a useful live greater than 2 years and an original purchase cost greater than $5,000 will be considered capital assets and …must be in the VISION system."

10 The Department of Public Safety has a streamlined registration process for Field Force (FF) vehicles used by State Troopers to reduce DPS and DMV processing time essentially doing it themselves. The information is not regularly integrated into the master DMV list of state-registered vehicles.

Thus, there are a total of approximately 2,039 State-registered vehicles[11]. (See Appendix D for a summary of this list.) The 2,039 figure differs from the total of 1,900 vehicles represented in the State's bid request for insurance, dated May 3, 2002,[12] but may be due to how different agencies in the State view trailers, which are registered but not "motorized," and other specialty vehicles, including unmarked, confidential law enforcement vehicles.

Day-to-day vehicle assignments, operation, and repairs and maintenance, and usage rules occur under each department or agency's specific vehicle policies, but are governed comprehensively by Revised Administrative Bulletin No. 2.3, "State Vehicles (Purchase/Usage)," the official State policy issued by then-Secretary of Administration Thomas P. Menson on September 21, 1987. (See Appendix C.)

The bulletin has not been revised since 1987, according to information provided by the Department of Finance and Management. The bulletin applies to all State-owned or leased vehicles except construction and highway maintenance vehicles.

The bulletin states:

> *"The basic policy governing provision and use of motor vehicles is that official travel be performed safely and at the lowest cost to the state."*

The bulletin also states:

> *"Each agency/department will maintain records of assigned vehicles including as a minimum: individual vehicle description, location, assignment, acquisition cost, monthly and year-to-date mileage, monthly and year-to-date operating/maintenance costs and anticipated replacement date. Whenever possible it is recommended that operating/maintenance cost records of individual drivers be maintained."*

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11 Eighty-nine vehicles listed as owned by the Department of Education are, in fact, owned by various school districts throughout Vermont. These districts acquire the vehicles by purchase, lease or gift, but they are registered and insured by the State of Vermont through the Department of Education. When the Department of Education reimburses the school districts for their expenses associated with driver's education at the end of the year it deducts the amount owed for insurance, recently computed by DOE at $1.89 per each day of reported use. The DMV list also shows 16 boats as being registered by the State of Vermont. Less than 10 of the remaining vehicles are leased by the State. The list is currently under review by DMV staff.

12 The Risk Management Division of the Department of Buildings and General Services collects the vehicle information through a general mail-back survey where returns are not 100 percent and information on some returns is provided by other than fleet administrators, etc.

Vehicle acquisition process

The Purchasing and Contract Administration Division (within the Department of Buildings and General Services) coordinates the purchase of frequently purchased items in State government, such as vehicles. The Purchasing Division solicits bids on vehicles and vehicle-related products and services, chooses bid winners, and notifies State departments of qualified vendors and specific vehicle type contracts. For example, the Division has negotiated a contract with Wright Express, a national firm that provides fleet charge cards, to provide cards to State departments and drivers for the purchase of fuel and other supplies for government travel. The charges are then passed to State government for analysis and payment and are also available on the Wright Express website for review by appropriate State managers. For example, about 30 percent of fuel purchases for the State Police division of the Department of Public Safety are from commercial gas stations using the Wright Express fleet card. These fuel cards are offered with each vehicle acquired through the Purchasing division.

The winning 2003 model year vehicle contracts and specifications for vehicle purchases are available at: www.bgs.state.vt.us/pca/vehicle_detail.htm. Individual departments then prepare their own vouchers for vehicle purchases according to their budget appropriations and specific selection and approval process. From July 1, 2002 to May 25, 2003, Vehicles purchased "on contract" – that is, entered into VISION as vouchers against a contract – from Shearer Chevrolet (So. Burlington), Heritage Ford (So. Burlington), Formula Ford (Barre), and Foster Motors (Middlebury), totaled $1,701,722 in cost. In the same time period, standard passenger vehicles, trucks and specialty construction-type vehicles purchased "off contract" via the older requisition process totaled $4,193,069. The Purchasing Division maintains the title to all purchased vehicles.

