

**Ineffective Policies and Diffuse Oversight
Result in Inefficient Use of State-Owned Vehicles**



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2012-06

April 25, 2012



NORTH CAROLINA GENERAL ASSEMBLY
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April 25, 2012

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Representative Julia Howard, Chair, Joint Legislative Program Evaluation Oversight Committee

North Carolina General Assembly
Legislative Building
16 West Jones Street
Raleigh, NC 27601

Honorable Co-Chairs:

The Joint Legislative Program Evaluation Oversight Committee 2011-12 Work Plan, approved April 5, 2011, directed the Program Evaluation Division to study the efficiency and effectiveness of the state's motor fleet operations in the Department of Administration's Division of Motor Fleet Management. Session Law 2011-145 broadened the scope of the project to include passenger and non-passenger vehicles owned and operated by all State agencies and institutions. This final report in a series of three reports on the status of state-owned motor vehicles in North Carolina describes the management of vehicles owned by state agencies and institutions.

This evaluation required us to collect data from all state agencies and institutions with a specific focus on the 14 agencies owning 200 or more vehicles. I am pleased to report that all cooperated with us and were at all times courteous to our evaluators during the evaluation.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Turcotte".

John W. Turcotte
Director



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

April 2012

Report No. 2012-06

Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles

Summary

The General Assembly directed the Program Evaluation Division to study all passenger and non-passenger vehicles owned by state government agencies and institutions. This final report in a series of three reports describes the management of vehicles owned by state agencies and institutions.

North Carolina agencies and institutions that own 200 or more vehicles have not fully implemented fleet management best practices. These 14 agencies and institutions own 27,163 (95%) of the State's estimated 28,669 vehicles. Only the Department of Transportation has fully implemented best practices for its 7,879 vehicles.

North Carolina's weak and diffuse oversight results in inefficient use of vehicles. In spite of public concerns about inefficiency, unauthorized commuting, and misuse of state vehicles, inconsistent policies fail to deter circumvention of state laws and regulations. No single entity is responsible for ensuring appropriate and efficient use of state-owned vehicles. State law for passenger vehicles does not apply to vehicles owned by agencies and institutions. Agencies reported authorizing 1,531 employees to take vehicles home.

State agencies and institutions own 614 passenger vehicles that should be transferred to the Department of Administration. N.C. Gen. Stat. § 143-341(8).i.3 requires state agencies to transfer ownership of all passenger motor vehicles to the Department of Administration.

Statewide oversight of all state-owned vehicles improves accountability and operational efficiency. Georgia, Missouri, and Utah have centralized oversight of state-owned vehicles, adhere to fleet management best practices, and supervise statewide policies, procedures, and standards for all aspects of fleet management.

To address the identified issues, several recommendations suggest action by the General Assembly.

- Strengthen supervision of all state-owned vehicles by establishing the Division of State Fleet Management in the Department of Administration to manage passenger vehicles, supervise agencies and institutions that own non-passenger vehicles, and manage the statewide fleet management information system.
- Require agencies and institutions to transfer the 614 passenger vehicles identified in this report to the Department of Administration and mark all state-owned vehicles to indicate ownership or assignment.
- Recodify and clarify state law for state-owned vehicles.

Scope

The 2011–12 work plan of the Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division to study the efficiency and effectiveness of the state’s motor fleet operations in the Department of Administration’s Division of Motor Fleet Management. The General Assembly broadened the scope of the project to include all passenger and non-passenger vehicles owned and operated by all state government departments, institutions, and entities, and include motor fleet fees and associated cash balances, mechanic operations, the use and purpose of assigned vehicles, and state fueling stations.¹ The legislation also directed a follow-up study on the formation of an Aviation Management Authority.²

For the purpose of this evaluation, state-owned motor vehicles are defined as licensed highway-use vehicles purchased or leased by state agencies and institutions for any purpose. Trailers, non-highway use vehicles, and motorized equipment are excluded. Four research questions guided the inquiry.

1. How many state-owned vehicles does North Carolina have, and what are their purposes?
2. How does North Carolina ensure state-owned vehicles are managed according to fleet management best practices?
3. Does North Carolina have the appropriate number and mix of state-owned vehicles to meet state government needs?
4. What alternatives exist for state government oversight, operation, and ownership of vehicles?

This final report in a series of three reports on the status of state-owned motor vehicles in North Carolina describes the management of vehicles owned by state agencies and institutions. The first report, *Inadequate Data and Fleet Information Management Weakens Accountability for North Carolina’s Vehicles*, provided an overview of the number, use, and cost of motor vehicles across state government. The second report, *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability*, focused on the management of passenger vehicles by the Department of Administration’s Motor Fleet Management Division.

The following data were collected for this third report:

- North Carolina statutes and administrative rules;
- literature review of fleet management best practices;
- fleet management practices of state agencies and institutions that own motor vehicles from a survey of fleet managers;
- oversight of state commuting policy from a survey of state agencies and institutions; and
- interviews with and documents from fleet management offices in other states.

¹ 2011 N.C. Sess. Laws, 2011-145, Section 6.13. (d)–(e).

² Program Evaluation Division. (2012, March). *Further Reductions to Aviation Programs Are Possible and an Aviation Management Authority is Needed*. Raleigh, NC: North Carolina General Assembly.

Background

The Program Evaluation Division's first report in this series, entitled *Inadequate Data and Fleet Information Management Weaken Accountability for State-Owned Motor Vehicles*, found North Carolina has no central source of information for the number and cost of motor vehicles.

Without this information, North Carolina cannot determine the appropriate number of vehicles to meet state government needs. The Program Evaluation Division estimated state agencies and institutions spent \$182.7 million from all sources to own, operate, manage, and maintain 28,669 vehicles in Fiscal Year 2010–11. This information is considered an estimate because it did not come from a centralized source; instead, the Program Evaluation Division collected this information from agencies and institutions. Because the data was collected from the individual agencies and institutions, the information cannot be independently verified.

The first report also found agencies and institutions did not have all the necessary information on their state-owned vehicles to determine appropriate fleet size. Only 5 of the 14 agencies that owned 200 or more vehicles electronically tracked mileage and frequency of use for all their agency-owned vehicles. Without consistent information on vehicle utilization from all state agencies and institutions, North Carolina cannot determine the appropriate fleet size to meet its needs.

This report takes a closer look at the fleet management practices of state agencies and institutions with more than 200 state-owned vehicles in Fiscal Year 2010–11 and statewide oversight of vehicle use by all state agencies and institutions that own vehicles. Two of these agencies own 55% of state-owned vehicles—the Department of Administration with 7,993 vehicles and the Department of Transportation with 7,879 vehicles. Among education institutions, North Carolina State University owns the most vehicles (974). Fourteen agencies owning 200 or more vehicles had over 95% or 27,163 of state-owned vehicles.³ The remaining agencies owned a total of 1,258 vehicles. Exhibit 1 lists the number of state-owned vehicles by agency and institution.

Best practices are techniques, methods, and processes that have been demonstrated as essential and effective means for managing assets. Adherence to fleet management best practices is strategically important because they are “the most efficient (least amount of effort and resources) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time.”⁴ In the case of state-owned vehicles, adherence to best practices ensures the appropriate use of these vehicles and holds agencies and institutions accountable. Best practices promote efficiency by modifying behaviors and promoting economies of scale. Furthermore, meeting best practices standards allow fleet managers to optimize fleet size, composition, and expenses by tracking and analyzing vehicle use and cost.

³ The Program Evaluation Division included the Department of Public Instruction's 199 vehicles in this analysis because the total number of vehicles owned by the agency could not be independently verified and excluded the 203 vehicles owned by the University of North Carolina at Greensboro because its decentralized vehicle management structure did not allow for the identification of all individuals responsible for vehicles at the university.

⁴ U.S. General Service Administration, Best Practices. Retrieved February 27, 2012, from <http://www.gsa.gov/portal/content/103326>.

Exhibit 1

State Agencies and
Institutions Owned 28,669
Vehicles in Fiscal Year
2010–11

Agency/Institution	Vehicles Owned
Department of Administration	7,993
Department of Transportation	7,879
Department of Crime Control and Public Safety	2,815
Department of Environment and Natural Resources	2,001
Department of Correction	1,699
North Carolina State University	974
University of North Carolina at Chapel Hill	719
Department of Health and Human Services	698
Department of Agriculture and Consumer Services	604
Department of Justice	454
East Carolina University	433
Wildlife Resources Commission	408
Appalachian State University	287
University of North Carolina at Greensboro	203
Department of Public Instruction	199
University of North Carolina at Wilmington	173
Western Carolina University	157
North Carolina A&T State University	143
University of North Carolina at Charlotte	125
Administrative Office of the Courts	98
Department of Juvenile Justice and Delinquency Prevention	90
University of North Carolina School of the Arts	66
Winston-Salem State University	65
Department of Cultural Resources	50
University of North Carolina at Pembroke	48
University of North Carolina Hospitals	45
North Carolina Central University	44
UNC General Administration	44
Fayetteville State University	43
University of North Carolina at Asheville	40
Elizabeth City State University	35
North Carolina School of Science and Mathematics	20
Employment Security Commission	7
Department of Insurance	3
Department of Revenue	3
Department of Labor	2
Department of Commerce	1
North Carolina Community College System Office	1
Total State-Owned Vehicles	28,669

Source: Program Evaluation Division based on vehicle inventories from state agencies and institutions.

Adherence to fleet management best practices, then, should be a priority because it promotes efficiency and holds vehicle users accountable.

The federal General Services Administration has been providing fleet management services to federal agencies since 1954 and provides literature on motor fleet management best practices. The Program Evaluation Division reviewed these and guidelines established by other sources to identify four general categories of fleet management best practices:

- policies and procedures;
- management of vehicle utilization data;
- financial management; and
- vehicle replacement and acquisition.⁵

Because the General Services Administration's Guide to Federal Fleet Management states, "fleets of about 200 or more owned units require full-time fleet supervision," the Program Evaluation Division expected state agencies with 200 or more vehicles to be in compliance with these fleet management best practices.⁶ This evaluation examines agency and institution adherence to fleet management best practices.

Findings

Finding 1. North Carolina agencies and institutions owning 200 or more vehicles have not fully implemented fleet management best practices.

The Program Evaluation Division surveyed the 14 state agencies and institutions owning more than 200 vehicles.⁷ These agencies owned 27,163 or 95% of the estimated number of state-owned vehicles. Within these 14 state agencies and institutions, 65 divisions manage vehicles. The number of fleet managers in each agency and institution ranged from 1 to 19. Each of these fleet managers oversees their fleet differently. To assess adherence to fleet management best practices, each fleet manager was surveyed on best practices for their division.

