

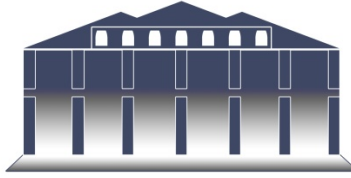
**Centralized Fleet Operations Will Improve
Management and Oversight of
Department of Public Safety Vehicles**



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

Report Number 2013-04

April 22, 2013



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April 22, 2013

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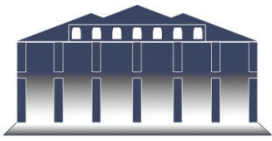
The Program Evaluation Division work plan was amended on April 25, 2012, to direct the division to review fleet management among major law enforcement agencies. This report is the Second on this issue and focuses on law enforcement vehicles owned and managed by the Department of Public Safety.

I am pleased to report that the Department of Public Safety cooperated with us fully and was 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 2013

Report No. 2013-04

Centralized Fleet Operations Will Improve Management and Oversight of Department of Public Safety Vehicles

Summary

A 2011–12 series of Program Evaluation Division reports on management and oversight of state-owned vehicles prompted legislative interest in law enforcement vehicles. The present evaluation is the second of a series on law enforcement motor vehicles that examines vehicles owned and operated by the Division of Law Enforcement in the North Carolina Department of Public Safety (DPS).

Two years after the direction to consolidate, DPS management and oversight of law enforcement vehicles remains fragmented and decentralized. DPS was created in an effort to improve efficiency in state government. Although consolidation plans included vehicle management, DPS's law enforcement fleet is managed by three different sections: Alcohol Law Enforcement (ALE), State Capitol Police (SCP), and State Highway Patrol (SHP). Oversight of vehicles is the responsibility of supervisory personnel at the district level, but vehicles are managed on a daily basis by over 2,000 individuals with assigned law enforcement vehicles.

The decentralized management and oversight of DPS's law enforcement vehicles are inconsistent and do not meet fleet management best practices. Policies and procedures for law enforcement vehicles lack specificity and are inconsistent, costing the State \$153,872 annually in additional fuel and accelerated maintenance schedules. Information on fleet composition, vehicle utilization, and cost is disparate and incomplete. As a result, the three sections cannot determine the right number and mix of vehicles or if vehicles are being used efficiently. Finally, ALE, SCP, and SHP do not conduct adequate replacement planning for new vehicle acquisition, and therefore, cannot accurately project the budget requirements for replacing vehicles.

DPS lacks a formal plan to guide the consolidation of its vehicle management and oversight. DPS's vision for a centralized fleet management program is similar to existing programs that meet best practices, but DPS has no formal plan to guide its efforts.

Based on these findings the General Assembly should direct DPS to develop a strategic plan and proposal for the implementation of a centralized fleet management program. This plan should address components of fleet management best practices. DPS should also develop a proposal to identify the initial and on-going capital investment needed for implementing the centralized fleet management program, including costs for the fleet information management system, central maintenance depot, and necessary personnel.

Scope

This evaluation report, the second of a series¹ on law enforcement motor vehicles, examines law enforcement vehicles owned, managed, and operated by the Division of Law Enforcement within the Department of Public Safety. The evaluation was directed by the Joint Legislative Program Evaluation Oversight Committee when it amended the Program Evaluation Division's work plan on April 25, 2012.

Five research questions guided this evaluation.

1. Did fleet management reorganization at the Department of Public Safety meet the goals set by the agency and improve vehicle management?
2. What are the characteristics of the DPS law enforcement vehicle fleet and the sworn officers and employees who use them?
3. What law enforcement division policies and procedures guide fleet management, including vehicle use, maintenance, assignment, acquisition, and disposal?
4. Do departmental practices follow policies and procedures that guide fleet management?
5. What are and how reliable are division and/or departmental internal controls for vehicle fleet management?

Data were gathered from the following sources:

- policies and procedures related to fleet management;
- agency expenditure data, including vehicle-related expenditures;
- vehicle inventories, including make, model, year, vehicle type, maintenance history, staff assignment, and costs;
- on-site vehicle inspections;
- review of fleet management oversight mechanisms and processes;
- interviews and administrative queries of departmental and division administrators; and
- literature review of best practices in fleet management.

¹ Program Evaluation Division (2012, November). *Stronger Reporting and Management Structure Would Improve State Bureau of Investigation Vehicle Oversight*. Raleigh, NC: General Assembly.

Background

Law enforcement motor vehicles are different from other state-owned vehicles because of their use, specialized equipment, need for confidential and fictitious license plates, and need for unmarked vehicles for undercover operations.² Law enforcement missions require the daily use of vehicles—sometimes in pursuit of fleeing and elusive motorists—and that officers and agents are available 24/7 to respond to emergencies and investigations. State law exempts some law enforcement vehicles from centralized oversight by the Department of Administration and does not require drivers of law enforcement vehicles to reimburse the State for the use of take-home vehicles.³ Given these special purposes, proper management and oversight of law enforcement vehicles are critical to ensure appropriate and efficient use.

Within the Department of Public Safety (DPS), law enforcement vehicles are owned and operated by three sections within the Division of Law Enforcement:

- **State Highway Patrol's (SHP)** primary mission is to reduce collisions and make the highways of North Carolina as safe as possible. The authority of SHP officers includes enforcing the laws regulating the operation of vehicles and the use of the highways, investigating traffic accidents and reported vehicle thefts, and inspecting public garages and repair shops to identify stolen vehicles.⁴
- **Alcohol Law Enforcement (ALE)** is responsible for the statewide enforcement of lottery, tobacco, controlled substance and gambling laws and taking legal action on nuisance establishments. ALE agents have authority to arrest and take other investigatory and enforcement actions for any criminal offense.⁵
- **State Capitol Police (SCP)** is a special police agency charged with protecting all state buildings and grounds and the persons within those buildings and grounds from fire, bombs, bomb threats, or any other emergency or potentially hazardous conditions.⁶

Each section uses vehicles to carry out its mission and responsibilities. In addition, ALE and SHP have undercover operations that require the use of unmarked vehicles and/or private license plates. Further, state law requires DPS to furnish each member of SHP with a suitable motor vehicle while on duty.⁷ Exhibit 1 lists the laws applicable to DPS law enforcement vehicles.

² Program Evaluation Division (2012, November). *Stronger Reporting and Management Structure Would Improve State Bureau of Investigation Vehicle Oversight*. Raleigh: North Carolina General Assembly.

³ N.C. Gen. Stat. § 143-341(8)(i)(3), (8)(i)(7a).

⁴ N.C. Gen. Stat. § 20-49.

⁵ N.C. Gen. Stat. § 18B-500.

⁶ N.C. Gen. Stat. § 143B-900. State Capitol Police jurisdiction excludes the state legislative buildings and grounds as defined in G.S. 120-32.1(d).

⁷ N.C. Gen. Stat. § 20-190.

