WR-B-99-02

AUDIT REPORT

VEHICLE FLEET MANAGEMENT AT THE IDAHO NATIONAL ENGINEERING AND ENVIRONMENTAL LABORATORY

March 1999

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES

DISCLAIMER

Portions of this document may be illegible in electronic image products. Images are produced from the best available original document.

Department of Energy
Washington, DC 20585

March 8, 1999

MEMORANDUM FOR THE MANAGER, IDAHO OPERATIONS OFFICE

FROM: Lawrence R. Ackerly, Regional Manager
Western Regional Audit Office
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on "Vehicle Fleet Management at the Idaho National Engineering and Environmental Laboratory"

BACKGROUND

In a prior report, *Audit of Light Vehicle Fleet Management at the Idaho National Engineering Laboratory*, WR-B-93-7, September 29, 1993, the Office of Inspector General (OIG) concluded that vehicle fleet operations might be done more cost effectively by the General Services Administration (GSA) than by Idaho Operations Office (Idaho) and its contractor. The report also concluded that a significant number of vehicles were underused and the fleet was too large. Accordingly, the report contained recommendations that a cost comparison study be conducted to ascertain the most economical and efficient method of managing fleet operations and that vehicle usage data be reviewed periodically by the contractor, with prompt reassignment or disposal of significantly underused vehicles. Thus, the purpose of this audit was to determine if action had been taken to implement recommendations in the prior report. Specifically, the objectives of the current audit were to determine whether a cost comparison had been performed and whether the fleet was still too large.

RESULTS OF AUDIT

GSA conducted a cost comparison which indicated that Lockheed Martin Idaho Technologies Company operated the light vehicle fleet in a cost competitive manner. Regarding the second part of the objective, we found that five years after reporting that 41 percent of the light vehicles at Idaho were underused, the situation had grown worse. The current audit showed that 45 percent of the light vehicles (excluding special purpose vehicles) were used significantly less than the mileage standards. As a result, we concluded that the light vehicle fleet was still larger than necessary. Underuse had continued because Idaho and its contractor had not reviewed individual vehicle use against mileage standards.

The continued underuse is particularly disturbing in light of Idaho and DOE Headquarters agreement to prior recommendations. The 1993 Idaho report recommended that vehicle use be reviewed periodically and that significantly underused vehicles be promptly reassigned or disposed of. While Idaho had agreed to the recommendation, which was consistent with its own stated policy, nothing was done that altered the condition of underuse. A later report, *Audit of Light Vehicle Fleet Management in the Department of Energy*, DOE/IG-0362, December 5, 1994, showed that 46 percent of the 5,999 vehicles reviewed at four operations offices did not meet the standards. That report recommended that the Headquarters Director, Office of Property Management, ensure that operations offices submit underused vehicle reviews to Headquarters for review and concurrence and maintain the fleet at the minimum number of vehicles necessary. Management had agreed to that recommendation.

In this report, we recommend that Idaho annually review individual vehicle use against mileage standards and promptly dispose of or reassign vehicles not meeting the standards. We also recommend that the Idaho Deputy Manager be provided a vehicle assignment report for review and approval.

MANAGEMENT REACTION

Management concurred with the finding and recommendations and is planning corrective action.

VEHICLE FLEET MANAGEMENT AT THE IDAHO NATIONAL ENGINEERING AND ENVIRONMENTAL LABORATORY

TABLE OF CONTENTS

Overview

INTRODUCTION AND OBJECTIVE

The Department of Energy (DOE) Idaho Operations Office (Idaho) and the Idaho National Engineering and Environmental Laboratory (Laboratory) had a fleet of 685 light vehicles at the end of Fiscal Year (FY) 1997. The fleet consisted of 100 sedans and station wagons, 313 two-wheel-drive pickups and vans, 101 four-wheel-drive vehicles, and 171 special purpose vehicles, such as ambulances, security, and rescue vehicles. The fleet was intended to provide transportation at the Laboratory, which encompassed 890 square miles, and between the Laboratory and the city of Idaho Falls, a distance of about 50 miles. Fleet cost for FY 1997 was approximately $2.5 million. While Idaho had ultimate responsibility for management of the fleet, day-to-day management rested with its current contractor, Lockheed Martin Idaho Technologies Company (Lockheed).

In a prior report, *Audit of Light Vehicle Fleet Management at the Idaho National Engineering Laboratory*, WR-B-93-7, September 29, 1993, the Office of Inspector General (OIG) concluded that vehicle fleet operations might be done more cost effectively by the General Services Administration (GSA) than by Idaho and its contractor. The report also concluded that a significant number of vehicles were underused and the fleet was too large. Accordingly, the report contained recommendations that a cost comparison study be conducted to ascertain the most economical and efficient method of managing fleet operations and that vehicle usage data be reviewed periodically by the contractor, with prompt reassignment or disposal of significantly underused vehicles. Thus, the purpose of this audit was to determine if action had been taken to implement recommendations in the prior report. Specifically, the objectives of the current audit were to determine whether a cost comparison had been performed and whether the fleet was still too large.