The Purchasing Division works with individual departments to select new vehicles with necessary options and accessories. Bulletin 2.3 notes, "Generally, the most economical configuration consistent with the anticipated usage will be selected."

Knowing Fleet Costs Important

While various factors may affect fleet costs, the financial methodology used by the fleet is also important. In many instances, government organizations can not calculate their actual cost of operation, due to inconsistent cost-accounting techniques. This inconsistency stems from a lack of knowledge on how to define costs, and which costs to include. Ultimately, the inconsistency and lack of knowledge leads to false cost estimates.

With a lack of uniform cost-accounting guidance, fleets face difficulties performing cost-comparison studies. Without comparing "apples to apples," fleets can not fairly determine whether it would benefit from consolidation, leasing, or some other action. As a result, fleet management studies often can not predict meaningful and beneficial changes.

SOURCE: "Vehicle Management in State Government," Council on Efficient Operations, January 1998.

Purchasers must provide strong justification for moving to higher-expense vehicles, such as large 4 x 4 pickup trucks, or vehicles with non-standard options and accessories.

Funding for new vehicles is through the traditional budget request and appropriation process, which considers vehicle requests as part of a total agency budget request, agency by agency, not on a specific government-wide fleet basis.

Registration process

Each department pays a one-time title fee of $15 and a one-time registration fee of $10 when a new vehicle is registered with the Department of Motor Vehicles (DMV). Some departments pay through VISION, others send completed registration forms and checks to the DMV. Some law enforcement vehicles are registered with confidential information kept separate from the master DMV file. When plates are transferred for any reason, the information must be provided to the DMV. Vehicle titles are generally maintained by the Purchasing Division.

Insurance process

Insurance for State property and vehicles, and vehicle-related damage or injury claims against the State, is coordinated by the Risk Management Division of the Department of Buildings and General Services. State vehicles are insured for liability only, with the exception of approximately 85 drivers-education vehicles the State insures through the Department of Education for various school districts throughout the State,[13] one vehicle for AOT (ARAN van) and one “burn trailer” for the Department of Labor and Industry, which all have collision coverage as well. There is property coverage for vehicles at State garages if vehicles are damaged or destroyed on the lot. The State self-insures up to $250,000 per occurrence and purchases excess liability coverage for potentially larger claims.The vehicle and general liability and property coverage is bid out as one contract. The insurance costs for vehicles are billed back to various departments by the Risk Management Division based on a formula which includes the number of vehicles the department owns, the average losses over past years, and other factors.

The premium assessed to agencies and departments for the statewide auto liability program (including highway maintenance and construction vehicles) in FY03 was $610,000. State funds paid for vehicle-related claims (regardless of the date of loss) during FY03 totaled $221,053.62. This amount represents claims that were paid during the fiscal year for auto losses, including some from past years, through June 30, 2003. While this figure represents claims payments made during FY03 there remain open claims from past years.

13 The Risk Management Division bills the cost of this insurance to the Department of Education, approximately $17,500 in FY03. The Department of Education bills the school districts based on a $1.89 per vehicle per day of reported use. In FY02, this amounted to approximately $42,000.

Repair and maintenance procedures

Repairs and regular preventive maintenance are handled by a mix of dealers, private garages, and State repair facilities and are directed and accounted for by individual departments and agencies. New vehicles are typically serviced during the warranty period at local dealerships, even if they were purchased at a dealership in a distant part of the state. For example, a Ford sedan purchased in South Burlington at Heritage Ford, but stationed in Rutland, will get warranty-period service at a local dealership in Rutland.

AOT's Central Garage is the State's largest in-house repair facility, with approximately 30 employees and an annual budget of over $11 million, and services AOT vehicles from the central Vermont region, and performs many of the more complex repairs on vehicles from other Highway Districts as well. The Department of Public Safety's State Police division has a maintenance and repair facility in Colchester staffed by a fleet administrator, an administrative assistance and three mechanics. However, much of the post-warranty maintenance and repairs on Public Safety vehicles is performed by private garages, some of which are under service contracts for oil changes, tire rotations and other common maintenance procedures. Divisions within ANR have more than 300 vehicles, and these are generally serviced after the warranty by private garages. The Department of Buildings and General Services has a garage facility in Middlesex, but many repairs are done by private service centers.

