
Secretary of State

State of Oregon
**OPPORTUNITIES TO REDUCE
STATE EMPLOYEE TRAVEL COSTS**



Audits Division

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Auditing for a Better Oregon

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This audit reports on our review of the state of Oregon's use of state and private vehicles for employee travel. The state provides several options for agencies to use when their employees travel by vehicle. As required by state policy, travel shall be conducted in the most efficient and cost-effective manner resulting in the best value to the state; therefore, an important factor to consider when deciding whether to use a state vehicle or private vehicle is which method is the most cost effective. This report identifies a method for determining when it becomes more cost effective to use a state vehicle or a private vehicle and makes specific recommendations to reduce the cost of employee travel. Specifically, our review found that the state does not always make the most cost-effective travel decisions and has more vehicles than it needs.

When considering the cost effectiveness of travel by vehicle, it is important to note that there may be valid reasons for choosing a method that is not the most economical. By making the most cost-effective travel decisions when possible, the state can achieve substantial cost savings.

OREGON AUDITS DIVISION

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SUMMARY

To meet the daily transportation needs of its employees, the state provides access to state-owned vehicles as well as reimbursement of private vehicle mileage. When employees and other authorized individuals travel on official state business, state policies require that the travel be accomplished in the most efficient and cost-effective manner. The Department of Administrative Services (DAS) provides standards and directives for agencies to follow when making travel decisions. However, each agency is responsible for determining the necessity and justification for the method of travel of its employees. Although the state requires travel to be conducted in a way that is both efficient and effective, and at the best value to the state, we found that this is not always the case. Specifically, our review found that the state:

- Does not always make the most cost-effective travel decisions; and
- Has more vehicles than it needs.

THE STATE DOES NOT ALWAYS MAKE THE MOST COST-EFFECTIVE TRAVEL DECISIONS

When deciding whether to use a state vehicle or a private vehicle to accomplish business travel, agencies are expected to choose the method for their employees that is the most cost effective. However, agencies have not been provided with the information necessary to make such a decision. This lack of information stems from the state's not having identified the point at which one method of vehicle travel becomes more cost-effective than the other. As a result, we found instances in which employees were using state vehicles when reimbursing them for private vehicle mileage or renting from the centralized state motor pools would have been more cost-effective and instances in which employees were driving enough private vehicle mileage that assigning them a state vehicle would have been more economical. For example, we estimate that the state could have saved as much as \$85,000 during calendar year 1995 had it provided state vehicles to employees who incurred 1,427 miles a month or more in private vehicle mileage. We also estimate that if the state had replaced permanently assigned state vehicles driven low miles each month with private vehicle mileage reimbursement, where possible, the state could have saved as much as \$1,617,000 in calendar year 1995 and \$1,269,000 in calendar year 1996. When considering

the cost effectiveness of travel by vehicle, it is important to note that there may be valid reasons for choosing a method that is not the most economical. These reasons include employees' unwillingness to use their private vehicles for business travel because of increased personal liability exposure or expense, or because their private vehicles are unavailable or unreliable; the prohibition against using state vehicles for any personal purposes; and the need for agencies to transport clients.

**THE STATE HAS MORE
VEHICLES THAN IT
NEEDS**

To provide efficient and economical transportation for agencies and employees, the state should not have more vehicles than it takes to fulfill its travel needs. However, our review of state vehicle availability found that the state not only has enough vehicles to meet the current travel needs of agencies and employees, but it also has a significant number of vehicles that sit idle. We identified more than 300 vehicles on a typical low travel day and more than 200 vehicles on a typical high travel day that were sitting idle at the three centralized state motor pools. The state has more vehicles than it needs in part because DAS has not complied with *Oregon Revised Statute (ORS) 283.320*, which requires the disposal of any vehicles found to be unnecessary. By eliminating unneeded vehicles, the state could achieve a substantial cost savings. For example, if 150 of the idle vehicles were sold, the state could recover at least \$226,000 and could avoid as much as \$2,460,000 in future replacement costs. These funds would then be available for other investment and program purposes. Recognizing the need to comply with ORS 283.320, DAS has hired a professional consulting firm to study this issue.

INTRODUCTION

State of Oregon employees travel millions of miles each year to accomplish state business. Travel during the last three fiscal years averaged more than 121 million miles per year. Of the approximately 123 million miles traveled by employees on official state business during fiscal year 1994-95, close to 20 percent occurred in private vehicles. Private vehicle mileage reimbursement cost the state approximately \$13 million over the last three fiscal years. At the same time, the state of Oregon invested millions of dollars to buy, operate, and maintain a vehicle fleet designed to provide for the travel needs of state agencies.

BACKGROUND

To meet the travel needs of employees conducting official state business, the state provides agencies with several travel options. Table 1.1 describes the travel options for agencies.

TABLE 1.1 - Travel Options For Agencies	
Agencies Can:	<ol style="list-style-type: none">(1) authorize employees to rent vehicles from the state's centralized motor pools;(2) authorize employees to use their private vehicles and then reimburse them for mileage incurred;(3) rent vehicles on a long-term, permanently assigned basis from state centralized motor pools; or(4) own, maintain, and operate their own vehicle fleets, if allowed by statute.