The Program Evaluation Division calculated an adherence score for agencies and institutions for each fleet management best practice category based on the survey response of each fleet manager. The categories were

- policies and procedures;
- management of vehicle utilization data;
- financial management; and
- vehicle replacement and acquisition.

Appendix A provides a more detailed description of this methodology. An adherence score of 100 indicated an agency or institution met all criteria

⁵ Mercury Associates, a recognized industry leader in fleet management, has summarized best practices for managing fleet size and composition.

⁶ United States Government Services Administration. (2005). *Guide to Federal Fleet Management*. Waterford, WI: Runzheimer International.

⁷ The Program Evaluation Division included the Department of Public Instruction's 199 vehicles in this analysis because the total number of vehicles owned by the agency could not be independently verified and excluded the 203 vehicles owned by the University of North Carolina at Greensboro in this analysis because its decentralized vehicle management structure did not allow for the identification of all individuals responsible for vehicles at the university.

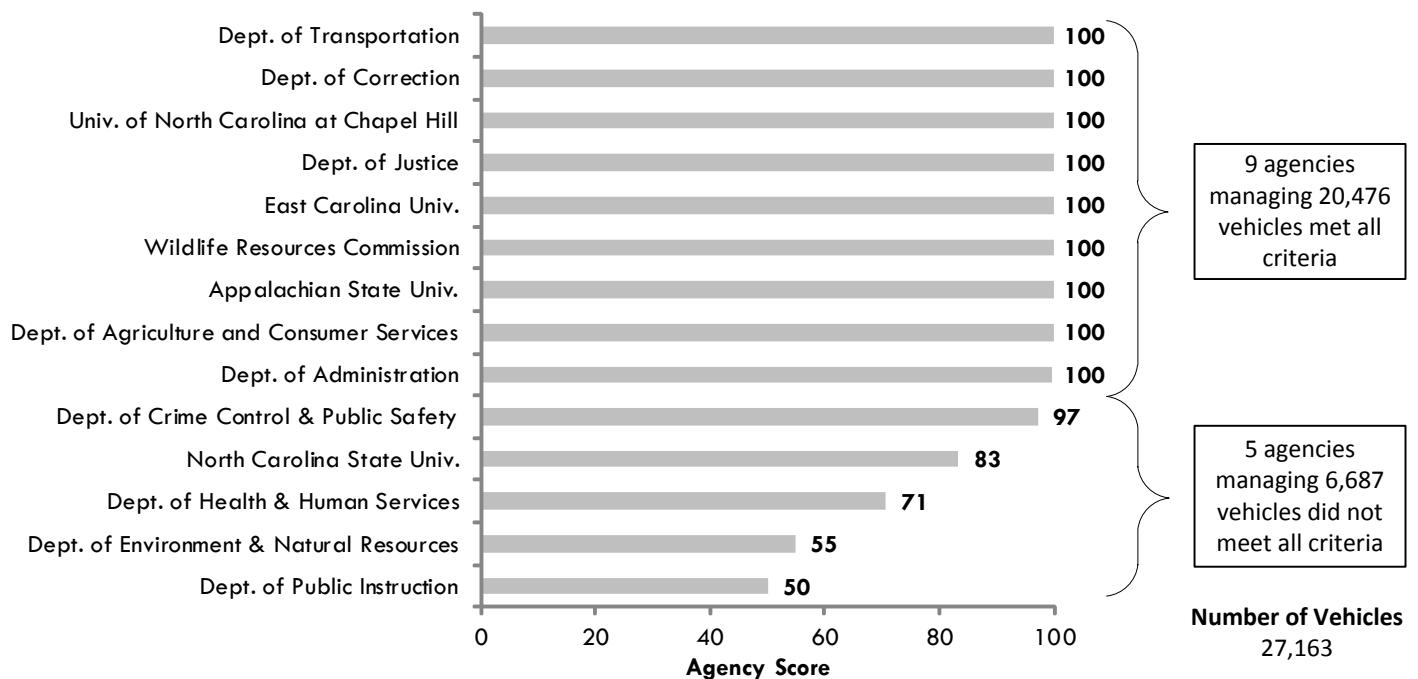
for all of its vehicles. Scores below 100 indicated an agency or institution did not meet all criteria for all of its vehicles. Adherence scores for each best management practice category are described below.

Policies and Procedures. Written policies and procedures provide controls to ensure vehicles are being operated and used appropriately and allow users of state vehicles to be held accountable. The Program Evaluation Division surveyed state agencies and institutions to identify written policies for the following:

- who can use vehicles;
- how vehicles can be used;
- when vehicles can be used;
- vehicle acquisition;
- vehicle disposal; and
- vehicle maintenance.

Exhibit 2 shows the adherence scores for this category.

Exhibit 2: Five Agencies and Institutions Did Not Have Written Policies and Procedures for All Vehicles to Ensure Proper Use



Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

The exhibit shows 9 of the 14 state agencies and institutions had an adherence score of 100. These agencies could assure user accountability and that vehicles were managed appropriately across their entire fleet. These 9 state agencies and institutions represented 75% of the vehicles owned by the surveyed agencies. The exhibit shows the degree of unmet criteria varied widely. Whereas the Department of Crime Control and Public Safety earned a score of 97, the Department of Environment and Natural Resources (DENR) adherence score was 55. This low score for DENR indicated gaps in the existence of written policies and procedures

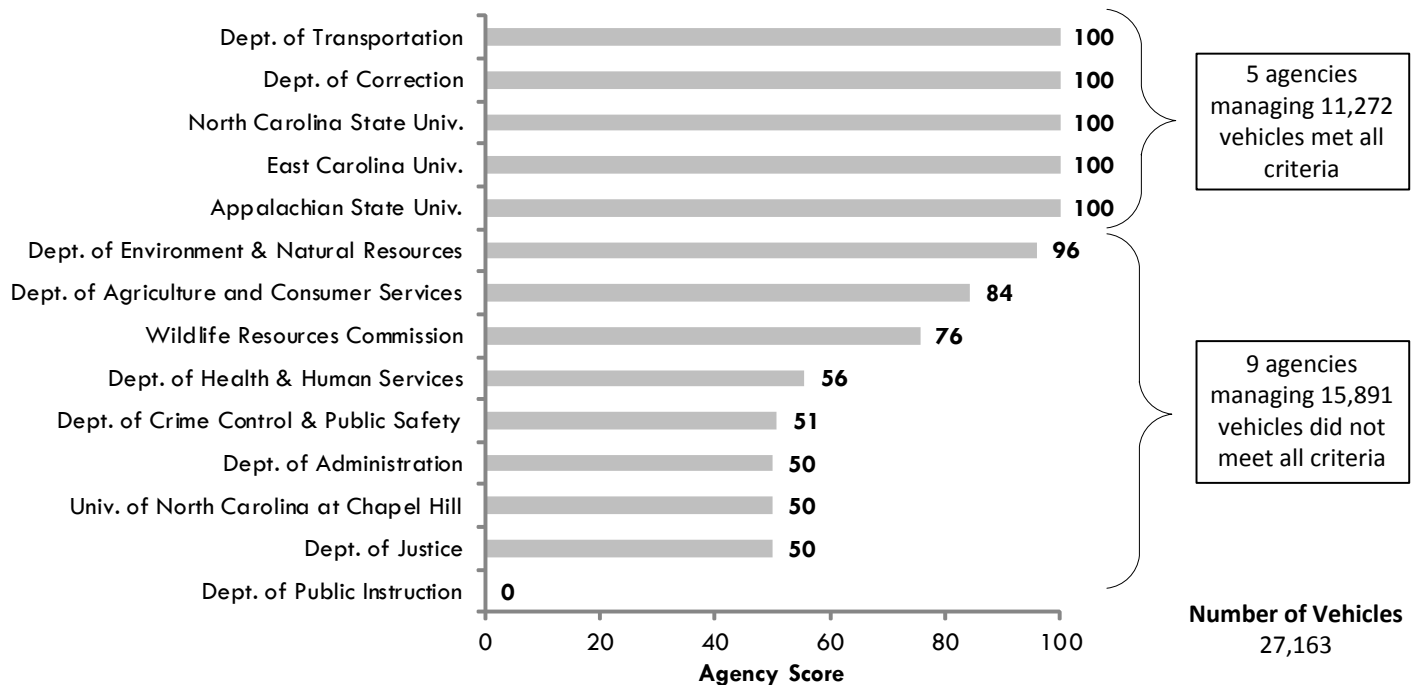
across the agency. For example, all 13 divisions that responded to the survey reported having a written policy on who could use vehicles, but only 8 of the 13 divisions reported having a written policy describing when a vehicle could be used. Because some state-owned vehicles are managed without comprehensive policies, the State cannot ensure appropriate management and use of its fleet.

Management of Vehicle Utilization Data. As demonstrated by the first report in this series,⁸ understanding vehicle utilization is necessary to determine the appropriate size and mix of a fleet. Vehicle utilization data can be used to determine the business need for a vehicle and can be tracked through vehicle mileage and frequency of use. The most efficient method for tracking utilization data uses an electronic fleet management information system (FMIS). Because management of vehicle utilization data is so critical to fleet management, this best practice had the most stringent criteria. The criteria required agencies and institutions to have

- an electronic fleet management information system, and
- collect vehicle mileage and frequency of use data on a per-vehicle basis.

Exhibit 3 shows the adherence scores for management of vehicle utilization data.

Exhibit 3: Nine Agencies and Institutions Did Not Have Adequate Vehicle Usage Data on All Vehicles



Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

As found in the first report in this series, 5 of 14 state agencies and institutions had the data and information system necessary to assess and

⁸ Program Evaluation Division. (2011, December). *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles*. Raleigh, NC: North Carolina General Assembly.

analyze utilization patterns for their entire fleet. This result indicates North Carolina only had complete vehicle utilization data for 11,272 (41%) of the 27,163 vehicles owned by surveyed agencies. The remaining nine agencies and institutions did not collect and track utilization data in a manner that would allow them to assess utilization for the 15,891 or 59% of the 27,163 vehicles owned by surveyed agencies.