Fleet Management Methods and Systems

A management information system, when properly maintained and utilized, can be the cornerstone of a successful fleet operation. Fleet experts agree that having the needed information supported by a good management information system is essential for efficient management of resources.

During decision making, management relies on accurate and timely information on all aspects of the fleet. This information is essential for almost every fleet activity including vehicle acquisition, operations, utilization, maintenance, and disposal. At a minimum, the information system should supply accurate information relating to the life-cycle of each vehicle. This information should allow a comparison of fleet costs and benefits between the organization's fleet and fleets of other organizations.

SOURCE: "Vehicle Management in State Government," Council on Efficient Operations, January 1998.

Record-keeping process

Agency and department fleet managers keep vehicle and cost information in at least four different databases throughout State government. The AOT, for example, keeps extensive vehicle information in its MCMS (Maintenance Control and Management System) database. The agency produces an annual "Central Garage Financial Status of Equipment Report" which details costs of each individual vehicle, from its six gas-hybrid sedans to the largest of its specialized construction vehicles, including charges for acquisition, depreciation, fuel, and maintenance. With passenger vehicles, the system records mileage, so that a basic annual cost per mile can be derived. ANR keeps its vehicle inventory (date of service, driver assignment, etc.) on ACCESS, but enters operating cost information through the VISION voucher system without mileage information. The Department of Public Safety uses the Fleet Management Menu of its Summit 3.0 information system, a product of Spillman Technologies of Utah. The Fleet Management system tracks many factors, including the complete vehicle information (VIN, description, driver assignment, date of service, etc.) plus fuel and other operating costs, and all repairs and maintenance. Drivers enter information on mileage and fuel purchases. A weekly repair report is generated for the departmental fleet, and other reports are generated as requested. Buildings and General Services does not have a dedicated fleet management software system, but is investigating, through its purchasing division, options for new fleet management software that would encompass all vehicles except those in Public Safety and the Agency of Transportation.

All departments are required to enter new vehicles into the VISION asset management module.

Disposal process

Vehicles are typically disposed of through a twice-a-year public auction of State vehicles and other equipment held at the AOT Central Garage on the Barre-Montpelier Road in Berlin. On Saturday, October 4, 2003, about 110 State vehicles were auctioned. This auction featured a large contingent of former State Police cruisers. The auctions are conducted by the Surplus Property division of BGS, with assistance from DPS and AOT. A professional auctioneer is contracted through the State bidding process. Each department decides when to dispose of its vehicles. Factors include age, mileage and condition of the vehicle as well as the availability of replacement funds. Owners must follow various procedures to prepare and report on the vehicles it wants to dispose of. By law, net proceeds from the sale of State vehicles "shall be applied as necessary for the purpose of reimbursing State employees for the use of their private vehicles. Any unspent balance shall revert to the general fund."[14] Proceeds from vehicles initially purchased with federal funds are returned to the original federal program.

Employee-reimbursed travel

In addition to its passenger vehicle fleet, State government provides mileage reimbursement to employees for official government travel. In fiscal year 2003, the Instate Auto Mileage reimbursements for all business units totaled $5.4 million, or approximately $450,000 per month. The current mileage reimbursement rate is 36 cents per mile. Monthly reimbursed mileage, therefore, is in the range of 1.2 million miles a month.

[14] 3 V.S.A. §217(b).

Purpose, Authority, Scope & Methodology

PURPOSE

The Office of the State Auditor has produced a special report on how the State manages its passenger vehicle fleet, approximately 1,250 vehicles in a total fleet of 2,200 vehicles[15]. This report was prepared with a goal of providing compliance and performance information to help meet the demand for a more responsive and cost-effective government.

AUTHORITY

This review was conducted pursuant to the State Auditor's authority outlined in 32 V.S.A. §§163 and 167, and under the provisions of Government Auditing Standards issued by the Comptroller General of the United States as they pertain to non-financial-related activities.