Unless employees have access to permanently assigned state vehicles or their agencies' fleet vehicles, the choice when traveling by vehicle is between renting a state vehicle from a DAS centralized motor pool and using a private vehicle. As required by state policy, travel shall be conducted in the most efficient and cost-effective manner, resulting in the best value to the state. Therefore, an important factor to consider when deciding whether to use a state vehicle or private vehicle is which method is the most cost-effective.

PRIVATE VEHICLE USE

When considering the cost-effectiveness of using a state vehicle or private vehicle, it is important to note that some employees may be unwilling to use their private vehicles for state business travel. However, many employees do choose to drive their private vehicles millions of miles annually for state business. As described in Table 1.2, private vehicle mileage has resulted in a significant expense to the state over the past three fiscal years.

Table 1.2 - Cost of Private Vehicle Mileage

Fiscal Year	Total Private Vehicle Mileage	Cost
1992-93	20 million	\$4.4 million
1993-94	18 million	\$4.0 million
1994-95	21 million	\$4.6 million

The reimbursement rate paid to employees during the fiscal years described in Table 1.2 was \$.22 per mile. In August 1995, the state increased this rate to \$.25 per mile. The reimbursement rate is designed to compensate employees for the costs incurred from using their private vehicles, including the cost of gasoline, oil, repair parts, depreciation, taxes, insurance, and maintenance and upkeep.

When deciding whether to use their private vehicles for state business, employees should consider that their personal vehicle insurance will be their primary insurance. The state does not provide collision or comprehensive coverage for employees traveling in their private vehicles, even on state business, and will only cover excess liability if losses exceed personal policy limits. Employees should also consider the potential for wear and tear on their vehicle and whether their vehicle will accomplish the trip safely. In some cases, it is appropriate for agencies and employees to choose a state vehicle even when reimbursing employees for private vehicle mileage would be more economical.

ROLES AND RESPONSIBILITIES

OREGON DEPARTMENT OF ADMINISTRATIVE SERVICES' RESPONSIBILITIES

The Department of Administrative Services (DAS) is responsible for establishing rules for state personnel and authorized non-state individuals to use when traveling on official state business. Official state business is defined as any activity conducted in conformance with state rules and directed and controlled by a state agency to advance the lawful policies and purposes of the agency. State travel policy, established by DAS, provides that travel shall be conducted in the most efficient and cost-effective manner, resulting in the best value to the state. At the same time, these rules call for travel by state-owned vehicles unless travel by private vehicles is more practical because of cost, efficiency, or work requirements. The state's policies are broad in nature, holding agencies ultimately responsible for determining the necessity and justification for the method of travel.

DAS is also responsible for establishing and operating centralized motor pools for the common use of state agencies and employees. DAS' Transportation, Purchasing and Print Services Division is charged with management of the state's motor pool fleet. As of August 1996, the fleet numbered more than 3,900 vehicles and is composed of sedans, station wagons, utility vehicles, vans, trucks, and heavy motorized equipment. Three motor pools - located in Salem, Portland and Eugene - provide access to state day fleet vehicles for use by all agencies, as well as fuel and maintenance for all fleet vehicles. In addition to providing access to state vehicles for shorter day trips, DAS also provides agencies with access to state vehicles on a long-term or permanent basis. By making a written request to DAS, agencies can obtain state vehicles on permanent assignment.

**OTHER AGENCIES’
RESPONSIBILITIES**

Each agency is responsible for directing and controlling the timing, method, manner, and means of travel for its employees. Agency responsibilities include determining which method of travel is the most cost-effective, managing any fleet vehicles under its control, determining the need for permanently assigned state vehicles, and monitoring employee travel. In order for employees to use private vehicles for state business travel, agencies must give specific pre-authorization either verbally or in writing. As required by DAS policies, agencies must report private vehicle mileage totals to DAS on a quarterly basis as well as reporting vehicle mileage for any permanently assigned state vehicles on a monthly basis. This information is then used by DAS’ Risk Management Division for self-insurance and underwriting purposes.

**EMPLOYEES’
RESPONSIBILITIES**

Employees are responsible for following state and agency policies when traveling on state business. If employees choose to ignore state vehicle rules and other directives, they will be held personally liable for all driving costs and related risks. To obtain reimbursement for private vehicle mileage, employees must have been authorized to use their private vehicles and must submit payment requests providing detailed information such as the distance and purpose of the travel.

**SCOPE AND
METHODOLOGY**

The Oregon Audits Division, in a 1993 report to the Joint Legislative Audit Committee, identified employees’ use of private vehicles when conducting state business as a potential audit that could identify ways to achieve a reduction in employee travel costs. The Audits Division’s 1995 review of vehicle fleet management practices also found the area to be one in which improvements could be made. The purpose of this review was to evaluate the cost-effectiveness of the use of private vehicles versus state-owned vehicles for official state business. Our scope was limited to evaluating the cost-effectiveness of using private vehicles versus obtaining state vehicles from the DAS centralized motor pools.

The main objectives of this review included:

- Evaluating the adequacy of policies and procedures for private vehicle use at the state and agency level;
- Determining if state vehicles are being underutilized as a result of private vehicle use and whether the state is paying more than necessary for employee travel; and
- Identifying the cost-effectiveness of state versus private vehicle use and determining if there is a point at which one method becomes more economical than the other.