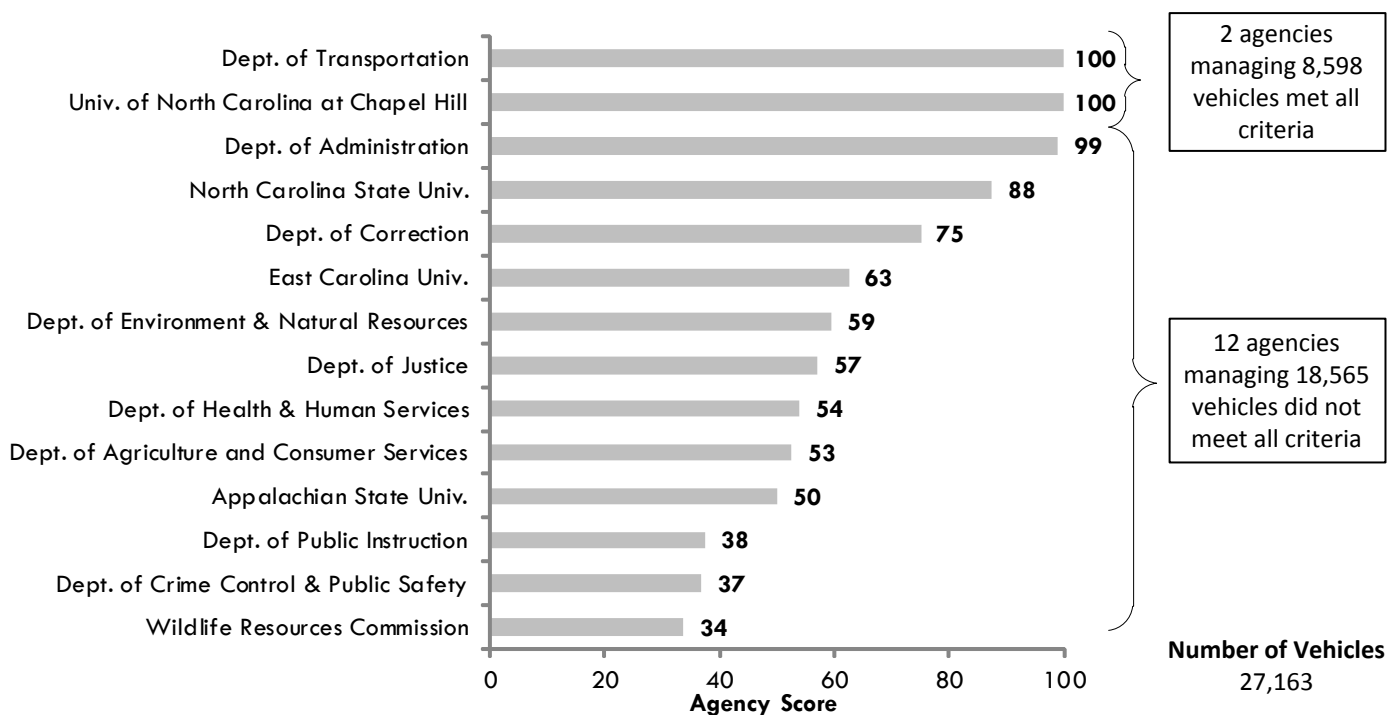
Of the divisions surveyed, 44 of 65 tracked both vehicle miles and frequency of use. However, this utilization data was seldom in electronic format; 21 of 65 of divisions surveyed used a paper-based system. Because agencies and institutions did not have comprehensive utilization information in an electronic format that would allow fleet managers to easily analyze use patterns, they could not determine whether they had the right number of vehicles to meet their needs.

Financial Management. The first report in this series also found North Carolina spent an estimated \$182.7 million in Fiscal Year 2010–11 to own and operate state-owned vehicles. Understanding the full cost of vehicle ownership and operation is a best practice and requires tracking direct and indirect costs on a per-vehicle basis. Another financial management best practice is implementation of a cost recovery system. A cost recovery system tracks the full cost of owning, operating, and managing a fleet and allows a fleet manager to identify, monitor, evaluate, and adjust fleet size. With this system, users budget and pay the full cost of vehicles based on vehicle utilization by assessing fees or charging cost centers. Meeting criteria for financial management best practices required agencies and institutions to operate a cost recovery system and track the following direct and indirect costs on a per-vehicle basis:

- maintenance and repairs (including parts and labor);
- fuel;
- depreciation for owned vehicles;
- insurance;
- services, benefits, official travel, and transportation of all fleet management personnel (including fleet manager, mechanical and administrative personnel);
- operating equipment purchases for fleet management activities (e.g., office supplies); and
- operating equipment for services and repairs.

Exhibit 4 shows agency scores for adherence to financial management best practices. Only 2 of the 14 agencies had an adherence score of 100.

Exhibit 4: Twelve Agencies and Institutions Did Not Meet Financial Management Best Practices



Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

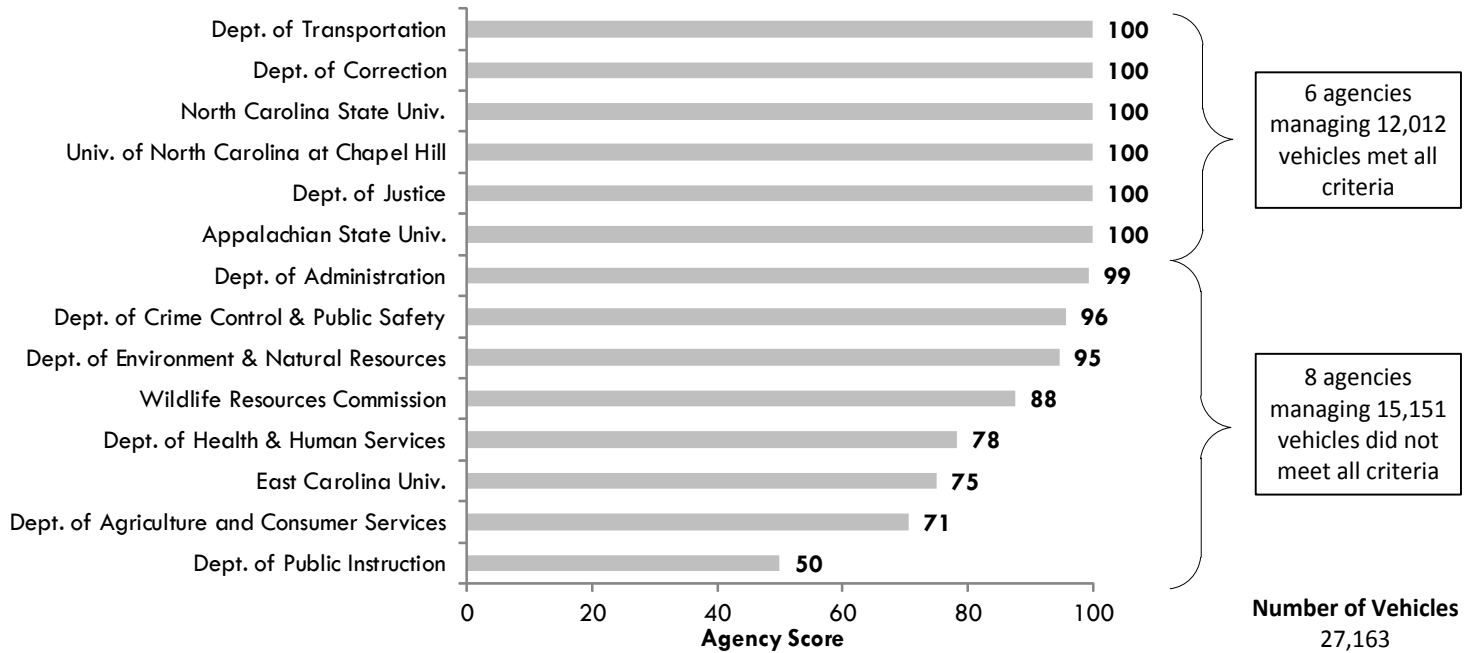
Only 9 of 65 of the divisions reported having a cost recovery system in place. Without fully implementing a cost recovery system, agencies and institutions cannot account for the cost of vehicle ownership as a part of operations. State agencies and institutions were more likely to track direct costs than indirect costs on a per-vehicle cost basis. For example, maintenance and fuel are considered direct costs, and 60 of 65 of the divisions reported tracking fuel and 55 of 65 reported tracking vehicle maintenance on a per-vehicle basis. However, only 23 of 65 of the divisions reported tracking the salaries and benefits of administrative personnel on a per-vehicle basis. When state agencies and institutions do not track both direct and indirect costs on a per-vehicle basis, they cannot monitor the full cost of their fleets.

Vehicle replacement and acquisition. Developing a fleet replacement plan is another important best practice. Replacement planning usually includes age and mileage criteria and estimates future replacement needs based upon these criteria. Plans should be updated annually with projected replacement dates and a cost for each vehicle. Another best practice is purchasing standardized vehicle types in volume to reduce acquisition costs. Criteria for meeting vehicle replacement and acquisition best practices required agencies and institutions to

- purchase standard types of vehicles;
- purchase vehicles in volume;
- have a vehicle replacement plan; and
- update the replacement plan annually.

Exhibit 5 shows agency scores for adherence to vehicle replacement and acquisition best practices. Six of the 14 agencies and institutions earned an adherence score of 100.

Exhibit 5: Eight Agencies and Institutions Did Not Have Adequate Fleet Replacement Planning

