

# Performance Audit Report

## Washington Department of Fish and Wildlife

### Vehicle Use

Report No. 1001764



July 9, 2009



**Washington State Auditor Brian Sonntag, CGFM**

[www.sao.wa.gov](http://www.sao.wa.gov)

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# About the Audit

## What we found

The Department could generate up to \$171,000 by selling 69 vehicles it does not use or it underuses. In addition, the Department can avoid spending up to \$1.2 million by not replacing these vehicles.

## Why we did this audit

During our [performance audit of the General Administration Motor Pool](#), our research showed other state agencies likely would find significant savings if they identified vehicles that are no longer needed or that could be sold. We chose Fish and Wildlife for this audit because it has one of the larger fleets in the state.

## Objectives

This audit was designed to determine whether the Department has underused vehicles and the potential financial effects associated with selling underused vehicles.

## Scope

We evaluated the Department of Fish and Wildlife's vehicle use from July 1, 2007 through November 30, 2008 to determine:

- If the Department has more permanently assigned vehicles than it needs.
- The financial effects of underusing vehicles.

The Department has 1,177 permanently assigned vehicles. We examined the Department's use of 218 vehicles for which the Department reported mileage below state guidelines for minimum vehicle use. This audit did not review maintenance operations or the cost of those operations.

The audit cost \$101,109 as of May 31, 2009.

## Methodology

We reviewed State and Department policies and procedures. We examined how the Department determines whether vehicles are necessary based on state guidelines. We also examined the Department's fleet management and internal controls over vehicle use. We obtained mileage information from the Department's mileage-tracking system to determine which vehicles we would review and interviewed approximately 100 employees regarding their vehicle use.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards, prescribed by the U.S. Government Accountability Office. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition, we considered the nine elements contained in [Initiative 900](#), detailed in Appendix A.

## Background

The Department of Fish and Wildlife has 1,177 permanently assigned vehicles, including nearly 800 trucks. The Department centrally manages the purchase, maintenance, sale and reassignment of vehicles.

Five Department programs pay for vehicle purchasing and maintenance; Fish, Wildlife, Habitat, Enforcement and Business Operations.

The Office of Financial Management sets the policy for state agencies regarding permanently assigned vehicles. The policy states permanently assigned vehicles that do not meet the exclusions below must be driven 10,000 miles per year. The exclusions are:

- Special-purpose trucks such as step vans, flat-bed trucks, semi tractor-trailers, cargo vans, snow plows and tanker trucks that haul fish. They are exempt from mileage requirements.
- Vehicles equipped for a specific function essential to agency operations. Examples include law enforcement or security vehicles and vehicles modified to transport handicapped passengers. The policy states these vehicles must be driven at least 4,000 miles annually.
- Vehicles that are essential to a job function and for which a personal vehicle is not a reasonable option, such as vehicles needed to transport animal carcasses. The policy states these vehicles must be driven at least 4,000 miles annually and must be used at least 75 percent of the working days in a year.
- Vehicles that are used in a hatchery or wildlife area that are driven short distances but are essential to the agency's activities, such as vehicles that transport fish or wildlife. The policy states these vehicles must be driven at least 2,000 miles per year or used 80 percent of the working days per year.

The Office of Financial Management can grant waivers from the requirements. The waivers allow agencies to have vehicles that do not meet the requirements but are necessary to meet an agency's mission. The Department did not request any waivers during the audit period. However, the Department stated it plans to review its total fleet and determine the number of waivers it will request from the Office of Financial Management.

## Issue

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**The Department could generate up to \$171,000 if it sold 69 under-used vehicles. If it chooses not to replace these vehicles, it could avoid spending up to \$1.2 million.**

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We reviewed 218 low-mileage vehicles, which represents 18 percent of the Department's fleet. We found 69 vehicles did not meet state requirements for the number of miles driven in a year or the number of working days used.

## Cause

Department employees who use state vehicles report mileage each month in a mileage-tracking system. The Department does not sufficiently monitor its vehicle use reports and lacks policies that require it to do so. The Fleet Manager sends the reports to fleet representatives in the programs that pay fleet costs, but they are not required to review the reports to determine if the vehicle is underused according to state policy.

State law and policy allow employees to use personal vehicles when it is reasonable or more cost-effective than using state vehicles. During our interviews, we learned this has not been Department practice.

