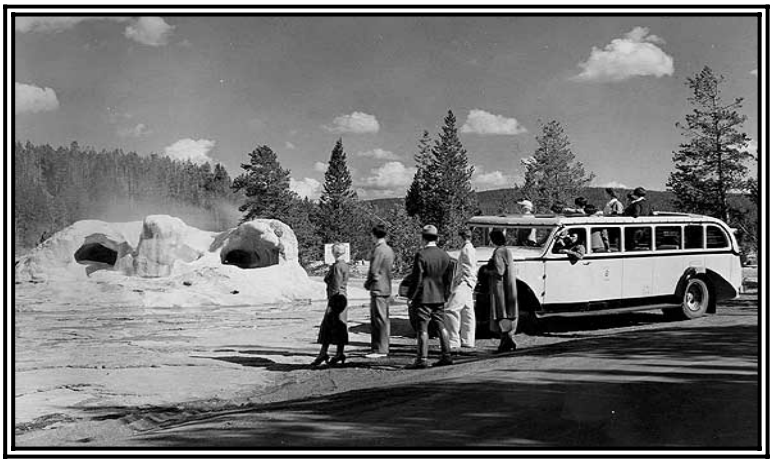
U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSPECTOR GENERAL

FLEET MANAGEMENT OPERATIONS
U.S. DEPARTMENT OF THE INTERIOR



Report No. C-IN-MOA-0042-2003 **February 2004**

COVER PHOTOS COURTESY OF:

(Clockwise from Top Left)

"Sign at contour Boise Front." Bureau of Land Management, Idaho, Four Rivers Office.

"White Motor Company Model 706 NPS Bus." National Park Service, Intermountain Region, Yellowstone National Park.

"BLM truck in rangeland area." Bureau of Land Management, photo by Ron Halvorson, Oregon, Prineville District.

"Photo of U.S. GLO truck with surveyors." Bureau of Land Management, Oregon, Oregon State Office.

United States Department of the Interior

Office of Inspector General
Central Region Audits
134 Union Boulevard, Suite 510
Lakewood, Colorado 80228

February 9, 2004

Memorandum

To: Assistant Secretary for Policy, Management and Budget

From: Anne L. Richards
Regional Audit Manager

Subject: Fleet Management Operations, U.S. Department of the Interior
(No. C-IN-MOA-0042-2003)

The attached report presents the results of our audit of the Department of the Interior's (Department) Fleet Management Operations. We concluded that the Department and its bureaus did not effectively manage the general-purpose motor vehicle fleets. Our report presents recommendations that are designed to assist the Department in furthering its efforts to take a more businesslike approach to fleet management.

Based on the January 27, 2004, response to the draft report, we consider all five recommendations resolved but not implemented. Accordingly, we are referring the report to the Department's Focus Leader for Management Accountability and Audit Follow-up for tracking of implementation.

Since the report's recommendations are resolved, no further response to the Office of Inspector General is required. We would, however, appreciate being informed of the progress in implementing the recommendations.

The legislation, as amended, creating the Office of Inspector General requires that we report to the U.S. Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please do not hesitate to call me at (303) 236-9243.

Attachment

This Page Intentionally Left Blank

EXECUTIVE SUMMARY

RESULTS IN BRIEF

Comprehensive Changes Needed in the Department's Approach to Fleet Management

The Department of the Interior (Department or DOI) needs to make many changes in order to establish an effective fleet management program. In fiscal year 2002, the Department reported it operated 36,000 vehicles at a cost of approximately $200 million. The number of vehicles, the high cost of fleet operations, dispersed geographic locations, and multiple missions make managing DOI fleet operations a challenging undertaking. Further, as part of the increased emphasis on evaluating and reporting government performance, new performance standards and reporting requirements for fleet operations are being developed for government-wide implementation.

We audited the fleet management processes for general-purpose vehicles in four of the Department's six largest fleets. These four fleets comprise 82 percent of the Department's fleet. General-purpose vehicles are typically sedans, sport utility vehicles, and light duty trucks that are used for the transportation of people and cargo. We excluded specialty vehicles such as law enforcement vehicles, fire trucks, school buses, and heavy duty equipment.

Our objective was to determine whether the Department effectively managed its general-purpose fleet. We concluded that the Department and its Bureaus are not effectively managing this fleet. Specifically, we identified that a significant portion of the Department's fleet is underutilized. We estimated that this costs the Department $34 million annually.

We also concluded that until the Department establishes an adequate fleet management information system it will not have the information needed to improve the efficiency of fleet operations including any possible consolidation of resources or operations. Further, without an adequate management information system and other needed management infrastructure improvements, the Department is not prepared to meet impending performance requirements.

To effectively manage its fleet, and meet the expected performance requirements, the Department needs:

- Fleet managers empowered with decision-making authority to control the size and composition of the fleet.
- Fleet management information systems that capture and report all necessary information including cost accounting, utilization data, and efficiency measurements.
- Performance measures that are appropriate to the mission of a specific vehicle such as miles per year, days of use, or number of trips per day.
- Baseline authorizations or the number of vehicles needed to meet vehicle mission requirements that establish fleet size and composition. To build the baseline authorizations, the Department needs to prepare a justification for each vehicle in the fleet.
- A mechanism that provides a constant source of funds for the orderly and timely replacement and/or addition of vehicles to the fleet.