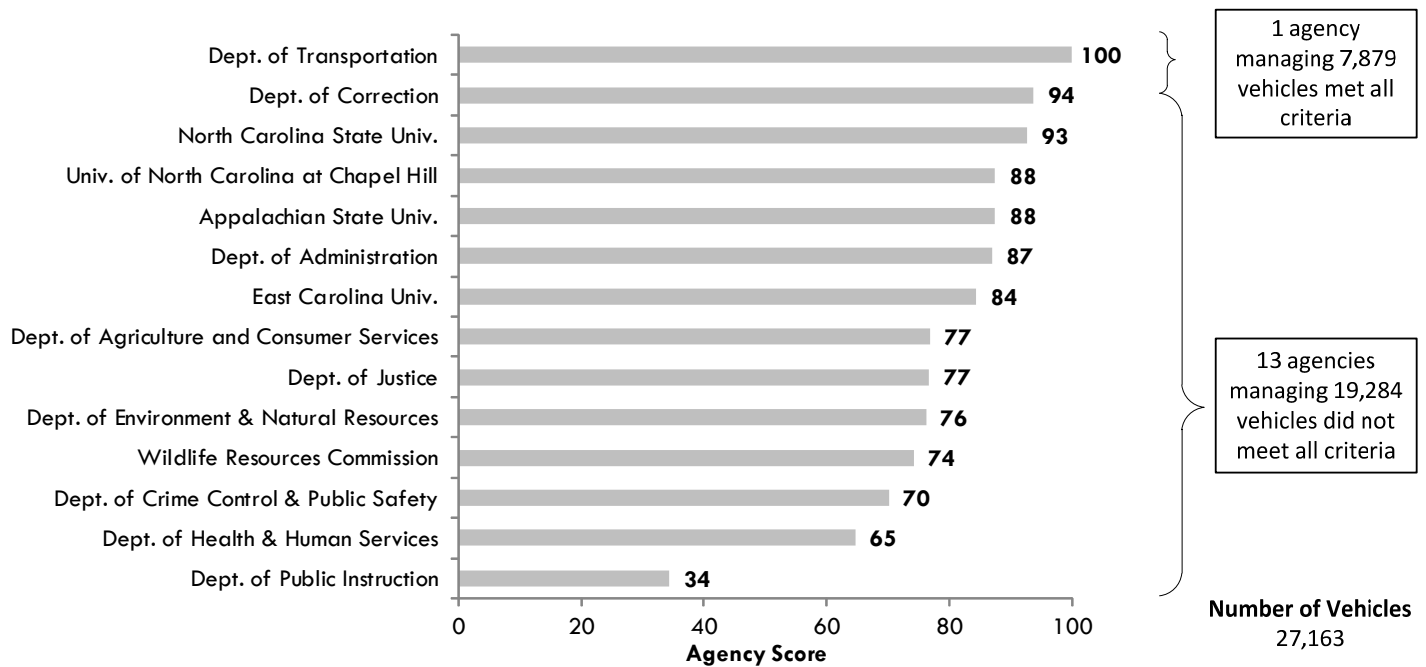


Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

Mechanisms exist to ensure North Carolina agencies and institutions purchase standardized vehicles using volume pricing. The Division of Purchase and Contract in the Department of Administration maintains state contracts for standard types of vehicles. State agencies and institutions using these contracts receive volume pricing when purchasing vehicles. State agencies and institutions that failed to meet all the criteria this best practice category did not have vehicle replacement plans covering all their vehicles. Developing a fleet replacement plan based on appropriate guidelines is an important best practice, but 32 of 65 of surveyed divisions performed no fleet replacement planning. Without adequate planning, state agencies and institutions do not know future requirements for new vehicle acquisition and therefore cannot determine the budget requirements for replacing vehicles.

Exhibit 6 shows the overall adherence score for each agency and institution for all four categories. The Department of Transportation was the only agency that had fully implemented fleet management best practice criteria across their entire fleet. However, this only accounts for 7,879 or 29% of the vehicles owned by surveyed agencies. Thus, 13 agencies had not fully implemented best management practices for 19,284 or 71% of the vehicles owned by surveyed agencies.

Exhibit 6: Only One Agency Met All Best Practice Criteria



Source: Program Evaluation Division based on survey responses from agencies with 200 or more vehicles.

In sum, North Carolina agencies and institutions with 200 or more vehicles have not fully implemented fleet management best practices.

Without statewide implementation of best management practices, agencies and institutions cannot hold vehicle users accountable and ensure all vehicles are managed well. Further, without appropriate fleet management systems in place, state agencies cannot analyze utilization patterns to determine if they own the right number of vehicles or monitor vehicle costs. Lastly, without comprehensive vehicle replacement planning, agencies and institution cannot budget for timely vehicle replacement. Anything less than full implementation of fleet management best practices is inefficient.

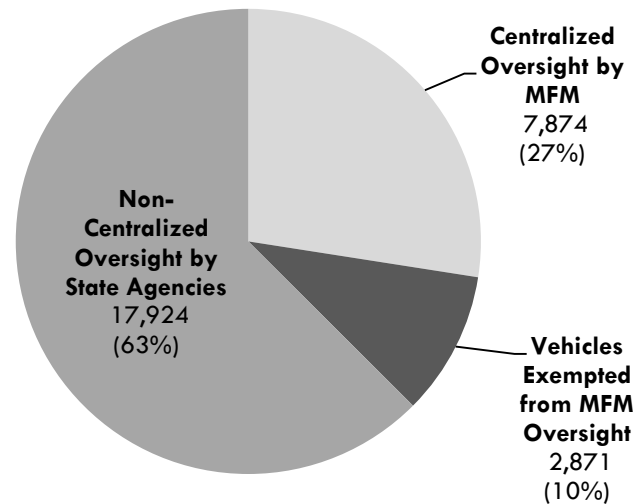
Finding 2. Weak and diffuse oversight results in inefficient use of state-owned vehicles.

There is no one entity responsible for ensuring the efficient use of all state-owned vehicles. Under state law, the Department of Administration’s Division of Motor Fleet Management Division (MFM) oversees state-owned passenger motor vehicles, but not other types of vehicles. State law directs MFM to enforce state policy on assignment and use of passenger vehicles. However, these laws do not apply to other vehicles owned by state agencies and institutions. Non-passenger vehicles and law enforcement, fire, and emergency vehicles owned by Butner Public Safety, State Bureau of Investigation, and State Highway Patrol do not fall under MFM’s authority.⁹ Together, these non-passenger and exempted vehicles comprise 73% of state-owned vehicles (see Exhibit 7).

⁹ N.C. Gen. Stat. §143-341(8)(i)(3). N.C. Sess. Law 2011-145 exempted law enforcement vehicles owned by the constituent institutions of the University of North Carolina.

Exhibit 7

Nearly Three-Fourths of State-Owned Vehicles Lack Centralized Oversight



Total State-Owned Vehicles = 28,669

Note: Vehicles exempted from MFM oversight include law enforcement vehicles owned by State Bureau of Investigation and State Highway Patrol; and law enforcement, fire, or emergency vehicles owned by Butner Public Safety.

Source: Program Evaluation Division based on vehicle inventories from state agencies and institutions.

Although the legislation directing this evaluation included an examination of the effectiveness and efficiency of non-passenger vehicles, the definition of non-passenger vehicles does not exist in statute or administrative rules. Because there is no standard definition, state agencies and institutions each determine which are non-passenger vehicles.

State agencies and institutions with non-passenger vehicles can manage their own vehicles and are not subject to oversight by MFM.

Each state agency and institution decides how to manage vehicles and several delegate this responsibility to divisions or programs. As a result, multiple individuals within one agency may be responsible for state-owned vehicles. For example, the Department of Health and Human Services identified 19 people at the division level or below responsible for vehicles.¹⁰ Delegating responsibility of vehicle management to the division level can lead to inconsistent use of vehicles within an agency. Within the 14 agencies and institutions owning 200 or vehicles, there were at least 65 fleet managers overseeing vehicles. This decentralization leads to inconsistent management across state government.

Inconsistent policies limit accountability for the use of state-owned vehicles. Each agency and institution determines who can use state-owned vehicles as well as how and when these vehicles are used. Vehicle use policies differ from agency to agency. Some agencies require employees to sign a statement acknowledging the vehicle use policy, but others do not. Further, vehicle use policies may differ within the same agency. For

¹⁰ The first report, *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles*, listed 20 individuals responsible for vehicle management and oversight, but the Department of Health and Human Services revised this number.

example, 13 divisions in the Department of Environment and Natural Resources (DENR) own vehicles, but 4 do not have written policies on how or when vehicles can be used. Also, DENR divisions have different expectations for vehicle use. The Division of Land Resources requires employees who operate state-owned vehicles to take a defensive driving training course, but other DENR divisions do not have this requirement.

Without consistent rules and oversight, there is no way to ensure state agencies and institutions are using the most efficient method to acquire fuel or maintenance services. In Fiscal Year 2010–11, agencies and institutions spent \$71.5 million on fuel and \$54.2 million on maintenance and repair services. Because fuel and maintenance costs are 69% of total vehicle expenditures, it is important for agencies to engage in practices that minimize these costs.

State agencies and institutions that own more than 10 vehicles are required to have a petroleum displacement plan and achieve a 20% reduction in petroleum products by September 1, 2016.¹¹ Though state law directs agencies to increase their use of alternative fuel, there is no corresponding directive on how agencies should obtain fuel for state-owned vehicles. Currently, agencies have multiple ways to procure fuel.

- **State-owned fueling sites.** Fifteen agencies and institutions operate state-owned fueling sites.¹² Most agencies with fueling sites charge other agencies an administrative fee for using their sites. This administrative fee pays for maintenance, repair, and replacement of fueling equipment. Administrative fees totaled over \$1 million in Fiscal Year 2010–11. The State does not pay the North Carolina motor fuel tax for fuel purchased at state-owned fueling sites.
- **Fuel cards.** North Carolina contracts with three companies to provide and maintain a fuel credit card program for the purchase of gasoline, diesel, or other designated motor fuels and oil at commercial fueling stations.¹³ The State does not pay the North Carolina motor fuel sales tax for fuel purchased with fuel cards.¹⁴
- **Procurement cards.** Procurement cards enable organizations to make small purchases quickly and efficiently by minimizing paperwork and processing time. Procurement cards are processed by vendors just like personal credit cards. Each agency determines who may use the cards and for what types of purchases. When purchasing fuel with a procurement card, agencies pay the retail price which includes the North Carolina motor fuel sales tax.

¹¹ NC Sess. Laws, 2005-276 set the deadline as January 1, 2010. N.C. Sess. Laws, 2011-145, Section 19.5(c) extended this provision to September 1, 2016.

¹² These agencies and institutions include Appalachian State University, Department of Administration, Department of Agriculture and Consumer Services, Department of Crime Control and Public Safety, Department of Environment and Natural Resources, Department of Health and Human Services, Department of Transportation, East Carolina University, Elizabeth City State University, North Carolina State University, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, University of North Carolina at Greensboro, Western Carolina University, and Wildlife Resources Commission.

¹³ GoGas Universal, Wright Express, and Comdata Corporation provide fuel cards for North Carolina.

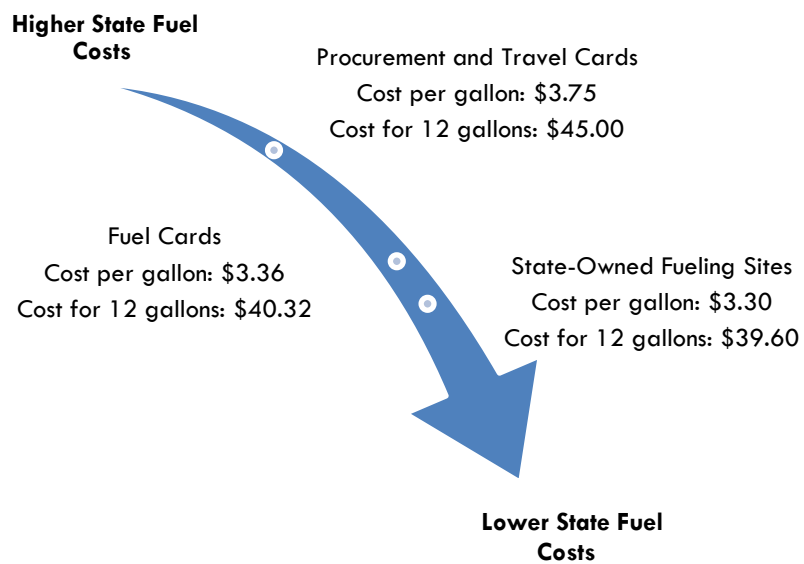
¹⁴ The motor fuel tax is set at \$0.39 per gallon for the following time period: 01/01/2012 to 06/30/2012.