**Effect**

The Department would benefit by selling 69 underused vehicles. We estimate the Department could generate up to \$171,000 from selling the vehicles. Not replacing underused vehicles could allow the Department to avoid spending up to \$1.2 million.

The Department may pay increased mileage reimbursement costs to employees for using personal vehicles. We estimate this amount to be up to \$79,000 per year.

Action	Financial effect	Calculation
Avoid purchase of 69 replacement vehicles	\$1.2 million	We used General Administration's current state contracts for the purchase of vehicles and assumed the Department would replace the vehicle with the lowest-priced vehicle available.
Sale of 69 unnecessary vehicles	\$171,000	We used edmunds.com, a vehicle sales Web site, to determine value for vehicles made after 1990. For older vehicles, we performed a trend analysis to estimate the value.
Personal vehicle mileage reimbursement	(\$79,000)	We used the mileage driven in state vehicles that will not be replaced, multiplied by .55, which is the current state mileage reimbursement rate.

**Recommendations**

We recommend the Department:

- Strengthen monitoring, including assigning responsibility and other procedures to ensure that mileage information entered into the mileage-tracking system is accurate, underused vehicles are identified and the fleet consists of only those vehicles necessary to carry out its mission.
- Review the remainder of the fleet not examined as part of this audit to identify additional vehicles that should be sold, reassigned or submitted to the Office of Financial Management for a waiver. This may result in additional revenue from vehicle sales and cost savings.
- Allow and encourage the use of personal vehicles when it is more economical and efficient to the state to do so.

**Commendations**

During the 2009 legislative session, the Department requested and received authority to establish a revolving fund to allow it to charge replacement costs to the five programs so money would be available to repair or purchase new vehicles when needed. The Department has begun using a fleet information system, which is a necessary component for the revolving fund. Now that the Department has the revolving fund, it can repair and sell inoperable vehicles more quickly to generate cash for the revolving fund. This would create a newer fleet that would need less maintenance. This is a fleet management best practice (see Appendix B).

## What happens next?

The release of this audit report triggers a series of actions by the state Legislature. The appropriate committee(s) will:

- Hold at least one public hearing within 30 days of this report's issue to receive public testimony.
- Review this report to identify audit recommendations that request legislative action.
- The [Joint Legislative Audit and Review Committee](#), the Legislature's performance audit committee, will produce a report by July 1 of each year detailing the Legislature's progress in responding to the State Auditor's recommendations. The Committee must justify any recommendations it did not respond to and detail additional corrective measures taken.
- Consider the findings and recommendations contained in this report during the budget process.

Follow-up performance audits of any state or local government entity or program may be conducted when determined necessary by the State Auditor.

## Appendix A: Initiative 900 elements

Initiative 900 elements cross-reference to report

<b>I-900 Elements</b>	<b>Addressed in issue or recommendation</b>
Identification of potential cost savings	Yes.
Identification of services that can be reduced or eliminated	Yes
Identification of programs or services that can be transferred to the private sector	No recommendation
Analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps	No recommendation
Feasibility of pooling the entity's information technology systems	No recommendation
Analysis of roles and functions of the entity and recommendations to change or eliminate roles or functions	No recommendation
Recommendations for statutory or regulatory changes that may be necessary for the entity to properly carry out its functions	No recommendation
Analysis of the entity's performance data, performance measures, and self-assessment systems	No recommendation
Identification of best practices	Yes

## Appendix B: Best Practices

### Revolving Fund Best Practices

A fleet management revolving fund is considered a leading business practice by both government and private industry and a necessary component of a well-managed fleet. Revolving funds allow agencies to recover the cost of services from users, which maximizes efficient and effective use of vehicles. Revolving funds are intended to operate on a break-even basis, using the revenue generated by the fund to finance its operations.

When funds are available, life-cycle analysis can be used which, according to industry practices, can significantly reduce costs. Life-cycle analysis involves determining costs associated with acquiring, maintaining, and disposing of vehicles over various replacement cycles, and then identifying the cycle with the lowest cost.

### Fleet Management Best Practices; GAO/GGD-95-18

Specifically, Fleet managers identified five essential management practices. These practices include (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.