We have made five recommendations designed to assist the Department in improving its fleet operations.

DOI ACTIONS

The Department concurred with our recommendations and has developed a comprehensive and coordinated action plan that, when implemented, should greatly enhance the Department's fleet management capabilities.

TABLE OF CONTENTS

PAGE

INTRODUCTION 1

BACKGROUND 1
SCOPE 3

RESULTS OF AUDIT 4

FLEET MANAGER AUTHORITY 4
FLEET MANAGEMENT INFORMATION SYSTEM 6
FLEET PERFORMANCE MEASURES 7
BASELINE AUTHORIZATIONS 8
FUNDING MECHANISMS 8
OTHER MATTERS 11

RECOMMENDATIONS 15

APPENDICES

1–FLEET SCORECARD 17
2–FINANCIAL IMPACT METHODOLOGY 18
3–AUDIT METHODOLOGY 19
4–DOI RESPONSE 20
5–STATUS OF AUDIT REPORT RECOMMENDATIONS 28
6-CLASSIFICATION OF MONETARY IMPACT 29

This Page Intentionally Left Blank

INTRODUCTION

This report presents the results of our audit of the Department of the Interior's (DOI or Department) fleet management program. The objective of our audit was to determine whether the Department effectively managed its general-purpose motor vehicle fleet. We concluded that the DOI and its bureaus did not effectively manage the general-purpose motor vehicle fleets. We believe that this report provides the framework necessary for the Department to establish an effective fleet management program.

The actions recommended in this report are designed to help the Department take a more businesslike approach to fleet management and achieve performance goals. Our audit included an examination of prior audit reports and Office of Management and Budget (OMB) and General Services Administration (GSA) correspondence; and an evaluation of the best practices employed by the Department, its bureaus, other governmental operations, and public entities.

BACKGROUND

The Department is responsible for managing over 36,000 vehicles including sedans, light-duty pickup trucks, buses, vans, fire equipment, and heavy equipment. The Department reported that in fiscal year 2002 it spent over $200,000,000 on fleet activities. This information may not be accurate because except for the Bureau of Land Management (BLM) the bureaus with substantial fleets cannot accurately accumulate and report information related to their fleet activities. In addition to the sheer number and wide geographic dispersal of vehicles, the management problems of DOI vehicles are compounded by the heavy seasonal demands placed upon the fleet. For example, 96 percent of Yellowstone's three million tourists visit the Park during the spring and summer seasons. The need to take care of these visitors all at the same time greatly increases the demand for fleet resources to transport Park employees, volunteers, and cargo.

Fleet management is decentralized throughout the Department and its bureaus, with little or no standardized information or processes. Fleets are operated in multiple locations throughout the

Department. The breakdown of the fleet as reported by DOI for fiscal year 2002 is as follows:

2002 DOI Fleet

Bureau	Owned Vehicles	Comm. Leased Vehicles	GSA Leased Vehicles	Total
BIA	1,860	0	5,266	7,126
BLM	2,808	26	2,415	5,249
BOR	1,346	2	764	2,112
FWS	6,680	0	727	7,407
MMS	35	0	29	64
NPS	5,758	112	4,601	10,471
USGS	2,104	5	958	3,067
OSM	175	0	0	175
Other		0	1,218	1,218
TOTAL	**20,766**	**145**	**15,978**	**36,889**

The individual bureaus use a wide variety of fleet management systems and fund fleet activities through a complex variety of processes and appropriations. Only the BLM has an adequate fleet management information system and uses a working capital fund to manage acquisitions and replacements to its vehicle fleet. Based on our research, we consider a working capital fund to be a best practice[1] for funding fleet acquisitions and replacements.

In April 2002, OMB asked all agencies to review their fleet management programs with emphasis on reducing fleet size. GSA had asked federal agencies to conduct a self-assessment of their fleet management practices in 2002 and is finalizing its overall report based on those assessments. OMB and GSA plan on following up these activities with recommended practices and new regulations. Accordingly, this report is designed to provide the information the Department needs to begin restructuring its fleet management program to meet the future needs of the Department and comply with the new requirements.

[1]As explained in Appendix 3, our conclusion is based on reviewing the fleet management plans, practices, or studies from eight non-DOI entities.

SCOPE

We audited four of the Department's six largest fleets: the Bureau of Indian Affairs, the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service. GSA defines a large fleet as 2,000 or more vehicles. The fleets we audited composed approximately 82 percent of the DOI's total inventory of vehicles. To maintain consistency across the bureaus, we looked at only general-purpose vehicles. We defined general-purpose vehicles as sedans, sport utility vehicles, and pick-up trucks used for transporting people and cargo. We excluded specialty vehicles such as law enforcement, fire trucks, school buses, and heavy-duty equipment. Even though the scope of this audit was limited to the general-purpose fleet, which accounts for 66 percent of the DOI fleet, the basic management principles discussed in the report can be applied to all fleet assets.

RESULTS OF AUDIT

DOI is not effectively managing its general-purpose fleet.