Exhibit 1: Statutes Affecting Department of Public Safety Law Enforcement Vehicles

Statute	Section
N.C.G.S. § 143-341	<p>(8)(i) General Services</p> <ul style="list-style-type: none"> • (2b) – law enforcement vehicles are exempt from the requirement that new vehicles be in the top 15% of their class in fuel economy • (3) – motor vehicles under the ownership, custody, or control of SBI and the Department of Public Safety’s State Highway Patrol and Butner Public Safety, which are used primarily for law-enforcement, fire, or emergency purposes are exempt from the requirement that all departments must transfer passenger vehicles to the Department of Administration • (5) – the Department of Administration may provide law enforcement vehicles only to agencies with statutory pursuit authority • (7a) – the Department of Administration’s commuting reimbursement rate does not apply to marked or unmarked law enforcement vehicles
N.C.G.S. § 20-39.1	<ul style="list-style-type: none"> • (b) – motor vehicles used to transport, apprehend, or arrest persons are not required to be marked and may have private license plates • (e) – law enforcement agencies must be issued confidential license plates to be used on publicly owned or leased vehicles that are primarily used for transporting, apprehending, or arresting persons • (g) – law enforcement officers on special undercover assignments may be assigned fictitious license plates under assumed names to be used on publicly owned or leased vehicles; fictitious license plates issued to special agents of SBI and ALE are not counted against the limitation on the total number of fictitious plates that are allowed
N.C.G.S. § 20-125	<ul style="list-style-type: none"> • (b) – every vehicle owned and operated by DPS, including SHP, and used exclusively for law enforcement purposes must be equipped with special lights, bells, sirens, horns, or exhaust whistles; the operators of these vehicles are authorized to use such equipment at all times while engaged in the performance of their duties; all vehicles owned and operated by SBI and used by officers in the performance of their duties may be equipped with special lights, bells, sirens, horns, or exhaust whistles
N.C.G.S. § 20-130.1	<ul style="list-style-type: none"> • (b) – allows highway patrol vehicles to use red or blue lights on vehicles
N.C.G.S. § 20-190	<ul style="list-style-type: none"> • Department of Public Safety must furnish each member of SHP with a suitable motor vehicle and provide for all reasonable expenses incurred by the member while on duty; not fewer than 83% of the number of motor vehicles operated on state highways by SHP members must be painted a uniform color of black and silver
N.C.G.S. § 20-190.1	<ul style="list-style-type: none"> • requires sirens on every vehicle operated on state highways by officers and members of SHP; requires officers or members of SHP operating unmarked cars to use sirens to overtake or stop drivers after sunset and before sunrise
N.C.G.S. § 20-190.3	<ul style="list-style-type: none"> • all new highway patrol cars, whether marked or unmarked, placed in service after July 1, 1985, shall be assigned to all members of the Highway Patrol

Note: Internal Revenue Service rules address commuting among law enforcement personnel and exempt law enforcement employees who are on call 24 hours a day, seven days a week from vehicle fringe reporting requirements.

Source: Program Evaluation Division based on a review of North Carolina General Statutes and Internal Revenue Service rules.

A previous Program Evaluation Division report found weak policies and diffuse oversight of state-owned vehicles, including law enforcement vehicles. The Program Evaluation Division compared fleet management practices in state agencies and institutions to industry best practices in four areas:

- policies and procedures;
- management of vehicle utilization data;
- financial management; and
- vehicle replacement and acquisition planning.⁸

The report found that among the 14 state agencies and institutions owning 200 or more vehicles, only one—the Department of Transportation—had fully implemented fleet management best practices. At the time of the previous study, law enforcement entities within DPS were part of the Department of Crime Control and Public Safety (DCCPS). DCCPS met 70% of fleet management best practice criteria, the third lowest score among agencies and institutions surveyed. This low score is significant because, at the time, DCCPS owned, operated, and managed the third largest fleet in the State with 2,815 vehicles. The three sections own, operate, and manage a mix of vehicles. Exhibit 2 provides a description of the composition of the law enforcement vehicles within DPS.

- **SHP fleet.** SHP owns and operates the largest law enforcement motor fleet because state law requires DPS to furnish each state trooper with a vehicle.⁹ SHP owns a mix of vehicles that are assigned to troopers, supervisors, and civilian personnel associated with the VIPER¹⁰ program.
- **ALE fleet.** ALE manages and operates the second largest number of law enforcement vehicles in DPS with 178. These cars are assigned to ALE agents that conduct investigations within one of the section's nine districts. Cars are an integral part of the day-to-day operations of the ALE agent; during the course of this evaluation, ALE agents stated "cars are our offices."
- **SCP fleet.** SCP has the fewest vehicles with 11, 2 of which are spares. These vehicles are assigned to supervisors and enable this small law enforcement section to provide a safe and secure environment within the North Carolina State Government Complex and at state-owned properties throughout the downtown capitol area.

⁸ Program Evaluation Division (2012, April). *Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles*. Raleigh, NC: General Assembly.

⁹ N.C. Gen. Stat. § 20-190.

¹⁰ The General Assembly identified the need for an interoperable communications for public safety agencies. VIPER, the Voice Interoperability Plan for Emergency Responders, provides this interoperable communications network.

Exhibit 2: Department of Public Safety Law Enforcement Fleet, January to June 2012

	State Highway Patrol (n=2,209)	Alcohol Law Enforcement (n=178)	State Capitol Police (n=11)	Total DPS Law Enforcement (n=2,398)
Assignment Type				
Assigned	2,019	100	9	2,128
Motor Pool	190	36	0	226
Unassigned	0	38	0	38
Spare	0	4	2	6
Body Type				
Sedan	1,695	108	9	1,812
SUV	359	43	2	404
Pick-up truck/Truck	80	10	0	90
Minivan	0	10	0	10
Motorcycle	38	0	0	38
Van	2	6	0	8
Other	35	1	0	36
Range of Model Years				
Oldest	1940	1978	2000	1940
Newest	2012	2013	2007	2013
Operating Cost Per Mile				
Average	Data not collected	Data not collected	\$ 0.23	Data not collected by all three sections

Notes: Operating cost per mile includes fuel and maintenance costs. State Highway Patrol did not provide fuel costs on a per-vehicle basis. Alcohol Law Enforcement did not provide operating costs on a per-vehicle basis. Average operating cost per mile for State Capitol Police excludes spare vehicles. The number of State Highway Patrol vehicles does not include purchased vehicles awaiting registration and equipment up-fit. State Highway Patrol's oldest vehicle is an antique vehicle used for display.

Source: Program Evaluation Division based on Department of Public Safety vehicle inventory data.

The Program Evaluation Division's previous report concluded most agencies and institutions lacked sufficient management and oversight to ensure appropriate and efficient use of state-owned vehicles. Because there is no single state entity to oversee the use of state-owned vehicles, each state agency and institution determines how to manage vehicles and several delegate this responsibility to divisions, sections, or programs. Without statewide implementation of best management practices, agencies and

institutions cannot hold vehicle users accountable and ensure all vehicles are managed according to best practices. 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 institutions cannot budget for timely vehicle replacement.

The creation of the Department of Public Safety offers an opportunity to examine whether consolidation has improved oversight of law enforcement vehicles.

In 2011, Governor Perdue issued Executive Order No. 85 “Consolidation and Reorganization of Executive Branch Agencies to Improve the Efficiency of State Government.” The order directed consolidation of the Departments of Correction, Crime Control and Public Safety, and Juvenile Justice and Delinquency Prevention into the Department of Public Safety (DPS). As a consolidated agency, DPS owns 4,184 vehicles including 2,398 law enforcement and 1,786 others, making the DPS fleet the third largest behind the Departments of Administration and Transportation.

State law directing the consolidation of DPS created the Division of Law Enforcement, which consists of the former divisions of DCCPS. Prior to the creation of DPS, law enforcement vehicles were not managed according to fleet management best practices. The tenets of consolidation point to the expectation of improved vehicle management under the new structure. Consolidating multiple law enforcement entities can result in

- **improved operational efficiency** by eliminating bureaucracy, reducing redundancy in services and personnel, and allowing for master planning agency wide;
- **better cost containment** by maximizing the use of scarce resources, decreasing expenditures, and avoiding future costs; and
- **improved service delivery** by standardizing and coordinating the delivery of services, improving response times, and expanding specialized services.

A previous report found the State Bureau of Investigation (SBI) generally followed fleet management best practices but stronger reporting and management could improve oversight of SBI’s 384 law enforcement vehicles.¹¹ This report examines fleet management in DPS and focuses on the use of law enforcement vehicles to determine whether consolidation has improved vehicle management and oversight. These vehicles are integral to the mission of the department, accounting for \$14.8 million in vehicle-related expenditures within the Division of Law Enforcement and \$51.4 million in state-owned assets. The importance of law enforcement vehicles warrants further examination of DPS management and oversight of these valuable assets.