Nearly all of the fleet experts with whom GAO met recommended a revolving fund for governmental fleets. Funding a fleet through a revolving fund, which is authorized to charge users the full costs for services, can provide predictable funding to consistently replace the fleet's assets in a timely manner, according to these experts. Under this funding approach, a fleet management program functions much like an in-house leasing company, acquiring vehicles and equipment and passing their costs on to fleet users. In this way, customers became more cost-conscious about their fleet usage. (See p. 27.)

According to these experts, centralized fleet management gave fleet managers a broader perspective on an organization's fleet. In their view, using the previously mentioned management practices, a centralized fleet manager can (1) evaluate a fleet's cost and performance; (2) identify opportunities for improvement; and (3) select the most cost-efficient source of vehicles and fleet services, as required by the budget reconciliation act. (See p. 28.)

### NAFA Fleet Executive January/February 2004; Key Component of Charge-Back Systems

"...the vast majority of public-sector fleets that use charge-back systems do so in conjunction with an internal service or enterprise fund, generically known as a revolving or working capital fund"

..."Charge-back systems and revolving funds were "invented" for three reasons:

- To facilitate the distribution of the indirect costs of providing a good or service to the organizations that utilize it and otherwise might not bear a portion of these costs.
- To allow for the distribution of capital asset costs over more than one fiscal year and the accumulation of money in a dedicated reserve fund from which cash can be taken to pay for the replacement of such assets
- To promote the efficient management of resources.



## Appendix C: Criteria

RCW [43.19.630](#) states RCW [43.19.560](#) through [43.19.620,43.41.130](#) and [43.41.140](#) shall not be construed to prohibit a state officer or employee from using his personal motor vehicle on state business and being reimbursed therefore, where permitted under state travel policies, rules, and regulations promulgated by the office of financial management, and where such use is in the interest of economic, efficient, and effective management and performance of official state business.

RCW [43.19.630](#) states in part...that other RCWs shall not be construed to prohibit a state employee from using his personal motor vehicle...where permitted under state travel policies...where such use is in the interest of economic, efficient and effective management and performance of official state business.

### State Accounting and Administrative Manual

<p><b>12.20.30; October 1, 2007</b></p>	<p><b>When may an agency permanently assign a state motor vehicle?</b></p>
<p>12.20.30.a</p>	<p>Permanent assignment policies are applicable to vehicles which can be licensed to operate on public roads. Permanent assignment policies are not applicable to the following:</p> <ul style="list-style-type: none"> <li>• Personal transportation devices such as, golf carts, Segways, scooters, and snowmobiles.</li> <li>• Speed limited battery electric vehicles commonly referred to as Neighborhood Electric Vehicles.</li> <li>• Tractors and other farm equipment.</li> <li>• Road construction specialized manufacturing, industrial, and other construction equipment.</li> <li>• Vessels (boats).</li> <li>• Airplanes.</li> </ul>
<p>12.20.30.b</p>	<p>The <b>agency head</b> has the ultimate responsibility for use of state owned vehicles in compliance with these policies. On an annual basis the agency head shall approve the agency's assigned category of use for state vehicles used by the agency and confirm that the agency is in compliance with the permanent assignment policies.</p>
<p>12.20.30.c</p>	<p>The following table shows the state vehicle class category codes and the minimum annual use/mileage requirements for permanent assignment:</p>

<b>Vehicle Category/Class Type***</b>	<b>Description of Vehicles in the Class</b>	<b>Mileage Requirement</b>
A. Special Purpose	Special purpose vehicles include vehicles that are generally larger than the non-special purpose vehicles described below. Examples include: <ul style="list-style-type: none"> <li>• Passenger buses with at least a capacity of 14 passengers</li> <li>• School buses</li> <li>• Trucks over 8,500 GVW</li> <li>• Ambulances</li> <li>• Crew buses/shuttle buses</li> <li>• Step vans</li> <li>• Flat bed trucks</li> <li>• Tractor-trailers (semis)</li> <li>• Cargo vans</li> <li>• Fire trucks</li> </ul>	Exempt from mileage requirements*
B. Non-Special Purpose	Non-special purpose vehicles include compact sedans, mid-size sedans, full-size sedans, pickup trucks (¼, ½ and ¾ ton), station wagons, mini-vans, SUV's, and motorcycles.	
Statewide elected officials	Vehicles used by a statewide elected official in the Executive Branch of state government.	Exempt from mileage requirements*
Specially equipped vehicles	Vehicles modified for a particular function essential to an agency. Examples include: Law enforcement/security vehicles Vehicles with confidential plates Vehicles with partitions between the front and rear seats for the transport of juvenile or adult clients ADA compliant vehicles Vehicles modified to transport individuals with special equipment need	4,000 miles per year
Local area/alternate commute mode vehicles Local area for vehicle assignment purposes is a metro area, county or agency defined work area/region. Examples include: Lacey/Olympia/Tumwater; Seattle; and Spokane metro area.	Vehicles assigned to a specific function with local area responsibility that generally travel within the assigned city or area. Vehicle use is frequent but the typical trip is short. Use of a vehicle is deemed essential to the job function and a POV is not a reasonable option. Includes vehicles used to provide transportation for accommodation to employees and/or clients.	4,000 miles per year and used 75% of working days**