We concluded that the Department and its Bureaus are not effectively managing their general-purpose motor vehicle fleets (see Scorecard, Appendix 1). The BLM has the tools in place to manage but is not adequately using its available information to run its fleet. The Department and the remaining bureaus cannot manage their fleets because no management infrastructure is in place to account for, evaluate, direct, control, and accurately report on fleet activities. As a result, a significant portion of the Department's fleet is underutilized. Based on the available information, we estimated that underutilized general-purpose vehicles cost the Department $34 million annually (see Financial Impact Methodology, Appendix 2).

We have identified five areas where the Department needs to make changes to make its fleet management program more effective. These areas are:

- Fleet manager authority.
- Integrated management information system.
- Fleet performance measures.
- Fleet composition.
- Funding mechanism.

Improvements in these areas are imperative to enhance performance, mitigate waste, and prepare the Department to meet anticipated performance and reporting requirements.

FLEET MANAGER AUTHORITY

Empower fleet managers with decision-making authority.

The Department and its bureaus do not have fleet managers with decision-making authority over all fleet activities. We found that while all the bureaus had "fleet managers" few were in a position to make decisions regarding the acquisition, control, and use of vehicles. The fleet managers' functions were generally administrative in nature, and decisions, including what type of fleet assets are needed, where those assets are needed, and when fleet assets are needed, were generally left to local program managers. We found that local program managers' decisions tended to be

budget driven and made without benefit of adequate management information, even when it was available.

For example, the fleet manager at one BLM field office knew that his fleet was underutilized and wanted to pool resources, but did not have the authority to override the local program manager's decision to individually assign vehicles. As a result, fleet utilization at this location was only 39 percent.

We were able to identify a strong correlation between high vehicle utilization rates and the limiting of individually assigned vehicles. At BLM offices where vehicles were pooled for use by all employees, the utilization rates approached 90 percent. At those offices where vehicles were assigned to individuals, the utilization rate was only 61 percent. We also found a strong correlation between fleet managers with decision-making authority and the use of vehicle pools. At the offices where utilization was low, program/ activity managers made the decisions on the number and types of vehicles that the office had, and vehicle assignments. Conversely, in offices where the fleet manager was empowered to make fleet decisions, pools were more prevalent. Unfortunately, our analysis of the overall BLM statistics indicated vehicles are generally individually assigned.

Based on a comparison of available bureau performance data to the bureaus' own established standards, we estimated that the general-purpose fleet utilization rate was only 56 percent of the established performance targets. At this rate, vehicle underutilization costs the Department an estimated $34 million a year. When confronted with this information, some cognizant managers suggested that a way to meet the performance standard was to lower the standard, rather than to take action to increase utilization.

Fleet managers should be given authority to and be accountable for:

- Right-sizing their fleet by:
  - Controlling acquisition or reallocation of fleet resources to meet mission requirements. Fleet managers should

consider all resources, including underutilized vehicles, when right-sizing the fleet.
    - Controlling the composition of the fleet.

- Monitoring performance and taking necessary actions to ensure that vehicle usage is maximized by:
    - Limiting individual assignment of vehicles when possible and maximizing use of vehicle pools.

- Evaluating the efficient use of vehicles with measures such as cost per mile or days used when making decisions regarding fleet composition.

- Periodically reporting on the status of the fleet.

FLEET MANAGEMENT INFORMATION SYSTEM

Select and implement Fleet Management Information System(s) that capture and report all information necessary to manage the fleet.

The Department and most of its bureaus do not have a system or systems that collect and report accurate, reliable data regarding fleet composition and operating costs. The bureaus need to select and implement an information system that captures and reports cost accounting and utilization data. Fleet managers need this information to evaluate performance and make fleet management decisions. The system must interface with the bureaus' core financial systems to ensure that fleet management systems capture and report the full cost of fleet operations.

The Department needs to ensure that the bureaus select and implement systems that interface sufficiently to provide uniform and consistent data that can be consolidated at the Department level to meet external reporting requirements.

None of the bureaus, except BLM, had an information system that produced the information needed to manage their respective fleets. Also, with the exception of the BLM, none of the bureaus had a system that interfaced with and was reconcilable to the core financial system. Consequently, other than in the BLM, fleet operations costs could not be reliably determined. Further, because fleet operations costs are not known, actual program or activity costs cannot be identified. As a

result, informed fleet management decisions cannot be made with regard to:

- Leasing or buying a vehicle.
- Consolidating fleet activities.
- Pooling vehicles.
- Replacing vehicles.

An adequate fleet management information system needs to provide, at a minimum, the following for each vehicle:

- Inventory data, such as vehicle type and size, fuel type, model year, and vehicle identification number by location and program assignment.
- Performance data, such as mileage, days used, and number of trips.
- Costs to operate, such as maintenance and repair costs, lease costs, fuel costs, and depreciation.

The system must be capable of calculating efficiency measures, such as cost per mile or cost per day; fuel economy information; and generating information necessary to meet all mandatory reporting requirements.

FLEET PERFORMANCE MEASURES

Develop performance measures that are appropriate to the mission of each vehicle.