In general, the period of our review covered calendar year 1995.

To evaluate the adequacy of policies and procedures for private vehicle use at the state and agency level, we reviewed applicable documentation establishing requirements for private vehicle use when conducting state business. Our work included a review of state laws and DAS policies and procedures, as well as interviews with appropriate state officials. Using quarterly mileage information as reported by agencies to DAS' Fleet Administration, we surveyed five agencies with high private mileage use and five agencies with low private mileage use. We reviewed the policies and procedures of these selected agencies and interviewed responsible agency managers. In addition, we interviewed staff at agencies that failed to report private vehicle mileage information, in order to determine their reasons for not reporting.

To determine if state vehicles are sitting idle, we chose two dates to survey: a typical low travel day, Friday January 13, 1995, and a typical high travel day, Tuesday May 16, 1995. We selected these two dates based on DAS motor pool transaction records, quarterly vehicle mileage reports, and interviews with DAS Fleet Management. Using computer data provided by DAS, we determined the number of state vehicles that were unused for each day. To do this, we obtained a complete listing of all DAS fleet vehicles and a listing of vehicle transactions for the two dates. The listing of vehicle transactions showed not only which vehicles

were checked out on the days selected, but also how the vehicles were assigned (permanent assignment, day trip rental, motor pool use, or shop loaner). Using this information, we considered a vehicle to be unavailable if it met one of the following criteria: (1) it was checked out; (2) it was sold or in the process of being sold; (3) it was newly acquired (purchased within two months of survey dates) and possibly not ready for use; (4) it was permanently assigned to a state agency; or (5) it was not a type of vehicle that could reasonably be used for state business travel. We also made an allowance for vehicles being unavailable because of maintenance and repair activities. The remaining vehicles were considered as available and not utilized on the dates reviewed. From this determination, we estimated the potential cost savings if the state were to sell a portion of these idle vehicles. To estimate the potential dollar recovery from the sale of idle vehicles, we used the amount obtained by DAS for vehicles sold during calendar years 1994 and 1995. We also estimated the cost savings the state could achieve through avoiding future replacement costs based on the average purchase price of a new vehicle.

In addition, we used the two survey dates to review agencies' use of private vehicles. Using quarterly vehicle mileage reports submitted by agencies to DAS, we identified agencies that incurred private vehicle mileage during the months of January and May 1995. For these agencies, we requested supporting documentation detailing the date of travel, number of miles traveled, location of travel, and reason for the travel. We reviewed this information for specific instances of private vehicle travel on the survey dates selected and for travel in excess of 1,427 miles per month, the point at which it was more cost-effective to use a state vehicle. Based on this information, we chose a judgmental sample of employees and interviewed them to learn the reason they chose to use their private vehicle rather than a state vehicle. We then concluded as to the appropriateness of these reasons by reviewing state laws, policies and procedures, and interviewing state officials.

To determine the point at which one method of travel becomes more cost-effective than the other, we

interviewed responsible officials from other states and reviewed their policies and procedures relating to state and privately owned vehicle use. We collected and compared analyses conducted by these states that determined the point at which using state vehicles becomes more cost-effective than paying mileage reimbursement for private vehicles. We interviewed Oregon state officials and agency managers to determine their consideration of the cost-effectiveness of state versus private vehicle use in employee travel decisions. Using examples of analysis completed by other states and cost information obtained from DAS Fleet Administration, we conducted an analysis of state versus private vehicle travel costs and identified the mileage point at which state vehicles become more cost-effective. We used this information to identify situations in which it would be more cost-effective for the state to pay for private vehicle mileage or rent a vehicle from the centralized motor pool, and situations in which providing a permanently assigned vehicle to high private vehicle mileage users would be more economical.

To conduct our analyses, we relied extensively on computer-processed data contained in DAS' vehicle data files. Based on our prior assessment of this data, we concluded that the data, when viewed in conjunction with other information available, is sufficient for analysis and making conclusions and recommendations.

We conducted this audit according to generally accepted government auditing standards. We limited our review to those areas specified in this section of the report.

AUDIT RESULTS

While the state provides for the transportation needs of employees traveling on state business by providing access to state-owned vehicles and reimbursing private vehicle mileage, it does not always ensure that these travel resources are used economically. The broad nature of the state's travel policies leaves it up to the discretion of agency supervisors and often employee choice as to whether state vehicles or private vehicles are used and does not provide any guidance as to when one mode of transportation becomes more cost-effective than the other. As a result, we found instances in which the most economical travel decisions were not made. We estimate that the state could have saved as much as \$85,000 during calendar year 1995 had it provided state vehicles to employees who incurred 1,427 miles or more per month in private vehicle mileage. We also found that numerous agencies drove permanently assigned state vehicles few enough miles each month to make private vehicles more cost-effective. By replacing these state vehicles with private vehicle mileage, where possible, we estimate that the state could have saved as much as \$1,617,000 in calendar year 1995 and \$1,269,000 in calendar year 1996.