Vehicle Category/Class Type***	Description of Vehicles in the Class	Mileage Requirement
Campus/Institution/ Park/Hatchery	Vehicles assigned to a state institution, college campus, park, or hatchery where the volume of trips and use is high, but the distance is minimal. Use of a vehicle is deemed essential to the job function and a POV is not a reasonable option.	2,000 miles per year or used 80% of working days**
All other vehicles	Vehicles assigned to an agency, office, individual or position.	10,000 miles per year

\* While exempt from specific mileage requirements, agencies should maximize efficient and effective use of state owned vehicles when determining the number and nature of vehicles required.  
 \*\* Seasonal fluctuations and employee availability (leave, temporary vacancies) are factors in determining work days available.  
 \*\*\* If a vehicle qualifies under multiple class types, frequency of use will be the primary consideration for class assignment.

	A motor vehicle that fails to meet the usage requirements noted above may be permanently assigned only after justification for such assignment has been approved by the Office of Financial Management, Accounting Division.
12.20.30.d	The permanent assignment of a vehicle to an employee for use on official state business is not in itself sufficient justification to utilize that vehicle for travel between duty station and home.

<b>12.20.32 October 1, 2007</b>	<b>What happens if a vehicle does not meet the minimum usage requirements?</b>
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12.20.32.a	If a vehicle does not meet the annual days of use and/or mileage requirements, the agency shall review the vehicle use to determine the cause. The agency is allowed a three month grace period to demonstrate that the vehicle can meet the usage requirements. If the vehicle meets 25% of the annual use and/or mileage requirement during the three month grace period, continued permanent assignment is allowed. If the vehicle fails to meet 25% of the annual use and/or mileage requirements, the agency should: <ol style="list-style-type: none"> <li>1. Reassign the vehicle to another use within the agency that will meet the usage requirements, or</li> <li>2. Return the vehicle to the State Motor Pool for reassignment, or</li> <li>3. Request a waiver. Refer to Subsection 12.20.30.c.</li> </ol>
12.20.32.b	For vehicles that were in operation for less than one year, agencies have two options: <ol style="list-style-type: none"> <li>1. They can annualize the mileage based on the average monthly mileage for the months in service, or</li> <li>2. They can use the grace period approach outlined in Subsection 12.20.32.a.</li> </ol>

## Appendix D: Response



### STATE OF WASHINGTON

June 17, 2009

The Honorable Brian Sonntag  
State Auditor  
P.O. Box 40021  
Olympia, WA 98504-0021

Dear Auditor Sonntag:

Thank you for the opportunity to respond to the performance audit of the Washington Department of Fish and Wildlife's (WDFW's) vehicle usage in compliance with state policy. Like Governor Gregoire, we strongly support the use of performance audits as an important tool to improve state government, which is why we worked closely with the Auditor's staff on this audit.

We agree with the suggestions in the report and have already conducted a review of many of the vehicles in the fleet. It is important to note that vehicles the audit identifies as not used for driving provide parts for other vehicles in WDFW's aging fleet. We also wish to clarify that vehicles driven fewer miles annually than state guidelines specify are standard agency vehicles adapted for intermittent use for fish and wildlife management needs, such as feeding fish, using snow plow attachments, and maintaining wildlife areas. Many department activities are performed on rough terrain and using personal vehicles would pose safety and/or state liability concerns.

A full review of all vehicles in the fleet will be completed within the next few months to determine the appropriate number and use of vehicles to be consistent with both state policy and the agency's mission. The WDFW will work with the Office of Financial Management to seek waivers to state vehicle usage policy, where justified.