CONCLUSIONS AND OBSERVATIONS

GSA conducted a cost comparison which indicated that Lockheed operated the light vehicle fleet in a cost competitive manner. Regarding the second part of the objective, we found that five years after reporting that 41 percent of the light vehicles at Idaho were underused, the situation had grown worse. The current audit showed that 45 percent of the light vehicles (excluding special purpose vehicles) were used significantly less than the mileage standards. As a result, we concluded that the light vehicle fleet was still larger than necessary. Underuse had continued because Idaho and its contractor had not reviewed individual vehicle use against mileage standards.

The continued underuse is particularly disturbing in light of Idaho and DOE Headquarters agreement to prior recommendations. The 1993 Idaho report recommended that vehicle use be reviewed periodically and that significantly underused vehicles be promptly reassigned or disposed of. While Idaho had agreed to the recommendation, which was consistent with its own stated policy, nothing was done that altered the condition of underuse. A later report, *Audit of Light Vehicle Fleet Management in the Department of Energy*, DOE/IG-0362, December 5, 1994, showed that 46 percent of the 5,999 vehicles reviewed at four operations offices did not meet the standards. That report recommended that the Headquarters Director, Office of Property Management, ensure that operations offices submit underused vehicle reviews to Headquarters for review and concurrence and maintain the fleet at the minimum number of vehicles necessary. Management had agreed to that recommendation.

In our opinion, DOE should consider these issues when preparing its yearend assurance memorandum on internal controls.

Office of Inspector General

Fleet Size Larger Than Necessary

Controls Over Fleet Size

According to the Property Management Regulations (Subpart 109-38.50, *Utilization of Motor Vehicles*), DOE's policy is to keep the number of motor vehicles at the minimum needed to satisfy program requirements. The primary control for achieving this goal is to measure vehicle use against a mileage standard to determine a continuing need. Recognizing that individual motor vehicle use should not always be measured against a DOE-wide mileage standard, the regulations give operations offices the authority to establish local use standards. Accordingly, Idaho established the following mileage standards for vehicles:

- 12,000 miles per year for sedans and station wagons;
- 8,000 miles per year for two-wheel-drive pickup trucks and vans; and,
- 7,500 miles per year for four-wheel-drive vehicles.

These standards are contained in Idaho's Property Management Instructions (Subpart 38.50, *Motor Vehicle Management*).

Vehicles Are Still Underused

In a prior report, we concluded that the fleet size was too large. Since then, Idaho and Lockheed reduced the fleet size by about 100 vehicles between FY 1992 and FY 1997. However, this reduction has not kept pace with personnel reductions. Thus, the number of vehicles available per employee is larger today than it was five years ago.

In FY 1992, 41 percent of the vehicles were used significantly less than the established standards; that is, they were driven less than 80 percent of the mileage standard. In FY 1997, the percentage had increased to 45 percent. Our comparison disclosed that 232 of 514 vehicles were used less than 80 percent of the mileage standards. Specifically,

- 31 percent (31 of 100) of sedans and station wagons were used less than 9,600 miles;
- 56 percent (175 of 313) of two-wheel-drive trucks and vans were used less than 6,400 miles; and,
- 26 percent (26 of 101) of four-wheel-drive vehicles were used less than 6,000 miles.

Some significant examples of underuse include two sedans driven 2,859 miles and 3,555 miles, respectively; a pickup driven 495 miles; and two four-wheel-drive vehicles driven 132 miles and 1,202 miles, respectively.

Internal Controls Over Fleet Size Not Implemented

Although Idaho's Property Management Instructions required that Lockheed review individual vehicle use against annual mileage criteria, this was not done. However, this information was readily available on Lockheed's Transportation Management Information System (TRAMIS) and in fact was used by the auditors to determine the mileage for individual vehicles. Without accessing this information, Lockheed could not and did not determine how many vehicles were underused. Instead, Lockheed produced, and Idaho accepted, an annual summary report which provided only the total miles driven by major classes of vehicles, not the mileage of individual vehicles. Therefore, neither Lockheed nor Idaho could determine whether to retain, reassign, or dispose of individual vehicles, as required by the Property Management Instructions.

Not only did Idaho not implement these controls, but it also did not fulfill the intent of the earlier report's recommendation. The report recommended that Idaho direct its contractor to review vehicle use data periodically, with prompt reassignment or disposal of significantly underused vehicles. This corrective action, to which Idaho had agreed and which was intended to reduce the number of vehicles, was not implemented.

More Vehicles Than Necessary

As a result, the number of underused vehicles showed that the vehicle fleet was still larger than necessary. We estimated that Idaho could potentially reduce the fleet by 86 vehicles and annually save about $321,000 in operation, maintenance, and replacement costs. (See Appendix 2 for estimation details.)

RECOMMENDATIONS

We recommend that the Manager, Idaho Operations Office, direct Idaho's Organizational Property Management Officer to:

1. annually review all individual vehicle use against mileage standards and ensure that vehicles not meeting the standards are promptly disposed of or reassigned; and,

2. provide a report to the Deputy Manager for final review and approval of vehicle assignments.