SCOPE & METHODOLOGY

The scope of the review included an evaluation of the State's regulations and internal controls for the purchase, operation and disposal of its passenger vehicles in selected agencies. Staff from the Auditor's Office reviewed various fleet records and data systems, and conducted interviews with State employees and managers who are responsible for the day-to-day operations of the State's vehicle fleet in the largest departments, reviewing accounting, vehicle acquisition, insurance, maintenance, and disposal procedures. Staff examined purchasing, insurance and disposal information and reviewed fleet management literature.

This report is not an audit conducted in accordance with applicable professional standards. The purpose of an audit is to express an opinion. The purpose of a special report is to identify observations related to a particular issue or program, and to make recommendations so that the relevant agencies or departments can better accomplish their mission and more fully comply with laws, regulations, or grant requirements. This special report relied upon representations of, and information provided by a variety of State employees as well as upon discussions with fleet administrators and others knowledgeable about the industry.

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[15] Pickup trucks and SUVs make up 58 percent of the passenger vehicles; sedans and station wagons 32 percent; vans and mini-vans 10 percent. Three agencies, the Agency of Natural Resources, the Agency of Transportation, and the Department of Public Safety account for nearly 70 percent of all passenger vehicles. Total numbers are under review by staff of the Department of Motor Vehicles.

Appendix A

DEPARTMENT OF BUILDINGS AND GENERAL SERVICES

OFFICE OF THE COMMISSIONER

TO: Elizabeth Ready, State Auditor of Accounts

FROM: Thomas W. Torti, Commissioner

DATE: 10/22/2003

RE: Response to Your Fleet Report

I have been asked to respond to your analysis of the state fleet program since BGS has been involved in looking at these issues, at the Governor's direction, for the past nine months.

BGS staff has been involved in reviewing the manner in which the state manages its fleet of passenger vehicles early spring. A report was issued to me in July of this year. That report prompted further discussions within the administration. In late September BGS was charged with determining the benefits of setting up a coordinated statewide fleet program. That program would have two elements at its center. The first is the cost efficient operation of vehicles along with the cost efficient movement of state employees. Second, the program must ensure that we are in compliance with appropriate environmental standards.

It is heartening to the administration to see that the Auditor is generally thinking in the same direction.

I will respond to each of your Observations and Recommendations.

<u>Observation 1</u>: We were aware of this issue and it has been highlighted as one of the aspects to fix as we roll out the new program.

<u>Recommendation 1</u>: We agree and are in the process of doing this.

<u>Observation 2:</u> Here too, we were aware of this flaw and are in the process of correcting it.

<u>Recommendation 2:</u> We generally agree. You use the word "address" to describe the action to be taken relative to certain key components. We believe that addressing an issue does not necessarily mean mandating a particular process. We will 'address' but perhaps not 'mandate'. Stylistically, this is an open issue.

Observation 3: The lack of a uniform software-tracking model has previously been identified by the Administration as a key area to be addressed.

Recommendation 3: We generally agree. However, at this point, we believe that a common system should be in place for all "passenger" vehicles but not necessarily for special use vehicles operated by AOT and VSP. Likewise, given that those departments have software systems that work for them it seems to make sense, at this point in our analysis, to a;) leave those in place; b;) ensure their compatibility with the new state software architecture; c;) ensure that the information that they capture meets baseline attributes established by the Fleet Program and d;) to then monitor their compliance with the same.

Observation 4: We are currently in the process of scrutinizing purchase trends. One of the key result areas of the new program will be to 'right size' the fleet for economy/fuel efficiency.

Recommendation 4: Part 1—We agree. A new fleet program should be in compliance with the 'least cost appropriate to the job function' standard.

Part 2: We disagree. It is not the mission of the Climate Neutral Working Group. BGS will run the Fleet Program and will be responsible for ensuring compliance with applicable statues and policy.

Auditor's Note: *Recommendation 4 has been revised to reflect the Administration's response*.