¹¹ Program Evaluation Division (2012, November). *Stronger Reporting and Management Structure Would Improve State Bureau of Investigation Vehicle Oversight*. Raleigh, NC: General Assembly.

Findings

Finding 1: Management and oversight of law enforcement vehicles within the Department of Public Safety remains fragmented and decentralized, despite the directive to consolidate.

In response to the executive order to create the Department of Public Safety (DPS), the General Assembly directed specific administrative actions to guide consolidation.¹² The law directed the creation of specific divisions and regional collocation. The law also outlined reporting requirements and granted the Secretary and the Office of State Budget and Management (OSBM) the ability to reclassify and eliminate positions to ensure efficient operation of the department. As a consolidated agency, DPS has the greatest number of budgeted positions among state agencies, with 26,569 full-time equivalent positions. In Fiscal Year 2012–13, DPS had an authorized budget of \$2 billion.

Operations within DPS have been organized into four divisions:

- Adult Correction;
- Law Enforcement;
- National Guard; and
- Juvenile Justice.

The Division of Law Enforcement has five sections:

- State Highway Patrol;
- Alcohol Law Enforcement;
- State Capitol Police;
- Emergency Management; and
- Butner Public Safety.¹³

Session Law 2011-145 also directed OSBM to report on the progress of consolidation efforts by January 2012. The OSBM report discusses transition strategy and highlights efforts and accomplishments toward consolidation.¹⁴ DPS established Tier I and Tier II workgroups to examine the functional areas that need to be addressed prior to making consolidation recommendations. Exhibit 3 provides a table describing the functional areas under each workgroup.

The Tier I workgroup responsibilities relate primarily to organizational infrastructure attributes such as accounting systems and human resources. The Tier I workgroup had integrated the accounting infrastructure by July 2012. This integration required the consolidation of agency budget codes and accounts.

¹² N.C. Sess. Laws, 2011-145.

¹³ Session Law 2011-145 directed that the Division of Law Enforcement consist of three units: State Highway Patrol (SHP), Alcohol Law Enforcement (ALE), and State Capitol Police (SPC). During implementation of the consolidation, DPS exercised its administrative authority to include Butner Public Safety and Emergency Management. However, because these two additional sections do not have a statewide mission of law enforcement, they were not included within the scope of the Program Evaluation Division's review of management practices of law enforcement vehicles.

¹⁴ Office of State Budget and Management (2012, January). *Department of Public Safety Consolidation Final Report*. Raleigh, NC: State of North Carolina.

Exhibit 3: Department of Public Safety Workgroups Were Responsible for Consolidation Efforts

Tier I Workgroup	Tier II Workgroup
1. Human Resources	1. Asset Management
2. Public Information/Communications	a. Facility Maintenance
3. Financial Management	b. Warehouses
4. Grants Management	c. Engineering
5. Information Systems	d. Transportation
6. Purchasing	e. Vehicle Maintenance
7. Internal Audit	2. Training
8. Equal Employment Opportunity	3. Regional Law Enforcement Offices
9. Safety	4. Community Services
10. Research and Planning	5. Medical, Lab Testing Services, and Substance Abuse
11. Training	6. Youth Education

Source: Program Evaluation Division based on the Office of State Budget and Management’s Department of Public Safety Consolidation Final Report (January 2012).

The Tier II workgroup responsibilities related to operations. According to the OSBM report, the Tier II workgroup was to have assessed the consolidation of functional areas by July 1, 2012. As Exhibit 3 shows, the Tier II workgroup was responsible for examining the function of asset management, including fleet operations, as it relates to consolidation. According to DPS officials, the workgroup consolidated various contracts for acquisition of assets and visited a Department of Transportation depot in Wilson to observe how consolidated fleet management would function.

Within DPS, the Purchasing and Logistics Section is responsible for the acquisition of services, materials, equipment, and supplies necessary to support the core functions of the consolidated department. The section has the responsibility for recommending the most efficient model of fleet management for the whole department, including law enforcement vehicles, and is responsible for any efforts to consolidate fleet management activities. Based on the consolidation strategy outlined in the OSBM report and the duties of the Purchasing and Logistics Section, the development of a strategy for more efficient fleet management was an expected outcome of consolidation. To date, the Purchasing and Logistics Section has not formalized a strategic plan to centralize fleet management activities.

Because DPS has yet to consolidate fleet management activities, the fleet remains fragmented and decentralized. The Joint Legislative Program Evaluation Oversight Committee directed this evaluation of law enforcement motor vehicles in April 2012. The Program Evaluation Division delayed the start of this evaluation to accommodate DPS’s continued effort to consolidate the department. As of January 2013, DPS has not consolidated fleet management activities. DPS cited changes in administration and concerns about potential legislative and administrative actions to improve statewide fleet management (based on previous Program Evaluation Division reports) as reasons why consolidation of fleet management activities has not progressed.

Because DPS has not taken measures to consolidate fleet operations, vehicle management activities remain decentralized. Appendix A shows the distribution of all state-owned vehicles within the operational divisions of

DPS. Within the Division of Law Enforcement, only three of the five sections have a statewide law enforcement mission. These three sections are the focus of the Program Evaluation Division's review of management practices of law enforcement vehicles:

- State Highway Patrol (SHP);
- Alcohol Law Enforcement (ALE); and
- State Capitol Police (SCP).

Agents, troopers, and officers within these three sections are responsible for the day-to-day management of their vehicles. Although supervising personnel at the district level are responsible for oversight of vehicles, decisions about the proper use and management of law enforcement vehicles ultimately lies in the hands of over 2,000 individuals across the State.

In sum, the creation of DPS was aimed at improving efficiency in state government. Although consolidation plans included vehicle management, the DPS fleet remains fragmented and decentralized. DPS owns and operates 4,184 vehicles, 2,398 of which are law enforcement vehicles owned and operated by three sections within the Division of Law Enforcement: SHP, ALE, and SCP. Oversight of these vehicles is the responsibility of supervisory personnel at the district level, but the management of these law enforcement vehicles relies on the individuals to which they are assigned.

Finding 2: The decentralized management and oversight of the Department of Public Safety's law enforcement vehicles is inconsistent and does not meet fleet management best practices.

As discussed in Finding 1, the Department of Public Safety (DPS) has not consolidated fleet management within the department. As a result, the Program Evaluation Division examined fleet management best practices within the three sections that own and operate law enforcement vehicles: State Highway Patrol (SHP); Alcohol Law Enforcement (ALE); and State Capitol Police (SCP). Because of the decentralized structure for management of law enforcement vehicles, it becomes incumbent upon each section to identify and implement fleet management best practices. However, none of these sections have fully implemented fleet management best practices (see Exhibit 4). These findings concur with an internal analysis of fleet operations by DPS's Purchase and Logistics section. This assessment concluded there was no formal fleet management program in place. Each section had components of a fleet management program, but none were determined to be comprehensive.