We also found that the state has not determined the appropriate number of vehicles needed to carry out state business. If the state were managing its vehicle fleet efficiently, there would not be a significant number of vehicles sitting idle each day. However, our review of state vehicle availability found that a substantial number of vehicles sit idle daily. On a typical low travel day, the state had more than 300 vehicles sitting idle at the three centralized motor pools and on a typical high travel day, more than 200 vehicles went unused. If the state could eliminate 150 of these vehicles, it could recover at least \$226,000 from the sale of these vehicles and could avoid an estimated \$2,460,000 in future replacement costs. This money would then be available to the state for other investment or program purposes.

THE STATE DOES NOT ALWAYS MAKE THE MOST COST-EFFECTIVE TRAVEL DECISIONS

Although the state is required to conduct travel in the most efficient and cost-effective manner, it has not determined when it is more economical to use a state vehicle or private vehicle to carry out state business. When traveling on official state business, employees are permitted by state policy to use private vehicles when state vehicles are not feasible or cost-effective. However, because the state has not determined the most cost-effective method of travel, agencies are making decisions without the information necessary to ensure that the state receives the best value for its money.

**STATE BUSINESS TRAVEL
SHOULD BE
COST EFFECTIVE**

While the state provides several transportation options for employees to use when carrying out state business by vehicle, agencies should select the method of travel that meets the needs of the employee at the least cost to the state. According to the Oregon Accounting Manual, travel shall be conducted in the most efficient and cost-effective manner, resulting in the best value to the state. Agencies are responsible for determining the necessity and justification for the method of travel for their employees. Factors for agencies to consider in their decision-making include cost, available time of personnel, productive time loss, possible overtime, objective of trip, public image, and consistency with state energy policies.

In deciding whether to use a state vehicle or private vehicle for business travel, there is a point at which one method becomes more cost-effective than the other. However, the state has not conducted the analysis necessary to determine this point and provide such information to agencies. Using information available from the Department of Administrative Services (DAS), we conducted our own analysis to identify the point at which one method becomes more cost-effective than the other. In completing this analysis, we considered the costs associated with owning and operating a state vehicle versus paying private vehicle mileage reimbursement. (See Appendix A for a technical description of the calculation.) Using the \$.22 per mile reimbursement rate that was in effect during the period of our review, we determined that 1,427 miles per month was the point at which it became more cost-effective to use a state vehicle. For employees or groups of employees who routinely incurred monthly private vehicle mileage over this cost-effective point, it would have been more economical to have provided them with a state vehicle on a permanent basis. Conversely, for employees who drove less than 1,427 miles per month, it would have been more economical for employees to have used their private vehicles than to have provided them with a permanently assigned state vehicle.

It is important to note that this mileage point is not static. As the costs associated with providing state vehicles and reimbursing private vehicle mileage change, the mileage point also will change. For example, when the private vehicle mileage reimbursement rate increased in August 1995 to \$.25 per mile, the cost-effective mileage point decreased to 1,125 miles per month. In addition, agencies operating individual vehicle fleets and agencies that reimburse for private vehicle mileage at a higher rate will have different cost-effective mileage points. The Judicial Department, for example, reimburses employees \$.29 per mile for private vehicle mileage, which results in lowering the cost-effective mileage point for this agency to 878 miles per month.

Even though one method of travel by vehicle may be the best choice from an economic standpoint, there are legitimate reasons for not choosing the most cost-effective method. First, employees may be unwilling to use their private vehicles for state business travel. Employees may choose not to use their private vehicles for a variety of reasons, including the fact that their personal insurance will be primary, there will be wear and tear on their own vehicle, and their vehicle may not accomplish the trip safely. For example, if the travel would involve driving to Eastern Oregon in the winter, weather conditions may make it safer for the employee to take a four-wheel-drive state vehicle even though it may be more economical for the state to reimburse the employee for private vehicle mileage.

Second, *Oregon Revised Statute (ORS) 283.395* prohibits employees from using state vehicles for any personal purposes. On day trips, state policy allows employees to use state cars for all assigned duties and for food and breaks along and near the necessary business route. On trips that involve overnight travel, employees are allowed to use state vehicles for certain needs that cannot be met without minimal use of the vehicle. However, state policy prohibits employees on day trips from using state vehicles for personal recreational activities, personal appointments, grooming or fitness activities, personal visits, or transportation or errands for friends and relatives. Therefore, when

combining personal activities with state business, employees would need to use their private vehicles.

In addition, there are program reasons that make it necessary to use a state vehicle in situations where reimbursing for private vehicle mileage would be more cost-effective. For example, agency employees may drive a permanently assigned state vehicle only 100 miles a month, but the agency may need to have the vehicle readily available for sporadic, but necessary, field visits. Also, agencies transporting clients, such as children in state custody or developmentally disabled adults under state care, may prohibit employees from using private vehicles for liability reasons.

**STATE EMPLOYEES DO NOT
ALWAYS USE THE MOST COST-
EFFECTIVE METHOD OF
TRAVEL**

Agencies are making travel decisions for their employees and allowing the state to incur the cost of millions of miles in state and private vehicle mileage each year without knowing which method is the most cost-effective. We reviewed a sample of 542 employees who drove their private vehicles on state business during January and May 1995. We found that 23 of these employees drove their private vehicles for state business more than 1,427 miles per month. For example, one employee who incurred 1,751 private vehicle miles in May 1995 reported that she travels on state business frequently and always uses her private vehicle rather than a state vehicle. This practice is costing the state an additional \$36 per month, which on an annual basis is over \$400 per year. This employee did state, however, that her agency recently obtained a permanently assigned state vehicle and that she believes she will use this vehicle most of the the time. Rather than reimbursing these employees for private vehicle mileage, it would be more cost-effective for the state to provide them with a state vehicle.