- **Travel cards.** State agencies allow employees to use these credit cards to pay for travel-related expenses for official state business. Like procurement cards, agencies decide which employees may use travel cards and whether these cards can be used for fuel purchases. When purchasing fuel with travel cards, agencies pay the retail price which includes the North Carolina motor fuel sales tax.

As shown in Exhibit 8, state-owned fueling sites and fuel cards offer the least expensive ways to fuel state-owned vehicles. Other methods require drivers to pay the retail price and thus increase the cost of acquiring fuel. However, state law does not require agencies and institutions to use the most cost-effective methods for fuel purchases. Instead, state agencies allow employees to obtain fuel based on convenience.

Exhibit 8

State-Owned Fueling Sites and Fuel Cards are the Most Cost-Efficient Ways to Obtain Fuel for State-Owned Vehicles



Note: Cost per gallon is the average price per gallon for regular unleaded gasoline from commercial vendors and state-fueling sites on March 12, 2012. Cost per gallon for state-owned fueling sites does not include administrative fees.

Source: Program Evaluation Division based on statewide fuel prices.

The State does not know the most cost-efficient method to maintain state-owned vehicles. Agencies reported conducting vehicle maintenance in three ways:

- in-house, by state employees at state-owned and operated facilities;
- through cross-service agreements with state agencies who conduct in-house maintenance; and
- by private garages.

Although in-house maintenance and cross-service agreements offer potential for greater efficiency, there is not enough information to determine whether these methods cost less than outsourcing to private vendors.

Agencies are not required to continuously monitor employee use of take-home vehicles. State law establishes a clear definition for commuting

and ensures state employees comply with federal tax guidelines, but the State relies on agencies and institutions to determine who commutes and to detect commuting abuses. Certain agency functions or circumstances may require state employees to commute in state-owned vehicles to fulfill their job responsibilities. Commuting is defined as any state employee who is provided a state-owned vehicle and is authorized to drive between the individual's official work station and his or her home.¹⁵ The law requires employees who commute to reimburse the State for the commuting benefit.¹⁶

The Program Evaluation Division surveyed state agencies to determine the criteria used to authorize commuting and how driving behavior during commuting is monitored.¹⁷ Analyses found 17 of the agencies surveyed (59%) do not authorize employees to commute and 12 agencies do (41%). Survey results showed 1,531 employees authorized to commute including 859 exempt from paying taxes on the commuting benefit (see Exhibit 9). The Department of Transportation has the most employees who commute (602), but none of them are exempt from taxation. All of the 534 employees authorized to commute by the Department of Agriculture and Consumer Services are exempt from taxation on the commuting benefit. Because all agencies did not complete the survey, the figures underestimate the number of employees who have take-home vehicles and the number of employees who do not pay taxes on the commuting benefit.¹⁸

¹⁵ N.C. Gen. Stat. § 143-341(8)(i)(7a)

¹⁶ The law exempts employees driving certain types of vehicles from the reimbursement requirement: clearly marked police and fire vehicles; delivery trucks with only seating for the driver; flatbed, bucket, dump, garbage, or specialized utility repair trucks; cargo carriers with over a 14,000 pound capacity; school and passenger buses with over 20-person capacities; ambulances; cranes and derricks; forklifts; cement mixers; tractors; unmarked law-enforcement vehicles that are used in undercover work and are operated by full-time fully sworn law-enforcement offices whose primary duties include carrying a firearm, executing search warrants, and making arrests; and any other vehicle exempted under Section 274(d) of the Internal Revenue Code of 1954, and Federal Internal Revenue Services regulations based thereon.

¹⁷ The Program Evaluation Division surveyed 45 agencies and 29 agencies responded, a 64% response rate.

¹⁸ For example, sworn law enforcement officers driving marked patrol vehicles may take vehicles home because the law excludes their take home use from the definition of commuting.

Exhibit 9

Agencies Authorized Over 1,500 State Employees to Have Take-Home Vehicles

Agency/Institution	Employees Authorized to Commute	Employees Exempt from Taxation	Percent of Employees Exempt from Taxation
Department of Transportation	602	0	0%
Department of Agriculture & Consumer Services	534	534	100%
Department of Justice	248	239	96%
North Carolina Education Lottery Commission	77	68	88%
North Carolina State University	30	1	3%
UNC Center for Public Television	23	0	0%
North Carolina A&T State University	5	5	100%
Department of Secretary of State	3	3	100%
UNC Wilmington	3	3	100%
Western Carolina University	3	3	100%
Fayetteville State University	2	2	100%
Office of State Auditor	1	1	100%
Total Responses	1,531	859	56%

Note: See Appendix B for the agencies and institutions that do not authorize commuting and those that did not respond to the commuting survey.

Source: Program Evaluation Division based on responses from the commuting survey.

Authorizing commuting based on job function may result in inefficient use of state-owned vehicles. Among the 12 agencies that authorized commuting, 11 based the decision on the employee’s job duties. Typically, these job duties include ensuring public safety or requiring the employee’s availability after normal working hours. Thus, commuting appears to be limited to those occupations with specific job functions. However, using job function to justify commuting may not be discriminating enough to prevent inefficient use of state-owned vehicles. For example, an employee on call 24/7 may be part of a group of similar employees of which only a few respond after hours and do so on a rotating basis. Assignment of take-home vehicles based solely on job function without regular verification of actual activities may allow circumvention of policies designed to prevent waste.

Agencies differ in how they monitor use of take-home vehicles. Vehicle misuse has to be both detected and well-documented to result in disciplinary action. Without telematics recording actual use of state-owned vehicles, detection requires active monitoring of driving behavior.¹⁹ Four of the 12 agencies who authorized commuting do not verify whether take-home vehicles are used appropriately once the vehicle is assigned to the employee.²⁰ Agencies that do monitor commuting behavior leave it to the discretion of the employee’s supervisor. As a result, agencies’ ability to

¹⁹ Telematics integrates wireless communications, vehicle monitoring systems, and location devices to provide complete vehicle visibility.

²⁰ The four agencies are North Carolina A&T State University, Office of the State Auditor, UNC Center for Public Television, and Western Carolina University.

detect misuse of take-home vehicles and take corrective action depends upon the due diligence of supervisors. Supervisors may only rely on the information their subordinates provide, which can be unreliable or difficult to verify.

Only one surveyed agency reported monitoring employee driving behavior at the agency level. The Department of Justice monitors the use of all vehicles through a customized vehicle tracking system. Agencies that do not monitor use of commuting vehicles do not know whether employees use these vehicles as intended. Requiring agencies to regularly monitor employee commuting behavior can minimize inefficient use and vehicle misuse.

Other states have limited the number and use of take-home vehicles.

Use of take-home vehicles has been a persistent public concern in other states. Take-home vehicles increase state fleet costs and they give the appearance of inappropriate use of state-owned vehicles. Several states have taken action to minimize the use and potential abuse of take-home vehicles.

- Illinois' Office of the Auditor General, in a 2011 audit, questioned the necessity for some take-home vehicles with extensive commuting miles or vehicles for which the purported need, such as responding to emergencies, was not readily apparent.
- New Mexico eliminated 253 state-owned vehicles in 2011, including a 56% reduction in take-home vehicles in the Department of Transportation.
- Arkansas' 2010 Executive Order required agencies obtain a commuting waiver from the Department of Finance and Administration.
- Montana enacted a state law in 2009 to prohibit commuting in state-owned vehicles and to require department heads making exceptions to the law to ensure employees meet certain requirements and to send a memorandum documenting their rationale to the governor.²¹

Current law for vehicle identification does not provide sufficient accountability for state-owned vehicles. N.C. Gen. Stat. § 20-39.1 requires state agencies and institutions to mark state-owned vehicles with a statement that the vehicle belongs to the State, institution, or agency.²² However, agencies only need to have the words "State Owned" on the license plate and affixed to the front of the vehicle to comply with this law. The law does not require agencies to uniquely mark their vehicles as belonging to a specific agency to make them easily identifiable by members of the general public.

²¹ Montana § 2-17-425(2a) authorizes exceptions to the law if the commute from an employee's residence to the employee's worksite is less than 30 miles, the employee is required to be on call for quick response to an emergency that threatens life or property and on-call duty is a specifically identified duty in the employee's position description, and employees in the position have frequently responded to emergency calls in the past six months.

²² N.C. Gen. Stat. § 20-39.1 also applies to vehicles owned by county governments.

A 2009 investigative audit²³ and frequent investigative news reports demonstrate public concern over the inappropriate or inefficient use of state-owned motor vehicles. Complaints, concerns, and questions about the use of state-owned vehicles by members of the general public can identify potential vehicle misuse and serve as a deterrent to abuse. However, when state-owned vehicles cannot be easily identified, it is difficult for the general public to report their concerns to the appropriate agency.

Affixing a bumper sticker or other agency-specific decal could improve the visibility of and public accountability for state-owned motor vehicles. Several agencies, such as the Department of Transportation and the Wildlife Resources Commission, have affixed decals or door magnets to identify the vehicle as theirs. MFM affixes a bumper sticker to state-owned passenger vehicles with a toll-free number for citizens to lodge complaints about employee driving behavior and vehicle use. MFM pays \$0.31–\$0.40 per sticker depending on the quantity. A bumper sticker is low-cost way to increase accountability for and visibility of state-owned vehicles.

There is no statewide standard for addressing employee misuse of state-owned vehicles. As discussed earlier in Finding 2, there is no statewide policy for appropriate use of state-owned vehicles. Without a definition of appropriate use, it is difficult to determine when misuse occurs.

The second report in this Program Evaluation Division series found MFM relies on state agencies to investigate and respond to vehicle misuse allegations about state-owned passenger vehicles.²⁴ The lack of statewide oversight means agencies are also responsible for addressing misuse of the vehicles they own. Thus, the responsibility to investigate and address vehicle misuse for all state-owned vehicles is decentralized across agencies and institutions.

One result of the diffusion of responsibility is inconsistency in how agencies respond to incidences of vehicle misuse. Some establish clear rules on how misuse will be addressed, but others do not. For example, non-compliance with University of North Carolina Center for Public Television's vehicle use policy is grounds for disciplinary action up to and including dismissal. However, the Department of Agriculture and Consumer Services' vehicle use policy does not state any disciplinary action for inappropriate use. Without consistent sanctions for vehicle misuse, state employees receive different levels of discipline, or none at all, for the same offense.