Previous Program Evaluation Division reports on management and operation of state-owned vehicles identified best management practices, which are techniques, methods, and processes that have been demonstrated as essential and effective means for managing assets.¹⁵ In

¹⁵ Program Evaluation Division (2011, December). *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles*. Raleigh, NC: General Assembly. Program Evaluation Division (2012, March). *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability*. Raleigh, NC: General Assembly. Program Evaluation Division (2012, May.) *Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles*. Raleigh, NC: General Assembly.

general, best practices are defined as 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. In the case of state-owned vehicles, adherence to best practices ensures appropriate use and holds agencies and institutions accountable. Meeting best-practice standards allows fleet managers to optimize fleet size, composition, and expenses by tracking and analyzing vehicle use and cost. The Program Evaluation Division reviewed fleet management guidelines established by industry leaders, including the United States General Services Administration, to identify four general categories of fleet management best practices:

- **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. Policies and procedures should address when and how vehicles should be used, maintained, disposed of, and replaced.
- **Management of vehicle utilization data.** Having basic information on state-owned vehicles is the first step to assess and improve the efficiency and effectiveness of the state fleet in meeting various government needs. Implementing a fleet management information system (FMIS) is the most effective means to evaluate the size and efficiency of a fleet. A FMIS electronically tracks information on a per-vehicle basis and often includes basic vehicle inventory management information such as vehicle identification number, make, model, and year. A FMIS also should track vehicle-related costs, miles driven, and frequency of use.
- **Financial management.** 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 the 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-related costs. Under this system, users must budget for and pay the full cost of their vehicles based on their vehicle utilization. These charges are paid into an internal fund that supports a fleet management program.
- **Vehicle replacement and acquisition.** The Guide to Federal Fleet Management establishes best practices for vehicle replacement and acquisition.¹⁶ Vehicle replacement includes acquisition, disposal, and planning. The methods used to acquire and dispose of vehicles directly affect fleet performance and cost, and timely replacement affects vehicle availability, safety, reliability, and operating costs. Replacement plans should project replacement date, a cost for each vehicle, and be updated annually.

¹⁶ U.S. General Services Administration. *Guide to Federal Fleet Management*. Retrieved August 15, 2012 from www.gsa.gov/vehiclepolicy.

Exhibit 4: Division of Law Enforcement Sections Do Not Follow Fleet Management Best Practices

Fleet Management Best Practice	Description	State Highway Patrol	Alcohol Law Enforcement	State Capitol Police
Policies and procedures	Written policies and procedures for <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 	●	●	○
Fleet information management system	Electronically tracks vehicle information on a per-vehicle basis and often includes			
	• vehicle inventory	●	●	●
	• changes in fleet composition over time	○	○	○
	• miles per vehicle	●	●	●
	• frequency of use per vehicle	◐	○	●
Financial management	Tracks direct and indirect costs on a per-vehicle basis, including <ul style="list-style-type: none"> • maintenance and repairs • fuel • depreciation for owned vehicles • insurance • services, benefits, official travel, and transportation of all fleet management personnel • operating equipment purchases for fleet management activities • operating equipment for services and repairs 	◐	◐	●
Vehicle replacement and acquisition planning	Procedures to acquire and dispose of vehicles and for timely replacement of the fleet, including			
	• volume purchasing	●	●	◐
	• disposal based on mileage, condition, or vehicle type	●	●	●
	• vehicle replacement plan	○	○	○

● = Fully implemented; ◐ = Partially implemented; ○ = Not implemented

Notes: Alcohol Law Enforcement and State Capitol Police do not have fleet management personnel or operating equipment for fleet management activities. Both agencies' have some vehicle services and repairs done by the State Highway Patrol.

Source: Program Evaluation Division based on interviews and review of documents from Alcohol Law Enforcement, State Capitol Police, and State Highway Patrol.

The discussion that follows provides more detail on the inconsistent management and oversight of law enforcement vehicles owned and operated by SHP, ALE, and SCP.

Policies and procedures for law enforcement vehicles lack specificity and are inconsistent, which results in inefficient use of state-owned vehicles. For example, SHP has specific policies regarding who can use law enforcement vehicles and when they can be used. In addition, SHP has guidelines that specify how and when law enforcement vehicles can be used by civilian personnel. In comparison, ALE policies and procedures about use are general; state law enforcement vehicles may be used for “official duty purposes.” Lastly, ALE lacks policies regarding who can use its vehicles and when.

Vehicle use policies are important because troopers, agents, and officers can use their assigned vehicles to commute between their residence and official duty station. North Carolina state law exempts drivers of marked or unmarked law enforcement vehicles from the Department of Administration’s commuting reimbursement rate, and thus, law enforcement personnel with assigned vehicles are not required to reimburse the State for this benefit.¹⁷ However, SHP, ALE, and SCP have different policies regarding take-home vehicles.

SHP grants exceptions to its take-home policy that result in additional costs to the State. For SHP, the take-home policy requires that each trooper resides within the county to which they are assigned. However, SHP administrators have granted exemptions to 383 troopers. DPS contends that many of these exemptions are necessary because officers have ancillary duties; for example officers who are exempt from the policy might provide security for the Governor or are members of an interdiction team. However, exemptions for these purposes are not explicitly stated as part of the policy. A Program Evaluation Division analysis identified 25 individuals whose commute from their duty station to their residence exceeds 30 miles. One person has been permitted to commute 104 miles one way since February 2003. This exemption to policy equates to a benefit that costs the state \$16,724 annually or \$167,240 over a 10-year period. Commuting more than 30 miles strains a trooper’s ability to respond quickly and has additional costs to the State. The Program Evaluation Division estimates that exempting certain members of SHP from the policy costs the State \$131,238 each year in additional fuel costs and accelerated maintenance schedules. These costs represent the price of doing business because each state trooper is required to have a law enforcement vehicle and troopers are not required to reimburse the State for this benefit. However, DPS officials contend the additional costs incurred by granting exemptions are outweighed by the department’s need to retain SHP troopers.

A 2012 investigative audit documented abuse of ALE’s take-home policy. ALE policy allows officers to drive assigned vehicles to and from their residence if the use is for “official duty purposes.” In keeping with the policy, agents must live in the district where they are assigned. Agents living outside the district can request approval to live within a 40-mile

¹⁷ N.C. Gen. Stat. § 143-341(8)(i)(7a).

radius of the district office or their respective field office. However, an investigative audit by the Office of the State Auditor found the Director and Deputy Director of ALE did not provide adequate documentation to support claims that their state-owned vehicles were used for legitimate business purposes only.¹⁸ The Director and Deputy Director of ALE were not able to prove their use of state-owned vehicles was not for commuting from their assigned offices in Raleigh to their permanent residences near Asheville. These audit findings show a lack of adherence to ALE's take-home policy and abuse of the take-home privilege.

The SCP take-home policy is not justified because of SCP's restricted and area-specific jurisdiction. SCP does not have a policy regarding the "take-home" use of its assigned vehicles. However, an internal memo permits SCP officers to take their assigned vehicles home. The memo requires officers to live within 35 miles of the downtown Raleigh duty station. Whereas ALE agents and SHP officers are assigned to regions with jurisdictions that encompass several counties, SCP's jurisdiction is limited to state buildings within the capitol area. According to SCP officials, the use of take-home vehicles is allowed because the section once had the responsibility for responding to incidents at state facilities that operate 24 hours per day. However, SCP provides the majority of its building security services during the standard business hours of 8:00 a.m. to 5:00 p.m. During non-business hours, calls for police/security services at most buildings are forwarded to the Raleigh Police Department or the Wake County Sheriff's Office. The limited after-hours response of the SCP raises the question of whether SCP should allow take-home vehicles at all. Further, a Program Evaluation Division analysis found vehicle miles accumulate as a result of officers commuting from their residence to the downtown capitol duty station. These miles comprise 35% of the total miles driven by SCP vehicles, costing the State \$22,634 annually in additional fuel and accelerated maintenance. The State absorbs this cost because law enforcement vehicles are exempt from reimbursing the State for the privilege of taking home assigned vehicles. In February 2013, SCP began requiring officers who reside outside of Wake County to leave their assigned vehicle parked at a state facility at which SCP provides services, with a personal vehicle being driven the remaining distance to the officer's residence.