The bureaus have generally established annual mileage as the performance measure for each vehicle. Annual mileage is the most generally accepted performance standard for general-purpose vehicles. However, mileage may not be the appropriate measure in all cases. For example, although the BLM has established a 10,000 mile a year performance measure for vehicles in its general-purpose fleet, some of its vehicles have missions that would prevent them from ever meeting this measure. Some BLM vehicles are used to transport workers to campsites to clean the campsites and collect trash. These vehicles travel between campsites in a limited geographical area and are only in use during the short camping season, and thus these vehicles would not accumulate significant mileage. Alternative

measures to accommodate vehicles with specific missions are needed.

BASELINE AUTHORIZATIONS

Establish baseline authorizations identifying the number of vehicles needed to meet mission requirements.

The Department and its bureaus have not determined how many vehicles or what types of vehicles are needed to meet mission requirements. A basic tenet in fleet management is to identify the minimum number and types of vehicles needed to accomplish the mission. The bureaus have not established baselines from which additions, disposals, and replacements can be managed. To build baselines, the bureaus should prepare a justification for each vehicle in their respective fleets. We found that vehicle justifications were inadequate or nonexistent. In a sample of 225 vehicles, we found that 172 did not have any justifications prepared, and for 17 of the remaining 53 vehicles, documentation did not establish a need for the vehicle based on workload or mission requirements.

Each justification needs to specifically identify the need for a vehicle, what type of vehicle is needed, and the associated performance measure. For example, a pooled vehicle may be justified to meet the general transportation needs of the office. The vehicle type for this pooled vehicle would be based on anticipated use. A vehicle used to travel in back country may need to be a four-wheel drive vehicle. Alternatively, traveling among office locations would require a sedan. For a pooled vehicle a normal mileage per year standard would be appropriate. Another vehicle may be needed to clean campgrounds. This vehicle would travel within a limited geographical area but would need cargo capacity and so a pick-up truck may be appropriate. A performance measure for this vehicle could be days of use rather than mileage. The bureaus should use these justifications to build their baseline authorizations and take action to adjust fleet size accordingly.

FUNDING MECHANISMS

Employ vehicle acquisition mechanisms that ensure responsive, constant, and reliable sources of fleet resources.

The Department and most of its bureaus do not have a mechanism that addresses the timely replacement of vehicles. Instead, the bureaus rely largely on the appropriations process to fund fleet acquisitions. Since not all budget requests are funded and funds that are provided may be needed and used for other purposes, this is not the most reliable strategy. Further, using this

funding mechanism forces the bureaus to estimate vehicle requirements years in advance of actual needs. As a result, the bureaus may end up with an aging fleet with high maintenance costs when replacement of vehicles is necessary but uncertain. This is the case at Yellowstone National Park.

In its fiscal year 2002 Business Plan, Yellowstone National Park reported that it is has over 200 light vehicles in its fleet that exceed the mileage or age standard and are beyond their useful lives. More than 105 of these vehicles have logged over 100,000 miles. Operating a fleet of this age and condition is not cost effective; repair costs rise every year and breakdowns are more frequent as vehicles age. Yellowstone did not break out the cost of replacing these light vehicles in its business plan, but estimated the cost of replacing its entire obsolete fleet of 205 light vehicles and 194 pieces of heavy equipment was $25 million. The Park relies on the budget process and appropriated funds to maintain its fleet. This constrains Yellowstone's ability to replace these vehicles and equipment in one budget cycle. Therefore, the Park plans to replace its obsolete fleet over the next 20 years. In our opinion, by the time this process is completed, the Park will be right back in the same situation–with a 20-year old, obsolete fleet.

Further exacerbating the problem of the antiquated fleet at Yellowstone is that the Park acquires vehicles excessed from other federal departments and agencies. Although there is no initial acquisition cost, vehicles that are excessed have usually exceeded their useful lives and have a high burden of repair and maintenance cost. Adding these types of vehicles to the fleet increases the number of antiquated vehicles Yellowstone must maintain. Accordingly, we concluded that this method of vehicle acquisition does not provide a businesslike approach to fleet management.

The Department should de-emphasize purchasing vehicles through capital appropriations and adopt an acquisition strategy that ensures responsive, constant, steady sources of fleet resources.

Currently, two other funding strategies exist that can provide a constant, reliable source of fleet resources:

- Leasing from GSA.
- Using a working capital fund.

Both of these strategies avoid using capital appropriations to replace existing assets and would allow the DOI and its bureaus to fund fleet costs out of normal program/activity funds and to generate activity based costing information. However, each strategy also has at least one major drawback that precludes either one from being the only solution.

Leasing vehicles from GSA offers bureaus and field offices the convenience of obtaining vehicles to accommodate large vehicle replacement backlogs and to meet unplanned vehicle needs. All operating costs are configured into the monthly rates charged by GSA. This simplifies accounting for its customers.

The principal drawbacks to leasing vehicles from GSA are that GSA may not be able to provide what is needed when it is needed or meet all of the Department's resource needs. GSA usually only provides general-purpose vehicles, but the Department also requires some specialty vehicles. All vehicles returned to GSA must be in original condition with normal wear and tear. DOI agencies frequently need to modify vehicles with special equipment such as radios and other accessories. To return modified GSA vehicles, the agencies need to remove the accessories and repair the damage.