Relying on agencies to take appropriate disciplinary action on reports of misuse does not provide sufficient accountability for state-owned vehicles. State agencies' lack of appropriate discipline for vehicle misuse has been documented for almost 20 years.²⁵ The second report in this series, entitled *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability*, found no mechanism in place to independently verify that agencies fully investigate and take appropriate disciplinary action in response to allegations of misuse of vehicles owned

²³ Office of the State Auditor (2009, September). *North Carolina Department of Agriculture and Consumer Services*. (Report No. INV-2009-0349). Raleigh, NC.

²⁴ Program Evaluation Division. (2012, March). *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability*. Raleigh, NC: North Carolina General Assembly.

²⁵ Citizens Complain State Cars Taking Them for a Ride. (1993, January 17). *The News and Observer*, p. 1.

by MFM. Further, agencies and institutions are not required to track vehicle misuse, document findings of their investigation, or report disciplinary action taken as a result. Without this information, the State cannot ensure employees are held accountable for inappropriate use of state-owned vehicles.

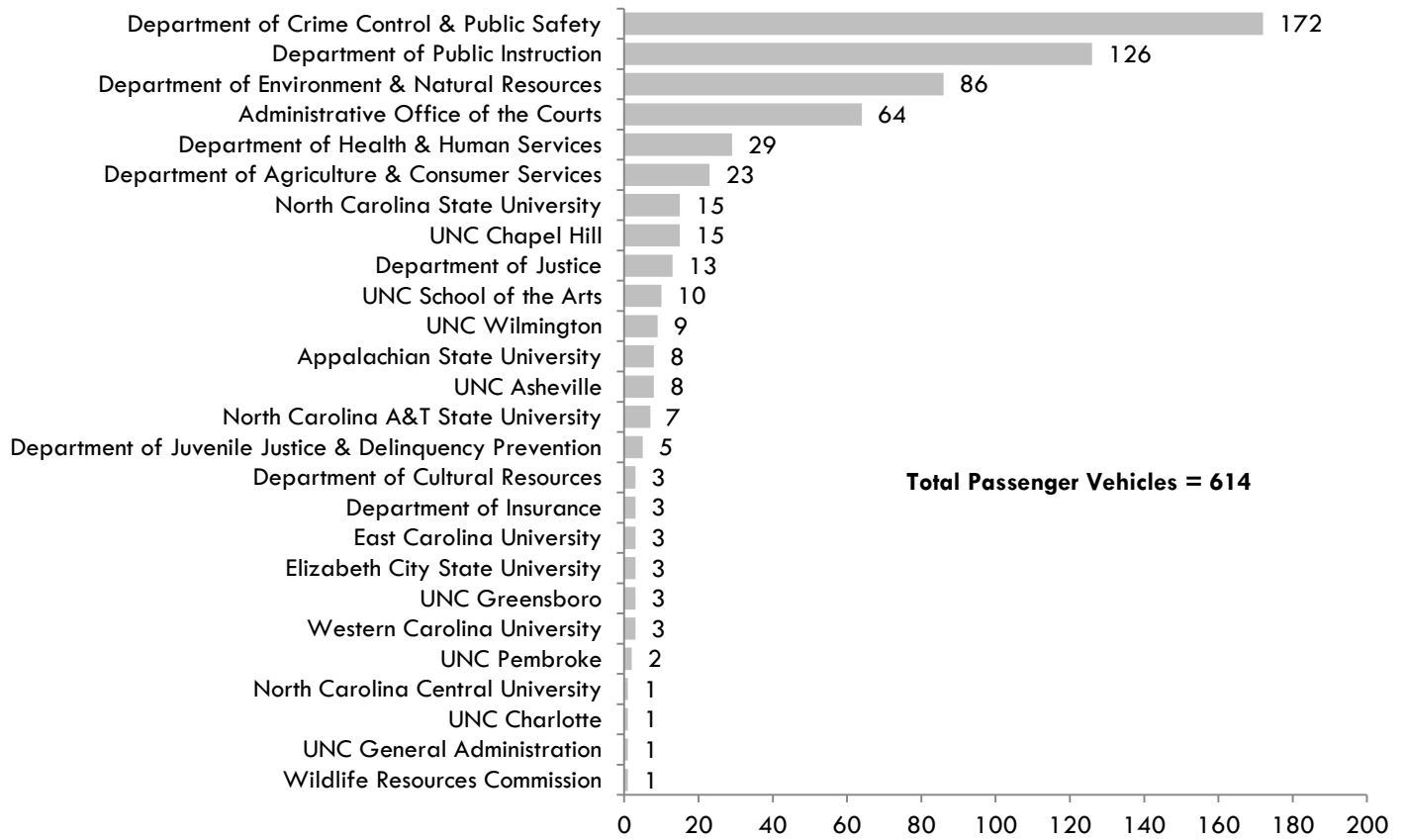
As discussed in the second report, telematics can enhance vehicle tracking and user accountability. Telematics integrates wireless communications, vehicle monitoring systems, and location devices that provide complete vehicle visibility, alerts for unsafe driving behavior, and remote vehicle diagnostics. Installing telematics on all state-owned vehicles could improve accountability by allowing agencies to consistently and continuously monitor vehicle use and document instances of misuse.

In sum, North Carolina lacks consistent statewide oversight of vehicle use and has not adopted technology that would facilitate stronger oversight. Agencies are responsible for creating and implementing vehicle use policies, but these policies are inconsistent from agency to agency and may vary even between divisions within the same agency. Some agencies do not consistently monitor employee use of vehicles, and each agency addresses vehicle misuse differently. Agencies are not required to use the most cost-efficient methods to obtain fuel or maintain vehicles, nor to uniquely identify the vehicles they own with an agency-specific identifier. As a result, the State does not know whether state-owned vehicles are used efficiently.

Finding 3. State agencies and institutions own 614 passenger vehicles that should be transferred to the Department of Administration.

N.C. Gen. Stat. § 143-341(8).i.3 requires state agencies to transfer ownership, custody, or control of any or all passenger motor vehicles to the Department of Administration's Division of Motor Fleet Management (MFM). State law exempts Butner Public Safety, State Bureau of Investigation, and State Highway Patrol from transferring vehicles to MFM if the vehicle is used for law enforcement, fire, or emergency purposes. MFM administrative rules define state-owned passenger vehicles as any automobile sedan, station wagon, pickup truck, four-wheel-drive utility vehicle, or passenger-type minivan. In practice, MFM maintains 36 pickup trucks for passenger transport. Most pickup trucks owned by other agencies and institutions are used for construction, facilities maintenance, or public safety. However, state agencies and institutions reported owning 614 sedans, sport-utility vehicles, and minivans (see Exhibit 10).

Exhibit 10: 614 Passenger Vehicles Should Be Transferred to the Department of Administration



Note: Passenger vehicles include sedans, sport-utility vehicles, and minivans not owned by the Department of Administration or exempted from transfer to the Department of Administration by state law.

Source: Program Evaluation Division based on vehicle inventories from state agencies and institutions.

In addition, some agencies described the purpose of these vehicles as fulfilling passenger transport needs. For example, the Administrative Office of the Courts operates its own motor pool and maintains 11 sedans for employee travel, and North Carolina State University owns 14 sport-utility vehicles that are used for student and employee transportation. Agencies reported using over half of these vehicles (310) for travel to conduct official state business.

The General Assembly established MFM to ensure the efficient and effective use of passenger transport vehicles. MFM provides savings by supplying a centralized source of passenger transportation for all state agencies and to all state employees in the performance of their official duties in the most cost-effective way. Allowing other agencies to own passenger vehicles unnecessarily duplicates the purpose and function of MFM and reduces effectiveness and efficiency of statewide motor fleet management. Agencies would continue to use the vehicles in question, but transferring ownership to MFM would improve management as required by the law.

Finding 4. Statewide oversight of all state-owned vehicles improves accountability and operational efficiency.

The Program Evaluation Division identified three states with fleet management offices that direct management of all state-owned vehicles and ensure statewide accountability and operational efficiency. As described in the first report in this series, Georgia, Missouri, and Utah have developed strategies to better manage their state-owned vehicles.²⁶

The catalyst for establishing fleet management offices varied among the three states, but their accountability and management goals were similar. Georgia strengthened its existing fleet management office in 2002 when the Governor issued an executive order to centralize responsibility for data collection, auditing, education, oversight, and guidance for fleet management functions. The Missouri legislature established the state fleet manager after an audit found officials had no assurances the state's fleet was used efficiently or knew how many vehicles the state owned. The Utah legislature moved to centralize fleet operations in 1996 after receiving a consultant's report that found the state's decentralized approach to fleet management was inefficient and that fleet consolidation would improve vehicle tracking and increase efficiency.

The primary mission of these fleet management offices is oversight and management of state-owned vehicles, but the degree of consolidation varies. For example, fleet management offices in Georgia and Missouri do not own vehicles. Agencies and institutions in these states own and operate vehicles, but the fleet management offices set statewide fleet management policies, maintain the fleet management information system, and are involved in vehicle acquisition and planning. The Utah Division of Fleet Operations differs because it owns 60% of the state's vehicles. These vehicles are leased to state agencies that pay fees to an internal service fund to cover the cost of fleet management. Like Georgia and Missouri, the Utah Division of Fleet Operations sets statewide fleet management policies and maintains the fleet management information system for all state-owned vehicles. The Utah Division of Fleet Operations has other responsibilities beyond fleet management because it also operates the state fuel network and the travel office.

Fleet size and resources for fleet offices in the three states differ, but their responsibilities are similar. Each state's fleet management office has the following responsibilities:

- establishing and maintaining state fleet rules and policies;
- setting statewide standards and best practices for managing and operating vehicles;
- operating the fleet information management information system;
- maintaining the state fleet vehicle inventory;
- managing fleet-related contracts such as motor pool services, vehicle maintenance, and motor fuel; and
- reviewing and approving vehicle acquisition.

²⁶ Program Evaluation Division. (2011, December). *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles*. Raleigh, NC: North Carolina General Assembly.

Exhibit 11 provides additional information about each state's fleet management operations including fleet size, vehicle ownership, and financial and staff resources.