Information on fleet composition and vehicle utilization is disparate and incomplete. SHP, ALE, and SCP operate and maintain different systems to track vehicle information. Each section has a current inventory of vehicles but does not keep historical vehicle inventory data. SHP, which manages 92% of DPS law enforcement vehicles, told the Program Evaluation Division that it is not possible to provide accurate records of historic fleet inventory levels without an extensive amount of work. The inability to access historic information means SHP, ALE, and SCP cannot monitor changes in fleet size and composition over time.

Each section tracks vehicle utilization through the accumulation of miles, but only SCP tracks frequency of use. Typically vehicle utilization is

¹⁸ Office of the State Auditor (2012, June). *Investigative Report North Carolina Department of Public Safety Division of Alcohol Law Enforcement*. Raleigh, NC: State of North Carolina.

measured through mileage and frequency of use. However, measuring utilization of law enforcement vehicles through accumulation of miles and frequency of use alone is not an accurate representation of vehicle utilization. Collecting information on fuel usage is important for law enforcement vehicles because they spend a lot of time idling. Thus, tracking fuel consumption and costs on a vehicle-by-vehicle basis is necessary to have comprehensive information on vehicle utilization.

- **SHP does not collect fuel usage on a per vehicle basis.** Instead, SHP collects information on fuel consumption and cost for the fleet as a whole. To examine fuel usage for SHP, the Program Evaluation Division reviewed fuel costs from a random sample of vehicles.¹⁹ The analysis found differences in fuel costs by district. For example Troop A, which covers 20 counties in eastern North Carolina,²⁰ spent less on fuel on average than other districts between January and March 2012 and, again, between October and December 2012. Lower fuel costs are likely due to decreases in the number of vehicles travelling to the coast during the fall and winter months. However, without the ability to collect fuel costs on a vehicle-by-vehicle basis, SHP cannot determine whether these regional variations in fuel usage exist throughout the fleet.
- **ALE does not link fuel cards to vehicles.** ALE agents can purchase fuel with a state-issued gas card. However, fuel purchases are tied to the agent, not to the vehicle. Thus, ALE cannot cross-reference fuel purchases with the vehicle consuming fuel.
- **Only SCP tracks fuel consumption on a per vehicle basis.** SCP assigns a GoGas Card to each vehicle and, thus, can track fuel consumption and costs on a per vehicle basis. However, SCP vehicles represent fewer than 1% of DPS vehicles with a law enforcement mission.

None of the sections track operating and maintenance costs on a per vehicle basis and no cost recovery system exists. SHP, ALE, and SCP track vehicle costs in aggregate. However, this information is insufficient when determining the most efficient and effective use of vehicles in the fleet.

- **SHP cannot link vehicle data to financial information.** The current FMIS used by SHP is not tied to financial information, and thus the direct and indirect cost of vehicle operation and maintenance are not tracked on a per vehicle basis. As a result, SHP cannot analyze financial information with utilization data to determine the most efficient use of fleet vehicles.
- **ALE does not collect costs on a vehicle-by-vehicle basis.** Like SHP, ALE lacks the ability to calculate cost per mile, a performance measure for efficient fleet management.

¹⁹ The sample included 40 vehicles.

²⁰ The counties in Troop A's jurisdiction are Beaufort, Bertie, Camden, Carteret, Chowan, Craven, Currituck, Dare, Gates, Hertford, Hyde, Jones, Lenoir, Martin, Pamlico, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington.

- **SCP only collects maintenance and fuel costs by vehicle.** SCP does not collect insurance or depreciation costs on a per vehicle basis and, thus, cannot know the full cost of their fleet.

Without the ability to track direct and indirect costs for each law enforcement vehicle, DPS cannot implement a cost recovery system to ensure the most efficient use of its vehicles.

SHP, ALE, and SCP meet best practices for acquiring and disposing of vehicles but do not perform replacement planning. In general, the three sections meet acquisition and disposal best practices because they use state contracts to purchase standardized types of vehicles in volume and follow state surplus rules when disposing of vehicles. SHP and ALE vehicles are kept in service until found to be unreliable or otherwise inappropriate for use based on mileage, condition, or vehicle type. This best practice minimizes life-cycle costs and maximizes the residual value of assets.²¹ In addition, ALE acquires some vehicles as a result of court-ordered seizure or forfeiture. One notable exception to acquisition best practices is that SCP acquires used vehicles from SHP. This practice results in SCP operating and maintaining older vehicles with high mileage. On average SCP vehicles are nine years old and have an average of 147,654 miles.

Despite meeting best practices for vehicle acquisition and disposal, SHP, ALE, and SCP do not have vehicle replacement planning in place.

Planning best practices include empirically based guidelines that trigger replacement based on vehicle age and/or mileage approaching defined thresholds. Replacement plans should project replacement dates and costs for each vehicle and identify long-term replacement spending needs and associated budgetary requirements on an annual basis. Replacement schedules for the three sections are based mainly on arbitrary mileage and funding availability. Without adequate planning ALE, SCP, and SHP cannot determine their budget requirements for replacing vehicles. Replacement planning for the three sections is critical given the mileage of the vehicles within their fleets. For example, the Program Evaluation Division estimates 45% of SHP assigned vehicles had over 100,000 miles as of December 31, 2012.

Proper planning also affects how efficiently vehicles are put into service. SHP places bulk orders for new vehicles in the fall. The entire order of vehicles are then manufactured and delivered to SHP in bulk in the spring. New vehicles must then be upfitted before being placed into service. Currently, SHP only has the capacity to upfit five vehicles per week. This limited capacity results in vehicles sitting parked for extended periods; as of February 2012, SHP had 194 vehicles waiting to be upfitted. During site visits, Program Evaluation Division staff observed vehicles parked, waiting to be upfitted before being placed into service. Failure to stagger and plan for the delivery, upfit, and deployment of vehicles exposes them to the risks of long-term storage and unnecessarily depreciates their value.

²¹ Life-cycle costs look into the future to project actual fleet costs throughout the life of the vehicles under consideration. Residual value is the estimated amount the State can obtain when disposing of a vehicle after its useful life has ended.

DPS has the capacity to monitor vehicle oversight but does not ensure management of law enforcement vehicles meets best practices. DPS has an internal audit staff of at least 10 auditors. However, due to other priorities, they have not performed any audits on vehicle management. The Program Evaluation Division also identified this same internal control weakness in State Bureau of Investigation (SBI) law enforcement vehicles.²² Instead of audits, DPS divisions conduct periodic line inspections. Audits are more in-depth evaluations than inspections and determine whether activities are being executed according to documented procedures. Further, audits assist in identifying the root cause of issues, which can lead to long-term corrective action. Even with the periodic line inspections conducted by DPS divisions, the Program Evaluation Division found issues with data integrity assurance (7% error rate) and with personnel not adhering to DPS's preventative maintenance policy.²³

In sum, responsibility to manage and oversee DPS law enforcement vehicles has fallen to three sections that own and control most of DPS's vehicles—SHP, ALE, and SCP. However these sections do not follow fleet management best practices and have inconsistent oversight of law enforcement vehicles. The take-home policy has not been followed in SHP and ALE and is not justified by the current business operations of SCP. Lack of adherence to the take-home policy costs the State \$153,872 in additional fuel and accelerated maintenance schedules. The sections track vehicle inventories and accumulated miles electronically but cannot capture changes in fleet size over time, frequency of use, or costs on a per vehicle basis—all of which are necessary to determine whether the fleet is meeting its needs most efficiently. Lastly, SHP, ALE, and SCP do not conduct adequate replacement planning for new vehicle acquisition and, therefore, cannot determine the budget requirements for replacing vehicles.

Finding 3: Two years after its creation, the Department of Public Safety lacks a formal plan to guide the consolidation of its vehicle management and oversight.