Conversely, the state had a significant number of permanently assigned state vehicles that were driven below the mileage point that would make them cost-effective. As of June 1995, the state had 1,694 permanently assigned vehicles driven less than 1,427

miles per month. We noted that the state had a significant number of underutilized state vehicles in 1996 as well. In August 1996, under the current private vehicle mileage reimbursement rate of \$.25 per mile, the state had 1,506 permanently assigned vehicles that were driven below the cost-effective mileage point of 1,125 miles per month. While not all vehicles driven under the cost-effective mileage point should be removed, sustaining a substantial number of low mileage vehicles results in increased costs to the state. For example, our review of permanently assigned vehicles as of June 1995 found that more than half of these vehicles were driven less than 800 miles a month, which is well below the cost-effective mileage point.

**THE STATE PAYS MORE THAN
IS NECESSARY FOR EMPLOYEE
TRAVEL**

By identifying when it is more cost-effective to use a state vehicle or private vehicle and encouraging employees to use the most economical method, the state has the opportunity to save hundreds of thousands of dollars annually. We estimate that the state could have saved as much as \$85,000 during calendar year 1995 had it provided state vehicles to employees who incurred 1,427 miles or more a month in private vehicle mileage. We also found numerous agencies whose employees drove permanently assigned state vehicles at such a low mileage rate each month so as to make private vehicles or centralized motor pool vehicles more cost-effective. By replacing these state vehicles with private vehicle mileage where possible, we estimate that the state could have saved as much as \$1,617,000 in calendar year 1995 and \$1,269,000 in calendar year 1996. Centralized motor pools will be an even more cost-effective option than private vehicles if DAS ensures its vehicles maintain an average mileage rate above the cost-effective mileage point, and replaces its vehicles at the optimal time. Currently, DAS motor pool vehicles average approximately 1,215 miles per month. However, 52 percent (276 vehicles) are driven below the cost-effective mileage point of 1,125 miles per month. While some of these vehicles are needed for special purpose or program reasons, a majority are standard passenger vehicles.

Even though reimbursing for private vehicle mileage may be more cost-effective than permanently assigned state vehicles for low monthly travel, there are legitimate reasons for allowing employees to use state vehicles, as previously discussed. However, by choosing the most cost-effective method where possible and allocating travel resources appropriately, the state could achieve substantial cost savings.

**REASONS FOR
UNECONOMICAL TRAVEL
DECISIONS**

The state is not making the most cost-effective travel decisions for several reasons. First, agencies are expected to choose the method of travel that is of the best value to the state; however, they have not been provided with the information necessary to make such a decision. Second, to regulate state and private vehicle use, DAS has provided agencies with general directives and agencies have established policies and procedures for employees to follow; however, many employees are not aware of these policies and some agencies do not monitor travel activities to ensure compliance. Employees are also choosing to drive their private vehicle for reasons other than cost-effectiveness or appropriateness of use. Finally, when assigning state vehicles to agencies on a permanent basis, the state does not first determine whether an agency's request is reasonable.

Lack of Information

While agencies are expected to make the most cost-effective travel decisions for their employees, they have not been provided with the information necessary to do so. Agency managers stated that the least expensive mode of transportation is encouraged and that decisions are typically made on a case-by-case basis. Through our discussions with agency managers, we did note instances of economical practices. For example, when several employees attended a training class in Eugene, the Fairview Training Center (Fairview) offered transportation through a state-owned vehicle. Employees were also allowed to use private vehicles for convenience, but Fairview did not authorize mileage reimbursement since state transportation was provided. Even though agencies may strive to make cost-effective

travel decisions, it is difficult to do so without the benefit of cost information to guide their decision-making.

Lack of Monitoring and Communicating Travel Policies

When using private vehicles for state business travel, employees must comply not only with the directives set by DAS, but also with the policies and procedures established by their agencies. Our review of agencies' policies and procedures noted that several agencies have travel policies in place. However, most of the employees we surveyed responded that they were not aware of their agencies' policies and procedures for private vehicle use and that they were not required by their agencies to obtain authorization prior to using their private vehicles for state business travel. In addition, agency managers mentioned that while policies and procedures for private vehicle use have been established, there is little monitoring or tracking for compliance.

Lack of Appropriate Reasons for Private Vehicle Use

While most employees we surveyed had valid reasons for choosing their private vehicles for state business travel, some employees and agency managers reported reasons for private vehicle travel that appear questionable. These reasons include the negative image associated with driving a state vehicle and carrying out activities that are prohibited in state vehicles. For example, employees cited wanting to speed, feeling "watched" in a state vehicle, and preferring their private vehicle when the weather is nice. Additional reasons for private vehicle use cited by agency managers are that employees do not want to be seen in state vehicles and that employees want to smoke, which is not allowed in state vehicles.