Observation 5: We agree and the Department of Personnel is currently in process on this task.

Recommendation 5: We agree but here again, DOP is already working on this.

Observation 6: As part of our work, we have been reviewing the mileage of the fleet and assessing it against best practice standards. It should be noted that today's cars run longer and may not lose their fuel efficiency as they did in the past.

Observation 6(a). Departments apply receipts to the operating portion of their budget.

Recommendation 6: We agree that Vermont should follow a guideline for determining when a car should be disposed of. We are in the process of determining best practice.

Recommendation 6(a): As noted above, it is our understanding that receipts are posted to departments and are used in the operating portion of their budget. Mileage reimbursement falls within the operating budget.

To conclude, the issues that you raise and the points you make are congruent with the findings of BGS. I will be making formal recommendations to the Secretary of Administration in the near future. Thank you for your efforts. It is heartening to have our work validated.

Appendix B

Office of the State Auditor October 20, 2003
132 State Street
Montpelier, Vermont 05633-5101

To Whom It May Concern:

Dave Tifft, Dept. of Public Safety Fleet Administrator, and I have reviewed your draft report on passenger fleet issues and I'd like to offer a couple of observations.

I support the suggestion concerning a review and revision of Bulletin 2.3. I asked about our reporting under this bulletin and it seems as though we have not submitted the specified annual cost report form in many years.

It was described as a tremendously onerous form to complete. The Department went to a 1st-generation computerized management system that provided the necessary information and reports were submitted from that system until such time as an apparent case of disinterest occurred. I'm under the impression that the change in form submission was approved at the time. In speaking with our administration section, it was one of those reports that was no longer generated because there was little, to no active interest is such a report by any reviewing body.

Once we acquired the Spillman system, we continued to track our fleet expenses and vehicle assignments and have a variety of reports that can be generated but it has been used primarily as an in-house management review tool. We have used data from this system when preparing legislative reports, but until seeing your report, I was unaware of the information flow problem. A new look at the provisions and intent of 2.3 would be a good approach to re-establish a MEANINGFUL status reporting system. Input from the respective fleet management personnel is critical for any revision.

On the issue of Recommendation 6a, the use of auction receipts. I think this is an area that is sufficiently confused. We discussed this topic with BGS staff during the last year. It appears as though departments may have been working from provisions found in Title 29 VSA 1556 & 1557 rather than the Title 3 VSA 217 cite. This is something that will need clarification through legal research as it appears as though agencies & departments had problems with the micromanagement found in T3 and the T29 provisions had the effect of giving more discretion to the agencies/departments. I'm a bit stunned to think we should be precluded from using proceeds of the vehicle auction to offset/supplement vehicle outfitting & maintenance expenses!

I believe this needs further discussion that goes beyond the scope of e-mail, but it also should have the involvement of fleet managers throughout the state. You might take a look at this and see what you think. Yes, I can buy the fact that the two titles are designed to address passenger vehicles as distinct from other equipment and property, but T29 section 1556 (7) speaks of motor vehicle disposal ... it appears as though someone else thought this section was applicable to the disposal of motor vehicles as well as other property.

Thanks for providing a draft copy for review! Please let me know if we can be of further assistance with your project.

Captain Marc Metayer
Staff Operations Officer, Vermont State Police

Auditor's Note: *Text of discussion and recommendation 6A will be changed to reflect the competing statutory guidance on proceeds from vehicle auctions.*

Appendix C

PAVILION OFFICE BUILDING
MONTPELIER, VERMONT 05602

OFFICE OF THE SECRETARY
(802) 828-3322

STATE OF VERMONT

AGENCY OF ADMINISTRATION

TO: All Agencies and Departments

FROM: Thomas P. Menson, Secretary of Administration

DATE: September 21, 1987

SUBJ: **Revised Administrative Bulletin No. 2.3**
State Vehicles (Purchase/Usage)

The attached Revision No. 6 of Bulletin No. 2.3 is effective September 11, 1987, and is necessitated by the need to clarify and update existing policy.

Notable changes are:

(1) Seat belts are to be worn when operating state vehicles.