The Department of Public Safety (DPS) identified vehicle management as an important issue in its 2012 transition document to the new Governor and Secretary of Public Safety. In this document, DPS acknowledges the need for a formal fleet management program to address problems with rising operating costs (e.g., fuel), decreasing availability of funds for vehicle replacement, and increasing vehicle age. DPS has designated a workgroup of middle-level managers to develop a plan to consolidate fleet management but, to date, there is no written plan.

In interviews and administrative queries, DPS has articulated a vision for the consolidation of a centralized fleet management program. This vision includes one fleet manager under the Purchasing and Logistics section who is responsible for management of all DPS vehicles, including law enforcement vehicles, and regional maintenance depots. DPS's vision for a

²² Program Evaluation Division (2012, November). *Stronger Reporting and Management Structure Would Improve State Bureau of Investigation Vehicle Oversight*. Raleigh, NC: General Assembly.

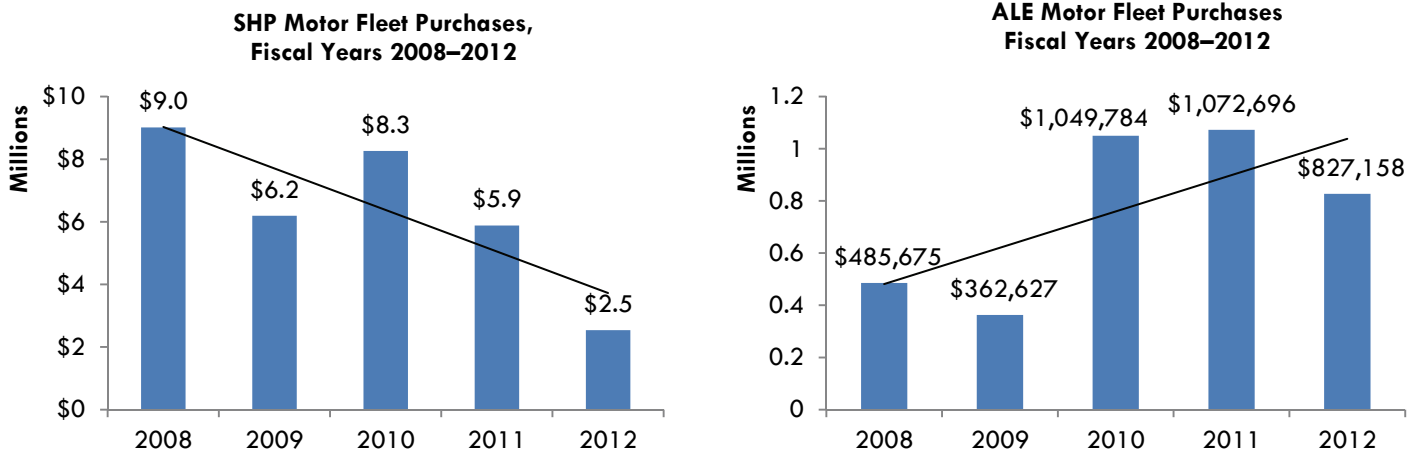
²³ The Program Evaluation Division conducted site inspections on a random sample of 60 vehicles across the three sections.

fleet management program appears to address fleet management best practices.

- **Policies and procedures.** DPS envisions a single fleet management manual that includes standard policies and procedures, as well as policies that are uniquely applicable to law enforcement, corrections, and juvenile justice fleets.
- **Management of vehicle utilization data.** DPS has identified an electronic fleet management information system as a top priority for the department. DPS's vision includes expanding the existing fleet management module currently used by the Department of Transportation (DOT).²⁴
- **Financial management.** DPS expects to establish a cost allocation methodology for the full cost recovery of vehicle operations at each of the divisions. DPS envisions creating a budget for each division for vehicle use and transferring funds to a central fleet management office on a cost-reimbursement basis. The department anticipates the funding to support a central fleet management office will come from rates charged to users and from funds received from the sale of used vehicles. A well designed and implemented cost recovery or chargeback system eliminates erratic funding requests for new vehicle purchase because the fleet management program has a consistent stream of revenue from user fees to replace vehicles. Exhibit 5 shows the fluctuations in funding for new vehicle acquisition for both SHP and ALE over a five-year period. Implementation of a chargeback system would eliminate requests for funding for new vehicle acquisition because all funding for fleet management activities will come from rates charged to user funds received from surplus vehicles. The result of implementing such a system is more predictable and consistent funding for new vehicles when current vehicles have reached their optimum disposal point.
- **Acquisition and replacement.** Currently, DPS relies only on arbitrary mileage and age criteria for replacing vehicles. The department's vision for its fleet management program includes the development of optimal disposal points in order to maximize the use of assets, avoid costly repairs, and, in turn, maximize salvage value. A centralized vehicle replacement program would prevent specific divisions or sections from purchasing vehicles outside established departmental processes.

²⁴ DOT uses SAP as its fleet information management system. The State owns the licenses to SAP for all state employees. DPS would need to acquire a limited user license to use additional modules.

Exhibit 5: Without a Chargeback System, Funding for Replacement of Law Enforcement Vehicles Is Inconsistent



Notes: Funds available for vehicle purchases for State Capitol Police ranged from \$0 to \$20,630 between Fiscal Years 2008–2012. SHP is the acronym for State Highway Patrol. ALE is the acronym for Alcohol Law Enforcement.

Source: Program Evaluation Division based on financial data from the North Carolina Accounting System and from the State Highway Patrol, Alcohol Law Enforcement, and State Capitol Police.

DPS’s vision for a centralized fleet management program is similar to existing programs at the Department of Administration’s Motor Fleet Management (MFM) and at DOT, the agencies with the two largest state fleets.²⁵ As noted in a previous Program Evaluation Division report, MFM follows most fleet management best practices in managing North Carolina’s passenger transport vehicles.²⁶ MFM has established statewide policies and procedures for the use of its vehicles through administrative rules, maintains a fleet management information system that tracks mileage and costs on a per vehicle basis, has an annual vehicle replacement plan, and follows state purchasing and surplus rules for acquisition and disposal. MFM has an internal service fund to collect fees charged to agencies for use of passenger transport vehicles and reviews the fee to ensure the funds collected cover the cost of operations.

Similarly, a previous Program Evaluation Division report identified DOT as the only state agency implementing 100% of fleet management best practices.²⁷ Implementation of fleet management best practices has allowed DOT to manage fleet size and costs. DOT uses the SAP Fleet Management System (Plant Maintenance module) to manage its fleet and associated operations and has centralized maintenance staff under its Fleet and Material Management Unit. Since DOT implemented its fleet management program in 2004, the department has documented several cost savings and increased operational efficiencies:

²⁵ Program Evaluation Division (2011, December). *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina’s Vehicles*. Raleigh, NC: General Assembly.

²⁶ Program Evaluation Division (2012, March). *Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability*. Raleigh, NC: General Assembly.

²⁷ Program Evaluation Division (2012, May). *Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles*. Raleigh, NC: General Assembly.

- reduced maintenance and workforce costs resulted in savings of \$2.4 million while maintaining comparable levels of service;
- increased fleet utilization from 55% to 70%;
- realized annual efficiency savings of \$141,168 from centralizing and automating procurement processes;
- improved training of mechanic staff; and
- improved business decisions regarding vehicle repair versus replacement.

DPS staff estimates the department will need at least \$12 million initially to establish a centralized fleet management program. These funds would cover the costs for

- implementing the fleet management software system;
- developing and operating a central depot; and
- other ongoing administrative costs.

DPS has requested approval from the Office of State Controller (OSC) to implement SAP Financials, piggybacking off of DOT's SAP system. This system would allow DPS to track and monitor its vehicle inventory and track utilization and financial information on a per vehicle basis. This fleet management information system (FMIS) would provide the tools DPS needs to manage its fleet based on best practices.