Lack of Justification for Permanently Assigned Vehicles

Permanently assigned vehicles are state vehicles that are rented by other agencies from DAS on a long-term basis. Agencies pay a monthly rate for these vehicles,

are responsible for ensuring maintenance and upkeep, and must report mileage for each vehicle to DAS each month. To obtain a state vehicle on permanent assignment, agencies must submit a written request to DAS. According to DAS Fleet Management, the request for a permanently assigned vehicle will be filled as long as the appropriate official at each agency has approved the request. DAS does not base permanent assignment decisions on whether a need exists or consider the amount of vehicle miles driven by the agency. Rather, it is up to each agency to determine the need for a permanently assigned vehicle and to monitor its use. Once these vehicles have been assigned, DAS monitors vehicle use through reviewing monthly mileage reports in an effort to even out mileage accumulation. DAS will exchange permanently assigned vehicles between agencies so that vehicles will generally age at the same rate. DAS can also use the reports to identify vehicles that are underutilized; however, it generally leaves the decision to retain underutilized vehicles up to the agencies.

**THE STATE HAS MORE
VEHICLES THAN IT
NEEDS**

To provide for the transportation needs of employees on an efficient and economical basis, the state should not maintain more vehicles than is necessary to reasonably accommodate its travel needs. However, we found that the state not only has enough vehicles to fulfill the current daily transportation requirements of agencies, but also has a significant number of vehicles that sit idle. These idle vehicles increase the cost of employee travel, and the state loses the opportunity to use the funds for other investment or program purposes. These uneconomical practices are due to DAS' not having conducted the study required by ORS 283.320 to determine the vehicular needs of the state and eliminate any vehicles found to be unnecessary. Recognizing the need to comply with this requirement, DAS has hired a professional consulting firm to study this issue.

**THE STATE SHOULD NOT
HAVE A SIGNIFICANT**

**NUMBER OF VEHICLES
SITTING IDLE**

If the state were providing for the transportation needs of its employees in an efficient and economical manner, it would not have a significant number of state vehicles sitting idle. As required by ORS 283.320, DAS is to study and ascertain the present needs for motor vehicles in the state and to determine if the state owns more vehicles than it needs. In addition, state policies require that business travel be cost-effective. When vehicles sit idle, the state is incurring unnecessary costs.

**STATE VEHICLES ARE ALWAYS
AVAILABLE**

To obtain a state vehicle from one of DAS' three centralized motor pools for short-term trips, employees can either make a reservation in advance or simply walk in. State vehicles are assigned as employees pick them up, with the exception of specialty vehicles such as jeeps and suburbans, which can be reserved in advance. The motor pools have a fleet of vehicles composed of newer sedans, station wagons, and specialty vehicles that are specifically designated for day trip use. In addition to these day-trip vehicles, the motor pools also have other vehicles available that are used as back-up when vehicles are in the shop for maintenance and repair. These vehicles are typically older sedans, trucks, pickups, and vans. In the event that a motor pool exhausts its day trip fleet, these "other" vehicles could be available for check-out by employees. According to DAS Fleet Management, no one has ever been turned away when requesting a state vehicle, and typically there are between 15 and 100 vehicles not utilized daily at the Salem motor pool. Our review of state vehicle availability at all three motor pool locations found that on a typical low travel day, 200 day trip vehicles and 116 "other" vehicles were available.

Table 1.3 details the number of vehicles at each motor pool that were available on the low travel day.

Table 1.3 - Available Vehicles on Low Travel Day

Motor Pool Location	Day Trip Vehicles	“Other” Vehicles
Salem	87	39
Portland	80	42
Eugene	33	35
Total	200	116

On a typical high travel day, we found that a significant number of vehicles went unused. We noted that 146-day trip vehicles and 97 “other” vehicles were available. Table 1.4 details the number of vehicles available at each motor pool on the high travel day.

Table 1.4 - Available Vehicles on High Travel Day

Motor Pool Location	Day Trip Vehicles	“Other” Vehicles
Salem	72	37
Portland	42	24
Eugene	32	36
Total	146	97

**OPPORTUNITIES EXIST TO
REDUCE THE COST OF
EMPLOYEE TRAVEL**

Unused vehicles result in unnecessary costs to the state. Motor pool operations are funded by vehicle rental fees charged to other state agencies. The rental rates are designed to cover all motor pool costs with any remaining funds being used to purchase new vehicles. Vehicles incur certain costs, such as gas and maintenance, when they are driven. Vehicles incur other costs, such as depreciation and insurance, whether they are driven or not. When vehicles sit idle, they incur a cost of approximately \$115 a month per vehicle for depreciation and insurance. If a significant number of vehicles sit idle, this cost can be substantial. For example, 150 idle vehicles would result in an estimated monthly cost to the state of \$17,250. The rental rates for state vehicles must be sufficient to cover the loss experienced by these idle vehicles. By reducing the number of idle vehicles, the state would not incur the depreciation costs and, in turn, could reduce the state vehicle rental rates charged to agencies, making state vehicles more economical. In addition, the state could

also save a substantial amount in future replacement costs. If the state were to sell 150 of the unneeded vehicles, we estimate that it could recover at least \$226,000 and could avoid an estimated \$2,460,000 in future replacement costs. These funds would then be available for other investment or program purposes.