We also discussed with GSA its capability to meet all the Department's fleet requirements. GSA indicated that currently it does not have the resources to meet all of the Department's needs and would need significant planning time to meet increased demands. GSA officials indicated it might be able to meet the Department's needs over a time frame of six years, with proper advance planning.

Another fleet management funding strategy is a working capital fund. A working capital fund

establishes the reserves needed to replace fleet vehicles by charging the programs using the vehicles on a fee for service basis. The fees or monthly charges are based on historical costs and, like leasing from GSA, the use of a working capital fund provides the program/activity with accurate cost information. An additional benefit to using a working capital fund is that it provides an opportunity to mitigate some of the demands of the bureaus' seasonal workloads. For example, if fleet vehicles are replaced every 5 years, in any given year 20 percent of a bureau's or field office's fleet will be exchanged. By using a working capital fund to manage acquisitions and replacements, the DOI and its bureaus are in a position to stagger the replacements or hold over the vehicles to handle the seasonal workload. That is, the new vehicle can be acquired in April and the vehicle being replaced does not have to be given up until September. This practice of "holding over" vehicles allows for more vehicles to be available during the seasonal workload period. The option of holding over vehicles is not always available when leasing from GSA.

However, the major drawback to using a working capital fund approach as the only solution is the amount of initial investment required to establish the fund and eliminate any current vehicle replacement backlog.

In consideration of the advantages and obstacles of the two strategies, we have concluded that the best solution for the DOI and its bureaus is to use a working capital fund in conjunction with GSA leasing where appropriate. This is the approach that is used by the BLM and it appears to work well.

OTHER MATTERS

During our audit, we identified other issues within fleet management that we believe should be considered by the Department when revamping its fleet management program. The issues are:

- Outsourcing of management information systems.
- Consolidation.
- Guidance.

Outsourcing Management Information Systems

DOI could outsource its information management system for fleet management. UNICOR (Federal Prison Industries) has a fleet information system that it leases to agencies on a fee for service basis. The system collects all fleet performance data to effectively manage a fleet. Other capabilities include:

- Interfacing with core financial systems.
- Justifications for replacements and maintenance costs budgets for each fiscal year.
- True life cycle costing.
- Analysis and reporting capabilities.
- Preventative and unscheduled maintenance tracking and scheduling.
- External reporting capabilities.

The Bureau of Citizenship and Immigration Services (BCIS) recently implemented this system; however, we did not review the effectiveness of the system at BCIS because it has been operational for less than one month. GSA has indicated that it may provide fleet management information system services in the future, using its current fleet management system.

The Department and its bureaus should consider these options when selecting a fleet management information system.

Consolidation

We could not make a determination whether additional efficiency could be achieved by consolidating fleet operations at any geographical location or within a single agency because of the lack of available fleet information. The concept of consolidation appears to have merit, and may allow the Department to:

- Better manage its operations.
- Improve the quality of data collection, reporting, and oversight.

However, bureau managers may be reluctant to support consolidation unless it can be demonstrated that consolidation will result in an overall improvement of fleet operations. The Department and its bureaus would not be able to evaluate the benefits of consolidation until an effective management information system has been implemented and the baseline fleet requirements have been established.

Fleet Management Guidance

Currently, the Department does not have adequate guidance for fleet operations and it does not have a procedures manual published. The Office of Acquisition and Property Management is responsible for establishing necessary policies, standards, operating and reporting procedures, and for providing guidance to the bureaus concerning the acquisition, use, maintenance, disposition, and reporting of motor vehicles. The bureaus have been directed to adhere to 41 CFR and Departmental directives for motor fleet management until Departmental policies and procedures can be revised.

We compared the policies and procedures of eight bureau handbooks/guidance concerning fleet manager authority, vehicle utilization, vehicle justifications, baseline authorizations, and acquisition/replacements to evaluate how adequately these essential areas of fleet management were addressed by each bureau. In general, we found that each bureau's fleet management guidance for these areas was either unclear, undefined, or not addressed:

- None of the bureaus' guidance established fleet managers' authority, although some of the manuals did assign responsibilities to fleet managers.

- None of the bureaus' guidance established performance measures other than mileage for the general-purpose fleet vehicles.

- Most of the bureaus' did not require justifications for acquiring and

maintaining vehicles (in terms of fleet size or usage).

- None of the bureaus' guidance required creation of vehicle baseline authorizations from which to manage vehicles.

- Guidance for acquisition and replacement standards was generally vague and subject to interpretation.

Nonetheless, we believe that BLM and FWS have drafted fleet management manuals that have adequately addressed two of the five areas. For example, BLM's replacement procedures were excellent. Also, the FWS manual establishes clear policy guidance for justifications of motor vehicle requirements. Both of these manuals are in draft and should incorporate the policies/procedures suggested in this report when finalized.

RECOMMENDATIONS

To improve the overall management of the DOI fleet, we recommend that the Assistant Secretary for Policy, Management and Budget require the Department and its bureaus to plan, develop, and implement a fleet management infrastructure that:

1. Gives fleet managers authority over all fleet decisions for:

   - Right-sizing their fleets.
   - Monitoring performance and taking necessary actions to ensure that vehicle usage is maximized.
   - Evaluating the efficient use of vehicles with performance measures when making decisions regarding fleet composition.
   - Periodically reporting on the status of the fleets.