In 2011, the Program Evaluation Division recommended the General Assembly direct OSC to identify and select a FMIS suitable for managing all state-owned vehicles.²⁸ OSC is proposing a broader solution by implementing a new statewide enterprise resource planning (ERP) system. The new ERP system is expected to replace the current North Carolina Accounting System and will include a module for fleet management. OSC is proposing to use SAP as the architecture for this enterprise solution and plans to use DPS as its pilot agency.²⁹

Despite having a vision to achieve fleet management consolidation, DPS lacks a formal plan to guide its efforts. Exhibit 6 details the deficiencies in DPS's strategic planning process. Previous Program Evaluation Division reports have emphasized the value of strategic planning.³⁰ A strategic planning process allows an organization to develop overarching goals and operational objectives, state what it wants to achieve, and identify the time, resources, and activities needed to achieve those desired goals and objectives. With specified goals and objectives, an organization can implement a performance management system to monitor its progress against the strategic plan and take remedial action when performance falls short.

²⁸ Program Evaluation Division (2011, December). *Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles*. Raleigh, NC: General Assembly.

²⁹ Office of the State Controller presentation, *Extending our ERP to Better Manage our Business*, dated January 14, 2013.

³⁰ Program Evaluation Division (2011, April). *North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan*. Raleigh, NC: General Assembly; Program Evaluation Division (2012, October). *North Carolina Should Require NC Railroad Company to Pay an Annual Dividend and Strengthen Reporting*. Raleigh, NC: General Assembly.

Exhibit 6

Department of Public Safety Lacks a Strategic Plan to Guide Vehicle Management Consolidation

Critical Steps in the Strategic Planning Process	DPS Implementation
Identify and engage critical stakeholders	◐
Identify the vision (“what future will look like”) and mission (“what must be done to accomplish the vision”)	◐
Scan the internal and external environment for strengths, weaknesses, opportunities, and challenges (commonly referred to as a SWOC analysis)	○
Identify the gaps between the vision-mission (“what we hope to achieve”) and the environmental scan (commonly referred to as a GAP analysis)	○
Develop strategies to close gaps, including specific goals with measurement, timing, and budget; strategies to reach each goal; and who is responsible for each goal and strategy	○
Implement strategies from the written plan	○
● = Fully implemented ◐ = Partially implemented ○ = Not implemented	

Source: Program Evaluation Division based on interviews with and administrative queries of the Department of Public Safety.

In addition, OSC stresses the importance of including these key elements when planning major organizational consolidations:

- a project leader;
- dedicated staff available;
- a timeline in order to meet the deadline;
- uniformity; and
- communication.³¹

As stated earlier in Finding 3, DPS has articulated a vision and identified key stakeholders—a project leader and middle management staff—for the fleet management consolidation effort. However, without a formal strategic plan, DPS cannot achieve centralized management and oversight of its vehicles. Although the department has estimated a budget for the acquisition of the fleet information management system and operation of the regional maintenance depots, it does not know the full cost of the fleet management program, the timeline for implementation, or other resources needed to achieve goals and objectives.

In sum, two years after direction to consolidate, DPS does not have a formal plan for vehicle management and oversight. The department has articulated a vision and estimates that a centralized fleet management program would cost at least \$12 million. Without a formal strategic plan, DPS cannot be held accountable for implementing a fleet management program that meets industry best practices. As the third largest fleet in

³¹ Office of the State Controller (2012, December). Agency consolidation considerations: Presentation to the OSC Financial Conference. Raleigh, NC: State of North Carolina

state government, centralizing fleet management operations within DPS would be an important step towards improving the management and oversight of state-owned vehicles.

Recommendations

Recommendation 1. The General Assembly should direct the Department of Public Safety to develop a strategic plan for implementation of a centralized fleet management program.

This recommendation is in keeping with the 2011–12 Program Evaluation Division reports on fleet management. In addition to improving vehicle management and oversight of Department of Public Safety (DPS) vehicles, recommended changes would enable DPS to readily meet requirements if the State were to implement a statewide management model.

Specifically, the Program Evaluation Division has previously recommended that the Department of Administration supervise the management and operation of all state-owned vehicles. State agencies would retain ownership of and responsibility for day-to-day vehicle management. They would be obligated to meet reporting requirements related to vehicle cost and use information management, inventory management, and new vehicle planning and acquisition. A centralized supervisory model would ensure agencies with 200 or more vehicles adopt a fleet management approach to the operation and maintenance of state vehicles.

Despite having a two year-old mandate to consolidate departmental functions, DPS's fleet management and oversight remains fragmented and decentralized. The department has a vision to achieve fleet management consolidation but lacks a formal plan to guide its efforts. This recommendation provides specific direction to DPS in developing a strategic plan for a centralized fleet management program. This plan should address components of fleet management best practices discussed in Finding 2 of this report.

- **Policies and procedures.** DPS should develop uniform policies and procedures related to vehicle operation and management for the department as well as unique policies that are applicable to the needs of specific sections.
- **Fleet management information system.** DPS should develop a strategic plan that identifies the system requirements for a fleet management information system (FMIS) that electronically tracks information on a per vehicle basis and often includes basic vehicle inventory management information, vehicle-related costs (direct and indirect), miles driven, and frequency of use. System requirements should be defined to the fullest extent possible so the most reliable cost estimate for the information system can be determined.
- **Cost recovery or chargeback system.** DPS's strategic plan should include the development of a cost recovery system to support the operation of a centralized fleet management program. This system should be able to track the full cost of owning, operating, and managing the DPS fleet. In addition, DPS should create cost centers

for each section so that sections can be assessed fees based on vehicle utilization.

- **Vehicle acquisition, disposal, and replacement planning.** Currently, DPS relies on arbitrary mileage and age criteria for replacing vehicles. DPS should develop a strategic plan that addresses vehicle acquisition, disposal, and replacement planning in a way that identifies optimal disposal points to maximize the use of assets, avoid costly repairs, and in turn maximize salvage value.

For each of the components described above, DPS should identify implementation objectives, goals, deliverables, milestones, and timelines. In addition, for each deliverable, DPS should identify the accountable party. Lastly, DPS should document that the department followed a formal strategic planning process as outlined in Finding 3. Specifically, these steps include

- identifying and engaging critical stakeholders;
- identifying the vision and mission of the centralized fleet management program;
- scanning the internal and external environment for strengths, weaknesses, opportunities, and challenges (SWOC analysis);
- identifying the gaps between the vision-mission and the environmental scan (GAP analysis); and
- developing a written plan that outlines the strategies to close gaps, the strategies to reach each goal, and who is responsible for each goal and strategy.

DPS should submit its strategic plan for a centralized fleet management program to the following legislative committees on or before December 31, 2013:

- Joint Legislative Oversight Committee on Justice and Public Safety;
- Joint Legislative Oversight Committee on Information Technology; and
- Joint Legislative Program Evaluation Oversight Committee.

Recommendation 2. The General Assembly should direct the Department of Public Safety to develop a proposal that identifies the necessary resources to implement its strategic plan for a centralized fleet management program.

As identified in Finding 3, the Department of Public Safety (DPS) estimates it will need at least \$12 million initially to create a centralized fleet management program. DPS believes this estimate will cover the costs of

- implementing the fleet management software system;
- developing and operating a central depot; and
- paying for other ongoing administrative costs.

However, DPS does not have a formal strategic plan from which to base these figures. The General Assembly should direct DPS to develop a proposal outlining the resources needed to implement the strategic plan discussed in Recommendation 1. This proposal should identify the initial and ongoing capital investment needed for implementing the centralized fleet

management program including costs for the fleet information management system (FMIS), central maintenance depot, and necessary personnel. The Office of the State Controller should be directed to work with DPS to select a FMIS that meets the department's requirements, is the most efficient use of existing state systems, and can be implemented most quickly. DPS should submit its proposal to the following legislative committees on or before March 1, 2014:

- Joint Legislative Oversight Committee on Justice and Public Safety;
- Joint Legislative Oversight Committee on Information Technology; and
- Joint Legislative Program Evaluation Oversight Committee.