(2) Unattended state vehicles are to have ignition keys removed from the switch and, if state property is left in the vehicle, the doors and/or trunk are to be locked and the windows are to be closed.

(3) The liability insurance coverage maintained by the state is more fully explained.

(4) Form AA-B-28, Motor Vehicle Operation Report, has been revised to include the anticipated replacement year for vehicles.

Also, any agency with state vehicles which has not complied with the reporting provisions of this Bulletin for fiscal year 1987, use the revised Form AA-B-28 for your fiscal year 1987 submittal and transmit same to the Department of Finance and Management by December 1, 1987. For future years, the August 1 date contained in the Bulletin will apply.

TPM:dd
Attachment

STATE OF VERMONT

AGENCY OF ADMINISTRATION

BULLETIN NO. 2.3

TO: All Agency Secretaries and Department Heads

FROM: Thomas P. Menson, Secretary of Administration

DATE: September 21, 1987

SUBJ: **State Vehicles (Purchase/Usage)**

SUPERSESSION

Agency of Administration Bulletin No. 2.3, dated March 18, 1980 is superseded and cancelled.

PURPOSE

This bulletin outlines state policy regarding provision and use of motor vehicles and establishes usage reporting requirements. It does not apply to highway maintenance and construction vehicles.

POLICY

The basic policy governing provision and use of motor vehicles is that official travel be performed safely and at the lowest cost to the state within the constraints of the law as reflected in 3 V.S.A., Section 217 (a).

> "(a) No state department or agency, board or commission, except the governor, lieutenant governor, and the departments of fish and wildlife and public safety may maintain or provide passenger vehicles for the use of employees, subject to such exceptions as may be made by the secretary of administration in circumstances where there is documented evidence of necessity based upon the requirements or conditions of individual state programs."

Generally the state will provide vehicles for:

a. Emergency services, including ambulance, fire and law enforcement;

b. Transportation of toxic or hazardous materials or of heavy equipment;

c. Off-road transportation requiring special equipment (e.g., 4-wheel drive);

d. Institutional use for resident transportation (not for personal use of staff) e.g., Brandon Training School, Vermont State Hospital, correctional facilities, etc.);

e. Transportation/distribution of supplies, official mail, books, etc.

Official employee travel should be accomplished through use of state vehicles whenever such vehicles are available. Shared use of vehicles between co-located departments is encouraged. All other official travel via motor vehicle will be through the use of private vehicles on a reimbursable basis.

Long term leasing of vehicles must be approved by the Secretary of Administration and will be subject to the same guidelines as for purchased vehicles. Because leasing is generally more expensive than ownership, approval will be contingent upon satisfactory demonstration of a projected cost benefit to the state based upon the nature of the particular situation.

Each agency/department will maintain records of assigned vehicles including as a <u>minimum</u>: individual vehicle description, location, assignment, acquisition cost, monthly and year-to-date mileage, monthly and year-to-date operating/maintenance costs and anticipated replacement date. Whenever possible it is recommended that operating/maintenance cost records of individual drivers be maintained.

The need for individual vehicles will be subject to continuing review. Agencies/departments are expected to regularly analyze vehicle usage vs. program requirements to justify retention of vehicles. As a minimum, the need for a vehicle should be closely scrutinized before replacement is accomplished. Periodic review of agency/department vehicle inventory, usage, and need will be conducted by the Department of Finance and Management.

Replacement of state vehicles will be based primarily on the general condition of the vehicle, its anticipated usage and estimated maintenance/repair expense derived by agencies/departments from records of vehicle operating costs. The decision to replace a vehicle is subjective and agencies/departments are expected to exercise prudence and common sense, balancing replacement criteria (condition, usage, repair costs) against the availability of funds. The Purchasing Division will monitor the condition of vehicles turned in for auction to ensure that vehicles are not being replaced prematurely.