We appreciate the Auditor's commendation on establishing an equipment revolving fund, as requested by WDFW and recently approved by the Legislature. As mentioned in the audit, this is a best practice for fleet management as is the Department's fleet information system. Also noted in the audit, as WDFW fully implements the revolving fund, it will be possible to sell vehicles more quickly, in turn generating cash for that revolving fund.

Enclosed is a joint response. We will track and report our progress on completing these tasks to the Governor.

Sincerely,

Handwritten signature of Joe Stohr in black ink.

Joe Stohr, Deputy Director, Operations  
Washington Department of Fish and Wildlife

Handwritten signature of Victor A. Moore in black ink.

Victor A. Moore, Director  
Office of Financial Management

Enclosure:

cc: Cindy Zehnder, Chief of Staff, Office of the Governor  
Joyce Turner, Deputy Chief of Staff, Office of the Governor  
Kimberly Dutton Cregeur, GMAP, Office of the Governor

Agency staff of the Washington State Department of Fish and Wildlife (WDFW) and the Office of Financial Management (OFM) have provided a coordinated response for the audit issue. OFM jointly responds to performance audits to provide perspective on potential statewide issues, including policy, strategic planning, performance management, budget, accounting, purchasing, human resources, information technology, labor relations, and risk management. We prepared this document in response to the final audit report delivered on June 2, 2009.

**Issue 1: The Department could generate up to \$171,000 if it sold 69 under-used vehicles. If it chooses not to replace these vehicles, it could avoid spending up to \$1.2 million.**

### **AGENCY RESPONSE**

The exact number of vehicles to be sold as surplus and thus the potential for dollars recovered or saved is unknown until after the review of the entire fleet. WDFW will review its entire fleet with a focus on under-used vehicles to assess if such vehicles should be re-assigned, serve unique roles or special needs where waivers are appropriate, and/or will be sold as surplus. The goal of the review will be to determine the appropriate level of vehicles consistent with the mission of the agency to include any waivers granted by OFM.

WDFW will also establish the policies and procedures necessary to make operational the recently legislatively authorized equipment revolving account. This account will allow the recovery of resources from the sale of surplus vehicles and equipment and provide for better management of these assets. As recommended in the audit, WDFW will strengthen the mileage reporting and tracking system to ensure accuracy of the data.

It is important to note that vehicles identified as not used for driving provide parts for other vehicles in WDFW's aging fleet. Vehicles that are driven fewer miles annually than state guidelines specify are standard agency vehicles adapted for intermittent use for fish and wildlife management needs, such as feeding fish, using snow plow attachments, and maintaining wildlife areas. Many department activities are performed on rough terrain and using personal vehicles would pose safety or state liability concerns.

### **Action Steps and Timeframe:**

- Review the remainder of the vehicles not examined under the audit - by December 2009.
- Meet with OFM on waiver requests - by January 2010.
- Submit waiver requests to OFM - by February 2010.
- Establish equipment revolving account policies and procedures - by December 2009.
- Establish a policy on vehicle reporting - by December 2009.

### **OFM RESPONSE:**

OFM agrees that WDFW should undertake an examination of whether the entire fleet is meeting their needs as safely and efficiently as possible. This review is necessary before making any determinations about whether changes to the fleet composition or assignments are needed.

A preliminary review of the vehicles identified as below the state's mileage per year standards revealed that many may be eligible for a waiver. The current policy on vehicle usage is designed to apply broadly to state employee travel, and so it does not take into account every legitimate need of each unique agency. The seasonal nature of WDFW's work and the environment in which many of the vehicles are used (e.g. off-road, in severe weather conditions, in remote areas) are likely to result in a higher than average percentage of waivers to the state's minimum mileage standards. OFM will work with WDFW to ensure that policy does not keep WDFW from accomplishing its mission and waivers are properly applied for and granted where necessary.

Employee safety and state liability should also be considered as factors in whether WDFW employees should be encouraged to use personal vehicles. Unlike many other agencies, WDFW employees use vehicles in off-road and remote areas and in severe weather. In these cases, it may be advisable to use a properly-equipped state vehicle in place of a personal vehicle.

We commend WDFW for working with the Legislature to establish of a revolving fund and for using a fleet information system, which are identified by the audit as fleet management best practices.

**Action Steps and Timeframe:**

Review waiver applications from WDFW and issue waivers as appropriate.