2. Establishes and implements fleet management information system(s) that capture and report all information necessary to manage the fleet such as:

   - Inventory data.
   - Performance data.
   - Costs to operate.
   - The ability to calculate efficiency measures.
   - The ability to generate information necessary to meet all mandatory reporting requirements.

3. Establishes and implements performance measures that are appropriate to the mission of each vehicle; including mileage standards where appropriate, and alternative measures to accommodate vehicles with specific missions.

4. Requires justifications to be prepared for each vehicle based on mission requirements. These justifications should establish the required fleet composition or a Baseline Authorization so that the

fleet manager can resize the fleet from its baseline as mission requirements change.

5. Requires that the Department and its bureaus develop a plan to transition from capital appropriations to a vehicle acquisition mechanism that is responsive, constant, and reliable. Where possible, use a working capital fund in conjunction with leasing from GSA.

DOI RESPONSE AND OIG CONCLUSION

In the January 27, 2004, response to the draft audit report from the Assistant Secretary–Policy, Management and Budget, the Department concurred with all five recommendations. The response was sufficient for us to consider the recommendations resolved but not implemented. Accordingly, we are referring the report to the Department's Focus Leader for Management Accountability and Audit Follow-up for tracking of implementation (see Appendix 5).

Appendix 1

FLEET SCORECARD

FINANCIAL IMPACT METHODOLOGY

This Appendix describes how we estimated the annual cost of underutilized general-purpose vehicles within the Department of the Interior. We evaluated the reliability of cost, inventory, and utilization data available at BIA, BLM, FWS, and NPS and determined that BLM had the only automated system that provided reliable data. The BLM's fleet management information system accurately recorded and reported vehicle usage, vehicle inventory, and ownership costs for both agency-owned and GSA-leased vehicles.

Using FWS data, we were able to generate utilization statistics and found that FWS' underutilization rate approximately equaled BLM's. However, FWS could not provide us with accurate cost data. Therefore, to estimate potential cost to the Department for underutilized vehicles we extrapolated BLM cost data across the entire population of DOI's general-purpose fleet.

We developed our estimated cost of underutilizing vehicles using BLM data as follows:

- Vehicles with at least 12 months of available data.
- General-purpose vehicles.
- Average annual ownership cost per vehicle of $3,159.
- Underutilization rate of 44 percent based on BLM data.

To estimate total costs Department-wide for underutilized vehicles, we applied the 44 percent underutilization rate to the Department's general-purpose fleet of 24,474 vehicles (.44 X 24,474 = 10,769). We then multiplied the 10,769 by the average annual ownership cost of $3,159 (10,769 X $3,159 = $34,019,271). We recognize that each agency has varying ownership costs, depending on the age of the fleet, and that the estimate could be somewhat higher or lower based on those costs. However, because fleet operations data was limited among the bureaus, we concluded that this methodology could be used to approximate total costs to the Department.

AUDIT METHODOLOGY

Our audit was conducted in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. We included such test of records and other auditing procedures that we considered necessary under the circumstances.

We reviewed the laws, regulations, and agency policy and procedures applicable to fleet management activities of the Department and its bureaus. We obtained data on number of vehicles, cost accounting, and vehicle utilization. Also, we had the bureaus complete questionnaires regarding fleet size and composition, types of information systems used, financial information, operational procedures, vehicles acquisitions, determinations of need, vehicle assignments, and vehicle replacements.

We also compared our preliminary findings to fleet management plans, practices, studies, or training classes conducted by two non-Departmental federal agencies, two state agencies, two universities, the General Accounting Office, and the General Services Administration. Our findings were consistent with problems noted at these public entities. The results of our best practices review are incorporated into the finding sections of the report.

During our audit, we determined that the Department did not have its own fleet management information system. The Department did provide information for the annual government-wide Federal Fleet Report in the Federal Automotive Statistical Tool (FAST) using information received from bureau fleet managers and GSA. We used the information to help us identify the bureaus with fleets and their relative sizes.

We made site visits to state offices, regional offices, and field offices of the four bureaus we audited. At these locations, we performed tests including a sampling of individual vehicles from the systems in place at the four bureaus. We used a sample size of 45 vehicles by location. In total, we reviewed 270 vehicles at the four bureaus (45 at BIA, 90 at BLM, 90 at FWS, and 45 at NPS).

United States Department of the Interior

OFFICE OF THE ASSISTANT SECRETARY
POLICY, MANAGEMENT AND BUDGET
Washington, D.C. 20240

JAN 27 2004

Memorandum

TO: Roger LaRouche
Assistant Inspector General for Audits

FROM: P. Lynn Scarlett
Assistant Secretary – Policy, Management, and Budget

SUBJECT: **RESPONSE TO DRAFT AUDIT REPORT ON FLEET MANAGEMENT OPERATIONS, DEPARTMENT OF THE INTERIOR (ASSIGNMENT NO.: C-IN-MOA-042-2003)**

We have reviewed the above referenced draft report and concur with its five recommendations. As you are aware, vehicle fleet management continues to be an area of particular interest not only to Departmental management but Government-wide. However, as your draft report correctly suggests, fleet reductions alone do not constitute the improved and comprehensive business approach that must be taken in order to maintain an effective and efficient agency vehicle fleet.