Style, model, size, and factory (or dealer) installed optional equipment of sedans/station wagons purchased by the state will be specified by the requesting department; however, final determination will be made by the Purchasing Division. Generally, the most economical configuration consistent with the anticipated usage will be selected. Following this policy, passenger car purchases will generally be bottom-of-the-line 4-door sedans (sub-compact wherever possible) with small engines, automatic transmission and AM radio. Power steering and/or power brakes will be included if these items are normally standard equipment on the particular model being purchased. Variations from this policy (larger vehicles, 4-wheel drive, optional equipment, etc.) will be fully justified in writing to the Purchasing Division.

The number of vehicles operated by an agency/department will not be increased without prior approval of the Secretary of Administration.

Agencies/departments and individuals will comply with all provisions of the Vermont Fleet Safety Program which is administered by the Department of Motor Vehicles.

State owned vehicles are for official use only and will not be operated for personal business. Only state employees and state officials are authorized to operate state owned vehicles. State, federal and town officials/employees, private citizens on official state business and officials/employees of other states visiting Vermont on official business may be transported in state owned vehicles at the discretion of the operating agency/department. In connection with speaking engagements in Vermont before civic and other local groups where an individual other than an agency/department official has been invited to attend, the official may transport this individual in a state owned vehicle. Except for the above, transporting of other than state employees/officials requires authorization in writing from the Secretary of Administration.

All state vehicles will be registered through the Department of Motor Vehicles. This includes vehicles loaned for driver education purposes. The Department of Motor Vehicles will not register additional state vehicles unless proof that the Secretary of Administration has approved the additional vehicle(s) is provided. Registrations will be renewed annually. License plates will not be shifted between vehicles unless the registration is transferred concurrently. Files maintained by the Department of Motor Vehicles will constitute the official inventory of state registered vehicles and it is incumbent upon individual agencies/departments to insure that the record is accurate. Vehicle titles will be retained by the Purchasing Division which will provide a copy to the receiving agency/department.

GENERAL INSTRUCTIONS FOR OPERATION OF VEHICLES

Each operator is responsible for the care and maintenance of the state owned vehicle assigned, whether for permanent or temporary use.

The manufacturer's recommended maintenance schedule or equivalent will be followed in maintaining vehicles.

Failure to properly care for and maintain a vehicle including negligent operation, whether or not resulting in personal injury or property damage, will be grounds for disciplinary action under the terms of the State-VSEA bargaining agreement.

Before taking charge of a state owned vehicle, temporarily or permanently, the operator shall make an inspection thereof, to note any damages that may exist, and determine whether or not same has been reported. In order to absolve the operator from any liability for such damage, the operator shall make a report to his/her supervisor.

Ignition keys are not to be left in the switch when the vehicle is unattended. Also, state property is not to be left in an unattended vehicle unless the doors and trunk are locked and the windows are closed.

Seat belts are to be worn when operating vehicle.

Gasoline shall be purchased whenever possible from state owned pumps. Tires, tire chains, batteries and antifreeze are to be purchased under existing state contracts. All other items required for vehicle maintenance are to be purchased under existing state contracts whenever possible.

No extras or special equipment may be added to a vehicle without the written approval of the agency/department head. All special equipment will be removed prior to resale.

In case of accident resulting in injury or death to any person, or in damage to property, the operator shall, unless incapacitated, immediately report the accident to the nearest police or state police officer and his/her supervisor or, in the casè of a state police officer, his/her superior officer or shift commander. <u>All</u> property damage, including damage to the vehicle, will be reported regardless of the amount. The vehicle should not be removed from the spot of the accident until authority to do so is given by police or the state police officer in charge after an on-the-scene investigation. Accident reports shall be filled out in accordance with the established regulations governing the reporting of accidents. Accident reports involving vehicles of the Department of Public Safety shall be handled in the same manner as other accident reports.

All state vehicles have liability coverage only. An insurance identification card naming the current carrier and agent has been supplied and should be kept in each state vehicle. Since there is no physical damage coverage, any loss to a state vehicle must be borne by the department if the other party is not at fault or cannot be found.