Appendix

Distribution of State-Owned Vehicles Across the Department of Public Safety's Four Operational Divisions

Agency Response

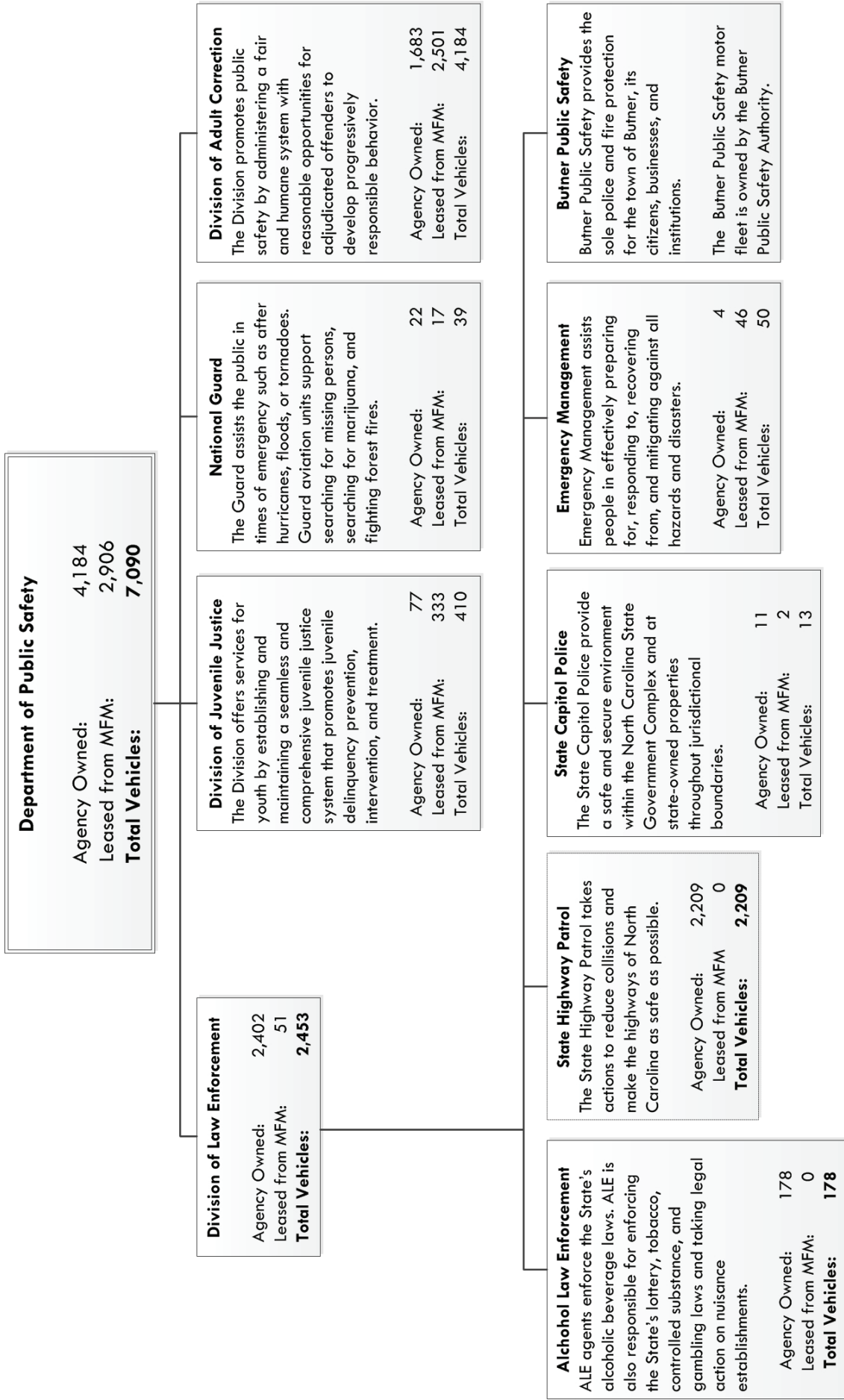
A draft of this report was submitted to the Department of Public Safety for review and response. Its response is provided following the appendix.

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Sean Hamel, at sean.hamel@ncleg.net.

Staff members who made key contributions to this report include Jim Horne, Kiernan McGorty, Carol Ripple, Pamela L. Taylor, and Larry Yates. John W. Turcotte is the director of the Program Evaluation Division.

Appendix: Distribution of State-Owned Vehicles Across the Department of Public Safety's Four Operational Divisions



Notes: Vehicles owned by Alcohol Law Enforcement and State Highway Patrol were still in service as of June 30, 2012. The vehicle count for Alcohol Law Enforcement includes vehicles with confidential and fictitious plates. Vehicle information for the North Carolina Civil Air Patrol is not included. Division of Law Enforcement totals include all Alcohol Law Enforcement, State Highway Patrol, State Capitol Police, and Emergency Management vehicles and three vehicles used by Division of Law Enforcement administration that are leased from Motor Fleet Management. Department of Public Safety vehicle totals include four vehicles used by department administration that are leased from Motor Fleet Management.

Source: Program Evaluation Division based on Department of Public Safety vehicle inventories and Department of Administration's state vehicle title and Motor Fleet Management databases.



North Carolina Department of Public Safety

Prevent. Protect. Prepare.

Pat McCrory, Governor

Kieran J. Shanahan, Secretary

April 12, 2013

John Turcotte, Director
Program Evaluation Division
North Carolina General Assembly
300 North Salisbury Street, Suite 100
Raleigh, North Carolina 27603-5925

Dear Mr. Turcotte,


We appreciate the opportunity to respond to the review conducted by staff from Program Evaluation. For the most part we agree with the current condition of our fleet management program as described in the final report (Report No. 2013-04). There are, however, areas that we would like to clarify.

While the Executive Order No. 85 was issued by Governor Perdue in 2011, basic consolidation did not occur until July 1, 2012 when the former three departments' budgets became one under a new company code structure as Department of Public Safety. That step was critical in the advancement of implementing a fleet management program. It should be pointed out that the Program Evaluation Division's task was to look at the three law enforcement fleets and how consolidation has impacted efficiencies. The Department of Public Safety's approach to implementing best practices involves all eight fleets within the Department. We feel greater efficiency could be gained by implementing fleet best practices for the entire fleet.

As noted in your report, DPS has a strategic vision and has begun efforts to realize this vision. Phase I efforts and our primary focus has been on the basic tools needed to accomplish the goals stated as fleet best practices on page 11 of your report. No department, government, or private company can institute an efficient and effective fleet management program without the ability to record and track the activities that occur in a fleet, daily. Without a proper fleet management system one cannot successfully track items such as, but not limited to, fuel usage, utilization of equipment, preventative maintenance cost, repair cost and optimum disposal point. What you can measure you can effectively manage. Currently, the Department does not have that tool, and we would suggest that is in part the reason why the management of the three law enforcement fleets appears fragmented and disorganized. Therefore, our Department has focused its attention on obtaining a fleet management system that will tie to the front end financials such as budgets, inventory, and purchasing. The need for this type system cannot be overstated. The efficiencies obtained from having such a system are critical to our future success. While we can effect some minor improvements, without that basic tool the management of our fleets will remain in a fragmented condition.

We appreciate the support and recognition by the Program Evaluation Division that the Department needs resources to implement a successful fleet management program. Our commitment is to continue to search for ways to improve all of our fleets until we can find the resources to implement the program.

Sincerely yours,



Kieran Shanahan, Secretary

Cc: Frank Perry, Commissioner
Colonel Grey
Lorrie Dollar, Commissioner

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