In mid-2003, the Management Initiatives Team designated vehicle fleet management as a prime area of study for the development and implementation of management improvements. Working closely with the bureaus, the Department is adopting a portfolio-centered approach for the planning, acquisition and management of motor vehicles. This will ensure that decisions on operational management and spending are accomplished in a structured, uniform manner. We will establish long-range capital plans, accountability, governance, and performance goals with measures. Automated portfolio management tools that support the bureaus and the Department will ensure that investments in the Department's vehicle fleet are a best value and organizational priority.

Your timely report, with its framework of recommendations, complements actions taken to date, those that are planned, and supports this Department-wide initiative. We greatly appreciate auditors Lee Scherfel, Mark Bell, and Holly Snow's outstanding briefing on the fleet audit, its findings and recommendations at our Department-wide Fleet Management Conference in mid-December 2003.

As requested in your December 16, 2003 draft audit transmittal memorandum, a proposed Corrective Action Plan addressing the report's five recommendations is attached. (Attachment 1).

In addition, attached for your consideration and inclusion in the final report, as appropriate, are comments regarding the draft report received from the Bureau of Reclamation and the U.S. Fish and Wildlife Service (FWS) (Attachment 2). Because the majority of FWS's comments are specific to the bureau, e.g., proposed correction in leased vehicle numbers cited in the draft; findings related to bureaus' ability to account for their motor vehicle fleet; use of annual appropriations to lease vehicles from the General Services Administration; and issues with the FWS fleet scorecard included in the draft, its comments are reproduced in full, as submitted to the Office of Acquisition and Property Management.

Please contact Debra Sonderman, Director, Office of Acquisition and Property Management, on 202-208-6352 if you have any questions regarding this response to the draft report.

Attachments

Attachment 1

CORRECTIVE ACTION PLAN
DRAFT AUDIT REPORT ON FLEET MANAGEMENT OPERATIONS
U.S. DEPARTMENT OF THE INTERIOR
ASSIGNMENT NO.: C-IN-MOA-042-2003

RECOMMENDATION	CORRECTIVE ACTION	TARGET DATE	RESPONSIBLE OFFICIAL	COMMENTS
1. Require the Department and its bureaus to plan, develop, and implement a fleet management infrastructure that gives fleet managers authority over all fleet decisions for : - Right-sizing their fleets; - Monitoring performance and taking necessary actions to ensure that vehicle usage is maximized; - Evaluating the efficient use of	Provide a directive to bureau heads that will: 1) Establish the bureau Assistant Director of Administration, or equivalent, as the official responsible for the bureaus fleet; 2) Require the establishment of formal portfolio management and governance procedures, to be contained in the Departmental Manual and necessary to support budget and management decisions, for evaluating and approving the fleet vehicle portfolio investment strategy including performance goals, individual vehicle requisitions, etc. Two critical components to this approach will be 1) the designation of fleet vehicle portfolio managers in the bureaus and the Department, and 2) the establishment or use of existing investment review boards (IRB) at the bureau and Departmental levels.	June 30, 2004	Debra E. Sonderman, Director, Office of Acquisition and Property Management	
vehicles with performance measures when making decisions regarding fleet composition; - Periodically reporting on the status of their fleets	The portfolio managers and the IRBs will focus their efforts on: - Right-sizing the fleets; - Monitoring performance and taking necessary actions to ensure that vehicle usage is maximized; - Developing performance measures to manage the fleets; - Evaluating the efficient use of vehicles with performance measures when making decisions regarding fleet composition; - Tracking the status of the fleets			

CORRECTIVE ACTION PLAN
DRAFT AUDIT REPORT ON FLEET MANAGEMENT OPERATIONS
U.S. DEPARTMENT OF THE INTERIOR
ASSIGNMENT NO.: C-IN-MOA-042-2003

RECOMMENDATION	CORRECTIVE ACTION	TARGET DATE	RESPONSIBLE OFFICIAL	COMMENTS
	The Bureau Fleet Managers working group will develop the formal portfolio management and governance procedures, with guidance from the Property Management Partnership.			

CORRECTIVE ACTION PLAN
DRAFT AUDIT REPORT ON FLEET MANAGEMENT OPERATIONS
U.S. DEPARTMENT OF THE INTERIOR
ASSIGNMENT NO.: C-IN-MOA-042-2003