When an employee is involved in an accident an Agency of Transportation "Report of Motor Vehicle Accident" form should be filed with your department business office immediately. The Motor Vehicle Department requires these forms to be filed within 72 hours. These forms are also filed with the Department of General Services' Insurance Section, the Attorney General's Office, and the insurance company, so it is imperative that the Accident Report come through immediately. Should there be an accident with serious bodily injury, please do not wait to file a written report. Telephone the information to either the Department of General Services' Insurance Section (802-828-2211), the carrier or the agent.

Should an employee use a vehicle for other than state business and be involved in an accident, the state's insurance coverage would continue in force. However, since this would have been unauthorized use of a state vehicle and against state policy, the carrier, acting as an agent of the state, would have the right to sue the employee for all costs related to the claim.

Vehicles may be used in any manner to meet an emergency when in the mind of the operator an emergency exists.

Employee garaging of state vehicles and use thereof for commuting must be specifically authorized by the Secretary of Administration. Exceptions: The Departments of Public Safety and Fish and Wildlife may utilize internal authorization procedures for granting garaging and commuting.

VEHICLE USAGE REPORTING

The attached form, AA-B-28, Motor Vehicle Operation Report, is designed for use by agencies/departments in the analysis of motor vehicle operating costs. One copy of the completed form will be submitted annually by each agency/department having state owned cars. The form will be submitted not later than August 1 to the Department of Finance and Management, and will contain all motor vehicle costs. Agencies/departments having vehicle cost control systems already in existence may submit applicable portions of reports compiled by these systems in lieu of Form AA-B-28. Agencies/departments not having a cost accounting system for vehicles are encouraged to make use of existing computer systems.

TPM:dd
Attachment

Rev. 9/87
AA-B-28

MOTOR VEHICLE OPERATING REPORT FY _____

Date ______________

DEPARTMENT/AGENCY ______________________________

		FISCAL YEAR _____										CUMULATIVE TOTALS						
				OPERATING COSTS								OPERATING COSTS						
Vehicle Number Year and Make of Vehicle	Antic. Replace-ment Year	Oper-ating Period	Miles Driven	Supp	Repair	Total	Lease or Depre Cost	Insur Cost	Total Cost	Cost Per Mile	Total Miles Driven	Supp	Repair	Total	Lease or Depre Cost	Insur Cost	Total Cost	Cost Per Mile
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
TOTAL																		

9/9

Appendix D

State-Registered Vehicles

By State policy, the Department of Motor Vehicle registry is the official inventory of State vehicles. According to DMV records state agencies own or lease an estimated 1,105 passenger vehicles. Trucks and SUVs, make up 58 percent of the total, passenger cars made up 32 percent, and passenger vans made up the remaining 10 percent. Three agencies, the Agency of Natural Resources, the Agency of Transportation, and the Department of Public Safety account for nearly 70 percent of all passenger vehicles.

Table 1. Vermont State-Registered Passenger Vehicles

Vehicle	Total	AOT	Public Safety	AHS	Education	BGS	DLC	ANR	Public Service	Military	Agriculture	Other
Pickup Truck	***550***	212	16	32	2	21	3	229	13	13	6	3
Passenger Car	***350***	45	110	28	87	5	18	33	10		5	9
Van	***114***	30	7	32	2	10	5	20	1			7
SUV	***85***	17	6	20	1	1		37		2		1
Mobile Home	***4***	2	1					1				
Bus	***2***											2
Total	***1,105***	***306***	***140***	***112***	***92***	***37***	***26***	***320***	***24***	***15***	***11***	***22***

Table 2. Vermont State-Registered Special Use Vehicles

Type of Vehicle/Trailer	Total	AOT	Public Safety	DOC	BGS	ANR	DEC	Military	Agriculture	Labor	Liquor	Other
Heavy Trucks	***505***	454	11	2	14	14		4	1		4	1
Trailers	***424***	169	75	20	8	122	8	6	5	3		8
ATV	***5***	2							1	2		
Total	***934***	***625***	***86***	***22***	***22***	***136***	***8***	***10***	***7***	***5***	***4***	***9***

To obtain additional copies of this report contact:

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State Auditor

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This report is also available on our website:
www.state.vt.us/sao