Exhibit 11: Georgia, Missouri, and Utah Provide Statewide Fleet Management and Oversight for all State-Owned Vehicles

	Georgia	Missouri	Utah
	Department of Administrative Services Office of Fleet Management	Office of Administration State Fleet Manager	Department of Administrative Services Division of Fleet Operations
Year Established	1987	2002	1996
Fleet Size (Number of Vehicles)	19,773	10,904	7,301
Vehicle Ownership	State agencies own and operate vehicles	State agencies own and operate vehicles	Division of Fleet Operations owns 60%; state agencies and institutions own 40%
Resources			
Annual expenditures	\$1,000,000	\$106,000	\$25,000,000
Receives state appropriations	No	No	No
Supported from fees	Yes	Yes	Yes
Internal service fund	No	Yes	Yes
Number of positions	6	2	20
Advisory Committee	Advisory committee reinstated in Fiscal Year 2012–13	FleetMac Committee	Motor Vehicle Review Committee
State agency representation	n/a	Yes	Yes
Public representation	n/a	No	Yes
Committee purpose	n/a	Provide input on fleet management issues and policies	Advise division, review rules, and propose statutory changes

Source: Program Evaluation Division based on interviews with officials and a review of documents from these states.

Georgia, Missouri, and Utah are using the fleet management best practices identified in this report.

- Policies and procedures.** The fleet management offices in these states have statewide policies, procedures, and standards that apply to all state vehicles. Missouri and Utah have advisory committees with state agency representation that provide input on fleet management policies and procedures.
- Management of vehicle utilization data.** Each state has a fleet management information system that collects vehicle utilization data for state vehicles and maintains a vehicle inventory.
- Financial management.** These states track cost information for state vehicles in their fleet management information system, and the Utah Division of Fleet Operations has a cost recovery system to cover vehicle costs.
- Vehicle replacement and acquisition.** The fleet management offices in Georgia and Missouri do not purchase vehicles directly, but they review and approve purchases made by state agencies and set standards for vehicle acquisition. The Utah Division of Fleet

Operations owns 60% of Utah's fleet, purchases vehicles for the fleet, and sets standards for other agencies purchasing vehicles.

Fleet management offices in these states are funded through fees paid by state agencies and do not require state appropriations. State agencies in these states pay fees that cover the cost of the fleet management offices.

- Missouri's State Fleet Manager is supported through a statutory state vehicle fee that also covers the cost of the fleet management information system.
- Georgia's Office of Fleet Management is funded through rebates or fees from agency fuel cards, rental cars, and agency use of an optional maintenance information system.
- Utah's Division of Fleet Operations has an internal service fund supported by lease payments and fees from state agencies.

Centralized fleet management and oversight in these states has resulted in increased efficiency and other benefits. In interviews conducted for this evaluation, fleet managers in these states identified benefits resulting from statewide fleet management and oversight of state-owned vehicles:

- an inventory of all state-owned vehicles;
- a fleet management information system that tracks utilization, costs, and other information on a per-vehicle basis;
- statewide policies, procedures, and standards for all aspects of fleet management and operation;
- identification of potential fleet efficiency for state agencies based on data analysis (Georgia);
- a cost recovery system that funds replacement vehicles (Utah);
- lower motor pool costs and lower personal mileage reimbursement (Missouri and Georgia); and
- identification of potential fleet reductions (Missouri and Utah).

Centralized supervision of all state-owned vehicles in North Carolina offers solutions to the problems identified in this series of Program Evaluation Division reports. Throughout this report series, the Program Evaluation Division found the following problems with vehicle oversight and management:

- no central source of information for the number and cost of state-owned vehicles;
- incomplete vehicle utilization information;
- no statewide fleet management policies and procedures for all state-owned vehicles;
- inconsistent adherence to fleet management best practices; and
- lack of statewide oversight for the efficient use of state-owned vehicles.

Without sufficient state-owned vehicle information, North Carolina cannot determine how many vehicles are necessary to meet state government needs. However, agencies and institutions continue to purchase new and replacement vehicles without complete vehicle utilization and cost information. Limited adherence to fleet management best practices also results in ineffective and inefficient use of state-owned vehicles.

The Department of Administration can provide statewide supervision of all state-owned vehicles because it is the agency that provides services for the rest of North Carolina state government. The Division of Motor Fleet Management (MFM) in the Department of Administration is already responsible for the management and oversight of state-owned passenger vehicles and is well-positioned to supervise vehicles owned and operated by state agencies and institutions. Statewide supervision does not mean agencies and institutions would no longer own their non-passenger vehicles. Instead, MFM's mission could be expanded to include statewide supervision of all vehicles without requiring state agencies and institutions to transfer ownership. Similar to Missouri and Utah, MFM could convene a fleet management advisory committee with agency representation to provide input on statewide fleet management policies and rules. Under this model, MFM would continue managing all state-owned passenger vehicles with existing resources and would need additional staff and funding to supervise state-owned non-passenger vehicles. As in other states, North Carolina can achieve statewide supervision of all state-owned vehicles and implement a statewide fleet management information system by charging agencies and institutions a fee to cover these costs.

In sum, only one of 14 state agencies and institutions that own 200 or more vehicles has fully implemented fleet management best practices based on the criteria in this report. There is no one entity responsible for ensuring the efficient use of state-owned vehicles. Instead, agencies and institutions are left to manage the vehicles they own with limited direction. This lack of statewide oversight limits accountability for state-owned vehicle use. State agencies and institutions reported owning 614 passenger vehicles even though state law requires all passenger vehicles be transferred to the Department of Administration. Other states with state fleet management offices demonstrate that statewide oversight of all state-owned vehicles can improve accountability and operational efficiency. Centralized supervision of state-owned vehicles could offer solutions to the problems identified by the Program Evaluation Division, and MFM in the Department of Administration is well-positioned to provide statewide supervision of all state-owned vehicles in North Carolina.

Recommendations

Recommendation 1. The General Assembly should authorize the Department of Administration to supervise the management and operation of all vehicles owned by state agencies and institutions.

Statewide supervision of all state-owned vehicles offers solutions to the problems identified in the Program Evaluation Division's series of reports on the status of state-owned vehicles. The Division of Motor Fleet Management (MFM) in the Department of Administration is well-positioned to provide supervision of all vehicles because it is already responsible for passenger vehicles. The General Assembly should expand MFM's mission to include statewide supervision of vehicles owned by state agencies and institutions, and change its name to the Division of State Fleet Management to recognize this increased authority. The new Division of State Fleet Management would continue to be part of the Department of Administration.

Under this recommendation, the new Division of State Fleet Management would continue to manage and supervise the operation of state-owned passenger vehicles. The following responsibilities for statewide supervision of vehicles owned by agencies and institutions and for provision of technical assistance would be added to the division's duties:

- maintain an inventory of all state-owned vehicles;
- collect and analyze information for all state-owned vehicles;
- operate the statewide fleet management information system selected by the Office of the State Controller;
- adopt and enforce statewide policies and rules for all aspects of fleet management, fleet operation, and vehicle use;
- convene a state fleet management advisory committee with state agency representation to advise the division on statewide fleet management policies, rules, and issues;
- provide technical assistance with implementing fleet management best practices;
- compile and report vehicle misuse complaints and commuting information tracked by state agencies and institutions;
- review and approve vehicle acquisition and replacement requests by state agencies and institutions;
- compile a statewide vehicle replacement plan based on information from state agencies and institutions; and
- report annually to the General Assembly on the status of state-owned vehicles and make any recommendations for improvements and changes necessary for more efficient management of state-owned vehicles.

MFM already has the authority to collect fees from state agencies and institutions to cover the cost of providing passenger vehicles. As the new Division of State Fleet Management, it will need additional authority to collect fees to pay for staff to perform statewide supervision of all state-owned vehicles and operate the statewide fleet management information system. These funds should be deposited and tracked through two new internal service funds: one for statewide supervision and one for the fleet management information system.

In the report entitled *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability*, the Program Evaluation Division recommended that the General Assembly direct MFM to phase in implementation of basic telematics services to increase accountability for state-owned passenger vehicles. The new Division of State Fleet Management should convene the state fleet management advisory committee to consider the costs and benefits of installing basic telematics services on all state-owned vehicles.

Under the authority of the new Division of State Fleet Management, agencies and institutions would retain ownership and be responsible for the day-to-day management of non-passenger vehicles. However, the General Assembly should direct agencies and institutions to cooperate with the new Division of State Fleet Management. State agencies and institutions that own non-passenger vehicles should be required to

- comply with all statewide policies and rules for fleet management and operation promulgated by the Division of State Fleet Management;
- maintain and report up-to-date information about each employee authorized to commute in a state-owned vehicle including home-to-work-station commuting distance, each duty that requires commuting, and a justification for authorizing a take-home vehicle;
- require any employee who is assigned a state-owned vehicle to document all call-backs including each call-back's date, time, duration, and reason it was necessary;
- track and report all vehicle misuse complaints including a description of each incident, findings of the investigation, and any disciplinary action taken as a result of the investigation;
- collect and report vehicle identification, utilization, and direct cost data to the statewide fleet management information system;
- submit vehicle acquisition and replacement requests for approval;
- develop and submit annual vehicle replacement plans;
- pay fees as required by the Division of State Fleet Management to cover the cost of the fleet management information system and statewide supervision; and
- provide other fleet management or vehicle information as requested by the Division of State Fleet Management.

To ensure state agencies and institutions cooperate with the new Division of State Fleet Management, the General Assembly should direct the division to report annually on state agency and institution compliance with fleet management supervision. If an agency or institution fails to comply with fleet management supervision requirements or demonstrates it is unable to properly manage its vehicles, the new Division of State Fleet Management should report these non-compliance and management problems to the General Assembly. The General Assembly should review the Division of State Fleet Management's report and determine whether non-complying agencies or institutions should continue to own vehicles. If the General Assembly makes a determination that a non-complying state agency or institution should no longer own vehicles, then ownership of these vehicles should be transferred to the new Division of State Fleet Management.

The Program Evaluation Division estimates MFM will need five new positions to perform the additional responsibilities proposed in this recommendation:

- two positions to perform statewide supervision of vehicles owned by agencies and institutions and to provide technical assistance with implementing fleet management best practices;
- two positions to collect and analyze vehicle information, maintain a vehicle inventory, and operate the statewide fleet management information system; and
- one accounting position to manage fee collection and other financial aspects of statewide supervision.

The annual estimated cost for these positions and associated operating costs is \$400,000 and would be paid from fees charged to state agencies

and institutions.²⁷ The cost for the development and operation of the statewide fleet management information system will be determined through the selection process by the State Controller as recommended in the Program Evaluation Division report entitled *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles*.

The effective date for expanding the responsibilities of the Division of Motor Fleet Management and changing it to the new Division of State Fleet Management should be January 1, 2013 to give adequate time for the transition. In addition, the division will need the authority to use funds from the MFM internal service fund during the transition to cover the initial cost of statewide supervision.