RECOMMENDATION	CORRECTIVE ACTION	TARGET DATE	RESPONSIBLE OFFICIAL	COMMENTS
2. Establish and implement fleet management information system(s) that capture and report all information necessary to manage the fleet, e.g.: - Inventory data; - Performance data; - Costs to operate; - The ability to calculate efficiency measures; - The ability to generate information necessary to meet all mandatory reporting requirements.	Through the Financial and Business Management System (FBMS), develop a central information system used to track, manage and analyze DOI's fleet inventory and operation. The vehicle portfolio information system, one of the business lines contained in FBMS, will be designed to capture and report all information necessary to manage the fleet, e.g.: - Inventory; - Performance; - Life-cycle and operational costs; - Efficiency measures; - Condition and suitability - Mandatory reporting requirements Fleet managers will have representation on the FBMS Integrated Project Team. Ancillary system support will only be considered to address requirements which the FBMS is unable to perform.	September 30, 2005 (initial implementation)	Debra E. Sonderman, Director, Office of Acquisition and Property Management	
3. Establish and implement performance measures that are appropriate to the mission of each vehicle; including mileage standards where appropriate, and alternative measures to accommodate vehicles with specific missions.	As part of the strategy and formal governance of the portfolio-centered management approach to fleet management, vehicle fleet portfolio managers will recommend performance goals and objectives specific to their mission requirements to the IRBs for review and approval. Performance goals and objectives will be linked to the President's Management Agenda, DOI and bureau strategic goals and objectives, activity based costing and focus on minimal risk, lowest life-cycle costs and	September 30, 2004	Debra E. Sonderman, Director, Office of Acquisition and Property Management	

CORRECTIVE ACTION PLAN
DRAFT AUDIT REPORT ON FLEET MANAGEMENT OPERATIONS
U.S. DEPARTMENT OF THE INTERIOR
ASSIGNMENT NO.: C-IN-MOA-042-2003

RECOMMENDATION	CORRECTIVE ACTION	TARGET DATE	RESPONSIBLE OFFICIAL	COMMENTS
3. Establish and implement performance measures . . . . . (CONTINUED)	The strategy and formal governance will be developed by the Bureau Fleet Managers working group, with guidance by the Property Management Partnership. Portfolio managers will measure performance of their respective fleet portfolio and the vehicles comprising their fleet, and provide status reports and make recommendations to the IRBs.			
4. Require justifications to be prepared for each vehicle based on mission requirements. These justifications should establish the required fleet composition or a Baseline Authorization so that the fleet manager can resize the fleet from its baseline as mission requirements change.	Require that program managers working with bureau fleet vehicle portfolio managers prepare justifications for each vehicle in their respective fleet. The justification template will accompany the Departmental Directive and will be incorporated into the Departmental Manual. Bureau IRBs will determine those vehicles necessary to meet mission requirements, President's Management Agenda, DOI and/or bureau strategic goals and objectives. The justifications to be prepared for each vehicle will establish the required fleet composition or a baseline authorization so that the fleet vehicle portfolio managers working with program managers can resize the fleet from its baseline as mission requirements change. The Bureau Fleet Managers working group, with guidance from the Property Managers Partnership, will prepare formal guidance including a justification template to be prepared for each vehicle. The information to be provided for the	June 30, 2004 (Policy/Guidelines) September 30, 2007 (Full DOI-wide implementation)	Debra E. Sonderman, Director, Office of Acquisition and Property Management	

CORRECTIVE ACTION PLAN
DRAFT AUDIT REPORT ON FLEET MANAGEMENT OPERATIONS
U.S. DEPARTMENT OF THE INTERIOR
ASSIGNMENT NO.: C-IN-MOA-042-2003

RECOMMENDATION	CORRECTIVE ACTION	TARGET DATE	RESPONSIBLE OFFICIAL	COMMENTS
	justification will be electronically entered and, accessed through the vehicle portfolio information system within FBMS.			
5. Require that the Department and its bureaus develop a plan to transition from capital appropriations to a vehicle acquisition mechanism that is responsive, constant, and reliable. Where possible, use a working capital fund in conjunction with leasing from GSA.	As part of developing a portfolio-centered approach to managing fleet vehicles, an intra-Departmental team of fleet, budget, finance, and other program managers led by the Property Management Partnership will identify and assess vehicle acquisition and funding mechanisms. They will provide their recommendations to the Management Initiatives Team (MIT) for consideration and approval. The Team will develop a plan to transition from capital appropriations to the selected vehicle acquisition mechanism that is responsive, constant, and reliable for each bureau.	September 30, 2004	Debra E. Sonderman, Director, Office of Acquisition and Property Management	

OIG chose to not print the additional details from the DOI response (Attachment 2)

Appendix 5

STATUS OF AUDIT REPORT RECOMMENDATIONS

Recommendations	Status	Action Required
1, 2, 3, 4, & 5	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be referred to the Department's Focus Leader for Management Accountability and Audit Follow-up for tracking of implementation.

Appendix 6

CLASSIFICATION OF MONETARY AMOUNTS

Finding Area	Funds To Be Put to Better Use (In Millions of Dollars)
Underutilization of Vehicles	$34.0

This Page Intentionally Left Blank

How to Report
Fraud, Waste, Abuse and Mismanagement

Fraud, waste, and abuse in government are the concern of everyone — Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or Insular Area programs and operations. You can report allegations to us by:

Mail:

U.S. Department of the Interior
Office of Inspector General
Mail Stop 5341-MIB
1849 C Street, NW
Washington, DC 20240

Phone:

24-Hour Toll Free	**800-424-5081**
Washington Metro Area	**202-208-5300**
Hearing Impaired (TTY)	**202-208-2420**
Fax	**202-208-6081**
Caribbean Field Office	**340-774-8300**
Hawaiian Field Office	**808-525-5310**

Internet: ***www.oig.doi.gov/hotline_form.html***

U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW
Washington, DC 20240

www.doi.gov
www.oig.doi.gov