**THE STATE HAS NOT
DETERMINED APPROPRIATE
FLEET SIZE**

The state has more vehicles than it needs as a result of DAS' noncompliance with ORS 283.320, enacted in 1951, which requires DAS to analyze the state's vehicular needs and eliminate vehicles found to be unnecessary. In addition, DAS has not thoroughly explored other alternatives to providing for the transportation needs of employees. For example, using private rental company vehicles as a back-up to the state's fleet may be a feasible alternative. In the event that day trip vehicles are exhausted or in periods of high seasonal demand, DAS could use private company rentals instead of retaining a substantial number of additional vehicles year round.

CONCLUSION

While the state provides for employee travel needs through access to state-owned vehicles and reimbursement of private vehicle mileage, it does not necessarily achieve the best value for the public's investment in travel. Agencies have not been provided with the information needed to determine the most cost-effective method of travel for their employees. DAS has the information to conduct an analysis that would identify the cost-effective mileage point when using a state or a private vehicle and could provide this information to agencies. In addition to determining which method of travel is more cost-effective, DAS needs to identify and reduce the number of state vehicles sitting idle.

RECOMMENDATIONS

In order for the state to make cost-effective travel decisions and to reduce state employee travel costs, we recommend the following:

1. The Department of Administrative Services (DAS) should conduct the analysis necessary, using the calculations presented in this report, to determine when it is more cost-effective to use a state vehicle or a private vehicle and provide this information to all agencies. This analysis should be updated as needed to account for any changes in vehicle travel costs. In addition, agencies operating individual vehicle fleets and agencies that reimburse for private vehicle mileage at a higher rate should work with DAS to identify the cost-effective mileage point for their agency.
2. DAS should continue to ensure that vehicles in the three centralized motor pools maintain an average mileage rate above the cost-effective mileage point. For vehicles driven below the cost-effective mileage point, DAS should periodically evaluate the utilization of these vehicles. DAS should determine whether the vehicles are needed for special purpose or program reasons and whether the use of the remaining vehicles can be consolidated and any vehicles found to be unnecessary eliminated.
3. Agencies should monitor employee travel and use the information provided to ensure that the most cost-effective travel decisions are made, where possible. Agencies with employees or groups of employees who travel in their private vehicles beyond the cost-effective mileage point should consider obtaining permanently assigned state vehicles for these employees to use. Conversely, agencies that have permanently assigned state vehicles driven below the cost-effective mileage point should turn in these vehicles and have their employees use private vehicles or centralized motor pool rentals where possible. Agencies also need to ensure that all travel policies are communicated to employees.
4. When assigning state vehicles to agencies on a permanent basis, DAS should review the request to determine if a program need exists or whether the agency is incurring enough vehicle mileage to justify the assignment. DAS should work with agencies to identify employees who travel enough miles in their private vehicle to warrant use of a state vehicle and should assign them such a vehicle. DAS should also identify agencies with permanently assigned state vehicles that are driven low miles each month and encourage these agencies to have

their employees drive their private vehicles or rent from a centralized motor pool, if possible.

5. DAS should complete the study required by ORS 283.320 to determine the vehicular needs of the state. DAS should eliminate any vehicles that it finds to be unnecessary. In the scope of its analysis, DAS should consider the availability and cost-effectiveness of other state-owned vehicles and private rental company vehicles as a back-up in the event that the motor pools have short-term or seasonal needs for additional vehicles.

OTHER MATTERS RELATING TO STATE AND PRIVATE VEHICLE USE

During the course of our audit work, other matters came to our attention that are important for the state to review and consider. These areas were outside the scope of our review; therefore, we performed limited audit work in these areas. As we conducted our review of private vehicle use, we became aware of inconsistencies in and incomplete reporting of private vehicle mileage information by agencies and employees. In addition, through conducting interviews with employees at several agencies, we noted issues of concern with state vehicle access and use.

QUARTERLY MILEAGE REPORTS ARE INCOMPLETE

Agencies are required by *Oregon Administrative Rule 125-4-601* to report private vehicle mileage information to the Department of Administrative Services (DAS) on a quarterly basis. This information is compiled into an annual statewide vehicle mileage report and used by DAS' Risk Management Division for self-insurance and underwriting purposes, as well as for loss control and risk review with individual agencies. The information is also used by the Oregon Legislative Assembly to track mileage incurred by agencies and to compare Oregon's mileage with other states. We noted for calendar year 1995 that several agencies either did not report private vehicle mileage information or reported information that was incomplete. These agencies were listed by the state as having "0" private vehicle miles. We contacted these agencies to determine if they had incurred any private vehicle mileage and, if so, the reason for not reporting the information. We were subsequently able to obtain the missing information from most agencies.