Recommendation 2. The General Assembly should direct state agencies and institutions that reported owning passenger vehicles to transfer these vehicles to the Department of Administration as required by N.C. Gen. Stat. § 143-341(8).i.3.

As shown in this evaluation, 26 state agencies and institutions reported owning 614 passenger vehicles. N.C. Gen. Stat. § 143-341(8).i.3 requires state agencies and institutions to transfer ownership of passenger vehicles to the Department of Administration.²⁸ The General Assembly should direct agencies and institutions to comply with state law and transfer the reported passenger vehicles to the Department of Administration.

The Department of Administration should report to the Joint Legislative Commission on Governmental Operations on the status of the passenger vehicle transfer on or before November 15, 2012. The report should include the names of state agency or institution officials that authorized acquisition of the passenger vehicles, the number of passenger vehicles transferred per agency or institution, and an explanation, if necessary, of any passenger vehicles that have not been transferred.

Recommendation 3. The General Assembly should amend N.C. Gen. Stat. § 20-39.1 or other appropriate statutes to require all state-owned vehicles be marked to indicate state agency or institution ownership or assignment.

As shown in Finding 2, state law requires marking of vehicles to indicate state ownership, but the State does not require marking of state-owned vehicles to indicate the name of the agency or institution that owns the vehicle. The Division of Motor Fleet Management gives state agencies and institutions that are assigned passenger vehicles the option of indicating their name on assigned vehicles. To ensure the public can identify the agency or institution that owns or is assigned any state-owned vehicle, the General Assembly should amend N.C. Gen. Stat. § 20-39.1 or other appropriate statutes to require marking of all state-owned vehicles on the

²⁷ This estimate is based on the mid-level salary and benefits for the following five positions: Administrative Officer II, Administrative Officer I, Business and Technology Application Analyst, Statistician II, and Accounting Technician.

²⁸ Passenger vehicles under the ownership, custody, or control of the State Highway Patrol, the State Bureau of Investigation, Butner Public Safety, or university law enforcement agencies are exempt from this requirement.

rear bumper with a sticker that indicates agency or institution ownership or assignment. The Department of Administration should be directed to adopt rules setting standards for the stickers to include direction on visibility, sticker placement, naming conventions, and contact information for citizen complaints.

Recommendation 4. The General Assembly should recodify and clarify state law for state-owned motor vehicles.

Throughout this report series on the status of North Carolina's state-owned vehicles, the Program Evaluation Division has observed that state law for state-owned vehicles lacks clarity. For example, N.C. Gen. Stat. § 143-341 includes a detailed description of how MFM should manage passenger vehicles including direction on commuting and misuse, but it is unclear whether these statutes apply to non-passenger vehicles owned by state agencies and institutions. State laws that apply to all state-owned vehicles only address liability insurance coverage, license plates, vehicle safety, and petroleum reduction requirements. State law also does not clearly define passenger and non-passenger vehicles. To strengthen accountability for state-owned vehicles, the General Assembly should recodify the statutes that affect state-owned vehicles, define passenger and non-passenger vehicle, and establish a single statute that encompasses all aspects of management and operation of vehicles and establishes the Division of State Fleet Management as the entity to supervise the management and operation of state-owned vehicles.

Appendices

Appendix A: Fleet Management Best Practices Grading Methodology
Appendix B: Commuting Survey Respondents

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Carol Shaw, at carol.shaw@ncleg.net.

Staff members who made key contributions to this report include Lee Creighton, Sean Hamel, Catherine Moga Bryant, Pamela L. Taylor, and Larry Yates. John W. Turcotte is the director of the Program Evaluation Division.

Appendix A: Fleet Management Best Practices Grading Methodology

Using literature on fleet management best practices, the Program Evaluation Division identified four fleet management best practice categories:

- written policies and procedures;
- management of vehicle utilization data;
- financial management; and
- vehicle replacement and acquisition.

The Program Evaluation Division sent a survey on fleet management best practices to 14 agencies and institutions owning more than 200 vehicles. Each agency provided contact information for the individuals at the agency or division level responsible for vehicle management. These individuals answered questions about management and oversight of state-owned motor vehicles in their division.

The Program Evaluation Division rated each response to determine adherence to the fleet management best practice categories using the criteria listed in the table below.

Fleet Management Best Practice Category (Number of Criteria)	Criteria
<p>Written Policies and Procedures (6)</p>	<p>The division has written policies and procedures that cover</p> <ul style="list-style-type: none"> • who can use vehicles • how vehicles can be used • when vehicles can be used • vehicle acquisition • vehicle disposal • vehicle maintenance
<p>Management of Vehicle Utilization Data (2)</p>	<p>The division</p> <ul style="list-style-type: none"> • manages an electronic fleet management information system <p>The program collects per vehicle mileage and frequency of use on a per-vehicle basis for their entire fleet through</p> <ul style="list-style-type: none"> • tracking per trip miles; or • tracking monthly miles <u>and</u> daily trip counts
<p>Financial Management (8)</p>	<p>The division</p> <ul style="list-style-type: none"> • has a cost recovery system in place <p>For each vehicle owned, the division tracks:</p> <ul style="list-style-type: none"> • maintenance and repairs (including parts and labor) • fuel • depreciation for owned vehicles • insurance • services, benefits, official travel, and transportation of all fleet management personnel (including fleet managers and mechanical and administrative personnel) • operating equipment purchases for fleet management activities (e.g., office supplies) • operating equipment for services and repairs
<p>Vehicle Replacement and Acquisition (4)</p>	<p>The division:</p> <ul style="list-style-type: none"> • has a vehicle replacement plan • updates the replacement plan annually • purchases vehicles in volume • purchases standardized types of vehicles

Fleet Management Best Practices Adherence Scores

Divisions received a score for each fleet management best practice category based upon the percentage of criteria met. For example, if a division met five of the six criteria in the written policies and procedures category, it received a score of **83**.

Agency Adherence Scores

- **Step 1.** The Program Evaluation Division determined the proportion of agency vehicles managed by each division.
- **Step 2.** Division scores for each category were multiplied by the proportion of agency vehicles managed to determine the weighted division score
- **Step 3.** Weighted division scores were summed to calculate the agency adherence score.

The following table provides an example of how division scores were used to determine the adherence score for the agency in the written policies and procedures category.

Agency Score for Written Policies and Procedures

Agency	Division	Percentage of Criteria Met	Number of Vehicles Managed	Proportion of Agency Vehicles	Weighted Division Score	Overall Agency Score
Agency	Division 1	0.500	16	$\div 604 = 0.027$	$\times 0.500 = 0.013$	52.5 $0.525 \times 100 =$
	Division 2	0.833	1	0.002	0.001	
	Division 3	0.500	5	0.008	0.004	
	Division 4	0.167	19	0.031	0.005	
	Division 5	0.167	30	0.050	0.008	
	Division 6	0.167	106	0.175	0.029	
	Division 7	0.333	126	0.209	0.069	
	Division 8	0.833	147	0.243	0.203	
	Division 9	0.667	75	0.124	0.083	
	Division 10	0.667	36	0.060	0.040	
	Division 11	1.000	40	0.066	0.066	
	Division 12	0.500	3	0.005	0.002	
			Total: 604		Total: 0.525	

Agency Review of Division Scores

The Program Evaluation Division provided agencies and institutions with their overall score and the scores for each division responsible for vehicle management. Agencies and institutions reviewed these scores for accuracy and completeness. If an agency believed the division response was inaccurate or incomplete, the agency provided justification or supporting documentation to adjust their score. The Program Evaluation Division reviewed the information provided by agencies to determine a final score for each fleet management best practice category.

Appendix B: Commuting Survey Respondents

The Program Evaluation Division surveyed vehicle coordinators in 45 state agencies and institutions to understand how agencies oversee employees authorized to commute in state-owned vehicles. For the purpose of this survey, commuting was defined as:

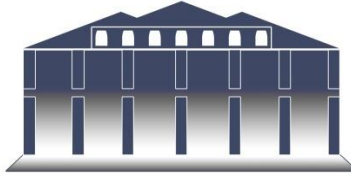
Any state employee who is provided a state-owned vehicle and is authorized to drive between the individual's official work station and his or her home.

Twenty-nine agencies responded to the survey and 16 did not; respondents provided the number of employees in their agency or institution authorized to commute and the number of employees exempt from taxation on the commuting benefit. The following table lists all agencies contacted for the survey, identifies agencies that did and did not provide a response, and provides the number of employees authorized to commute and exempt from taxation in agencies responding to the survey.

Agency/Institution	Responded to Survey	Employees Authorized to Commute	Employees Exempt from Taxation
Administrative Office of the Courts	x		
Appalachian State University	✓	0	0
Board of Barbers Examination	✓	0	0
Board of Elections	x		
Department of Administration	✓	0	0
Department of Agriculture and Consumer Services	✓	534	534
Department of Commerce	✓	0	0
Department of Cultural Resources	x		
Department of Environment and Natural Resources	✓	0	0
Department of Health and Human Services	x		
Department of Insurance	x		
Department of Justice	✓	248	239
Department of Labor	x		
Department of Public Instruction	x		
Department of Public Safety	x		
Department of Revenue	x		
Department of Secretary of State	✓	3	3
Department of State Treasurer	x		
Department of Transportation	✓	602	0
East Carolina University	x		
Elizabeth City State University	x		
Fayetteville State University	✓	2	2
Information Technology Services	x		
North Carolina A&T State University	✓	5	5
North Carolina Central University	x		
North Carolina Education Lottery Commission	✓	77	68
North Carolina General Assembly	✓	0	0
North Carolina School of Science and Mathematics	x		
North Carolina School of the Arts	✓	0	0
North Carolina State University	✓	30	1
Office of Administrative Hearings	✓	0	0
Office of State Auditor	✓	1	1
Office of State Controller	✓	0	0
UNC Center for Public Television	✓	23	0
UNC Chapel Hill	✓	0	0
UNC Charlotte	✓	0	0

Agency/Institution	Responded to Survey	Employees Authorized to Commute	Employees Exempt from Taxation
UNC General Administration	✓	0	0
UNC Greensboro	✓	0	0
UNC Hospitals	✓	0	0
UNC Pembroke	✓	0	0
UNC Wilmington	✓	3	3
University of North Carolina at Asheville	✗		
Western Carolina University	✓	3	3
Wildlife Resources Commission	✓	0	0
Winston-Salem State University	✓	0	0

Note: Department of Public Safety includes Departments of Correction, Crime Control and Public Safety, and Juvenile Justice and Delinquency Prevention. Administrative Office of the Courts and Department of Public Safety did not complete the commuting survey and were excluded from analysis.



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