MANAGEMENT REACTION

Management concurred with the finding and recommendations. On Recommendation 1, management stated it was aware that vehicle utilization reporting by Lockheed Fleet Services was inadequate and that the fleet can be managed more efficiently. Therefore, Idaho will request Lockheed to track individual vehicle mileage and dispose of, reassign, or rotate motor vehicles between high and low mileage assignments where practicable, in order to maintain the fleet in the best overall replacement age, mileage balance, and operating economy, as prescribed by 41 CFR 109-38.5102. Idaho plans to review individual vehicle use against utilization standards during the annual Business Management Oversight Process on-site reviews and ensure that vehicles not meeting the standards are promptly disposed of or reassigned.

Management also concurred with Recommendation 2. Idaho agreed that its attention was required for vehicle assignments. Idaho will request that Lockheed provide a vehicle assignment report to Idaho by March 15, 1999, for review and approval of vehicle assignments by Idaho's Deputy Manager or designee.

AUDITOR COMMENTS

Management comments and proposed corrective actions are responsive to our recommendations.

Appendix 1

SCOPE

The audit was performed at Idaho offices in Idaho Falls, Idaho, and at Lockheed offices at the Laboratory from June 2, 1998 to August 11, 1998. We reviewed vehicle use data on 514 of the 685 vehicles in Idaho's fleet for FY 1997. The remaining 171 vehicles were excluded since emergency, law enforcement, and other special purpose vehicles are exempt from mileage standards.

METHODOLOGY

To accomplish the audit objectives, we:

- interviewed key DOE and Lockheed personnel;
- studied Federal and DOE property management regulations;
- reviewed prior OIG audit reports;
- analyzed vehicle mileage data for the light fleet vehicles;
- compared personnel staffing and fleet size from FY 1992 to FY 1997; and,
- reviewed vehicle justification files.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits, and included such tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the objectives of the audit. Accordingly, we assessed the significant internal controls with respect to light vehicle operations, including the controls for utilizing, justifying, and monitoring light fleet vehicles. Since we relied on computer processed data stored on Lockheed's TRAMIS system, we assessed the reliability of the data on a test basis and concluded that the data could be relied upon. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We discussed our finding with representatives of Idaho and Lockheed on August 11, 1998.

Appendix 2

Estimate Of Potential Fleet Reduction And Annual Savings

To estimate the potential reduction in the size of the fleet, we first identified the number of significantly underused vehicles (vehicles used less than 80 percent of the mileage standards) for each of the three major classes of vehicles (sedans and station wagons; two-wheel-drive pickup trucks and vans; and four-wheel-drive vehicles). Next, for each vehicle class, we estimated the minimum mileage that the underused vehicles "should have" been driven by multiplying 80 percent of the applicable mileage standard by the number of underused vehicles. Then, we summed the mileage that underused vehicles in each class had actually been driven and subtracted it from the mileage that "should have" been driven. Finally, this difference was divided by 80 percent of the mileage standard to estimate the potential reduction in the size of the fleet. Specifically,

- 31 sedans and wagons were used less than 9,600 miles. 31 vehicles x 9,600 miles equals 297,600 miles that "should have" been driven. In FY 1997, these vehicles were actually driven 197,447 miles for a difference of 100,153 miles. Dividing 100,153 miles by 9,600 miles would equate to an estimated reduction of 10.43 vehicles.

- 175 two-wheel-drive pickup trucks and vans were used less than 6,400 miles. 175 vehicles x 6,400 miles is equal to 1,120,000 miles that "should have" been driven. In FY 1997, these vehicles were actually driven 683,983 miles for a difference of 436,017 miles. Dividing 436,017 miles by 6,400 miles results in an estimated reduction of 68.13 vehicles.

- 26 four-wheel-drive vehicles were used less than 6,000 miles. 26 vehicles x 6,000 miles equals 156,000 miles that "should have" been driven. In FY 1997, these vehicles were actually driven 112,100 miles for a difference of 43,900 miles. Dividing 43,900 miles by 6,000 miles results in an estimated reduction of 7.32 vehicles.

The total result is an estimated reduction of approximately 86 vehicles for all three classes.

Finally, we estimated the annual fleet reduction savings to be $321,000 (rounded) by multiplying the vehicle reduction of 86 vehicles by $3,730.83. The $3,730.83 represents the average yearly per vehicle cost to operate, maintain, and replace Idaho's light fleet vehicles. This cost was identified and used in the cost comparison performed by GSA and, thus, is considered reasonable for our cost reduction estimate.

Report No.: WR-B-99-02

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit would have been helpful to the reader in understanding this report?

2. What additional information related to findings and recommendations could have been included in this report to assist management in implementing corrective actions?

3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?

4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name_____ Date_____

Telephone_____ Organization_____

When you have completed this form, you may telex it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)
U.S. Department of Energy
Washington, D.C. 20585
ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact Wilma Slaughter at (202) 586-1924.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following alternative address:

U.S. Department of Energy Management and Administration Home Page
http://www.hr.doe.gov/ig

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.

This report can be obtained from the
U.S. Department of Energy
Office of Scientific and Technical Information
P.O. Box 62
Oak Ridge, Tennessee 37831