Other Matters Relating to State and Private Vehicle Use

The following summarizes reasons cited by the agencies for not reporting:

Non-Reporting Agencies	Reason Cited
Public Employees Retirement System	Unfamiliar with reporting requirement
Department of Human Resources, Senior and Disabled Services Division	Limited resources; last report turned in for this agency was for fiscal year 1993-1994
State Fair and Exposition	Unfamiliar with reporting requirement
Agencies with Incomplete Information	Reason Cited
Department of Administrative Services	Personnel oversight
Department of Agriculture	Flooding in February 1996 destroyed mileage information, which prevented reporting
Construction Contractors/Landscape Contractors Board	Switched to the SFMS accounting system
Employment Department	Personnel oversight
Department of Environmental Quality	Personnel oversight
Land Conservation and Development Board	Personnel change
Nursing Board	Personnel oversight
Department of Human Resources, State Office for Services to Children and Families	Individual branch offices maintain mileage information; some offices did not report mileage information
Department of Veterans' Affairs	Switched to the SFMS accounting system
Department of Human Resources, Vocational Rehabilitation Division	Limited resources
Western Oregon State College	No response

As a result of agencies' not reporting or reporting incomplete private vehicle mileage information, the information presented in the state's Annual Vehicle Incident Report is understated. For example, the Public Employees Retirement System has not reported private vehicle mileage and has been listed on state reports as having zero private vehicle miles. However, according to agency management, the Public Employee Retirement System has 168 employees and does incur private vehicle mileage. This underreporting by the state causes inaccurate figures to be used for self-insurance and underwriting purposes as well as incorrect figures being reported to the Legislative Assembly. To encourage compliance and to ensure that mileage information presented in the state's annual report is as accurate as possible, the Department of Administrative Services should identify non-reporting agencies and pursue collection of this information.

**PRIVATE VEHICLE
MILEAGE
REIMBURSEMENT
REQUESTS ARE NOT
WELL DOCUMENTED**

To be reimbursed for private vehicle mileage incurred on official state business, employees must submit a payment request that details specific information related to the travel including the following: dates of travel, times of departure and return, official station, employee status, and specific reason for travel. These requests must first be approved by the employees' supervisors before they can be paid. Our review of employee travel reimbursement claims found that agencies are approving payment requests without all the required information. Specifically, we found that:

- employees often did not complete the "official station" section of the form;
- employees occasionally did not list individual days of private vehicle travel; instead they listed a total mileage figure for the month, without detail;
- employees did not always identify the origin and destination of the private mileage incurred; and
- employees were often vague about reasons for travel, using descriptions such as the following: business, official business, meetings, technical assistance, manager's duties, training, hearings, travel, etc.

Without ensuring that employees provide complete information for private vehicle mileage incurred on state business, agencies cannot determine whether private vehicles were used appropriately when approving reimbursement requests. As a result, the state may be paying for employee travel that would otherwise not have been allowed. We recommend that agencies approve reimbursement requests for private vehicle mileage only when employees have provided all of the required information. In addition, we noted that the space available on the reimbursement request forms is limited, thereby restricting the amount of information employees can provide. The state should

consider increasing the space available for information on these forms to encourage employees to provide the level of detail necessary for agency managers to determine if the travel was justified.

COMMENTS FROM EMPLOYEE SURVEYS

To determine reasons for private vehicle use, we surveyed 13 employees from various agencies. Although the results of our survey are not statistically valid, some of the information we obtained is worthy of consideration by DAS. For example, employees we interviewed expressed concern about access to motor pool vehicles as a reason for using their private vehicles. Specifically, employees stated that the motor pool location in Portland was inconvenient and unsafe and that the motor pool hours of operation were not convenient.

PORTLAND MOTOR POOL

The state motor pool designed to provide for the travel needs of agencies and employees in the Portland area is located at Swan Island. Swan Island is in north Portland and is viewed by the employees we surveyed as being inconvenient and unsafe. One employee who works in downtown Portland stated that it would require overtime to pick up and return a state vehicle at Swan Island. Another employee discussed how she would not leave her private vehicle at the Swan Island motor pool lot when driving a state vehicle because she is afraid for the safety of her car even within the locked gates. In addition to employee comments, agency managers also noted concern with motor pool access and safety in Portland. The Department of Energy reported that employees do not like to drive north to Swan Island when they need a vehicle to drive around the Portland metropolitan area or south to Salem. Services for Children and Families responded that employees do not like to leave private vehicles in any state parking lots where there are reports of vandalism, stolen cars, and even flood damage such as that occurring at the motor pool parking lot in Salem.

MOTOR POOL HOURS

All motor pool locations open at 7 a.m. and close at 6 p.m. Although there is a convenient method for returning vehicles after the motor pool closes, employees we surveyed reported that there is no convenient way to check out a state vehicle prior to 7 a.m. For example, one employee explained that in order to attend an 8 a.m. meeting in Portland, it is necessary to leave Salem by 6:30 a.m. According to DAS, employees have two alternatives for obtaining a vehicle prior to the motor pool opening: (1) check out the vehicle the day before the trip, park the vehicle at the motor pool lot outside the gate, and return to the motor pool lot to pick up the car the morning of the trip; or (2) if approved by the employee's agency, check out the vehicle the day before the trip and take the vehicle home. However, taking a state vehicle home is highly discouraged and the rental charge starts when the vehicle is checked out. In order to provide employees with reasonable access to state vehicles, DAS should review the hours of operation for its motor pools to determine if the times meet employee travel needs. At the time of our review, DAS responded that it is considering opening one hour earlier, at 6 a.m.

REPORT DISTRIBUTION

This report is a public record intended for the information of the Oregon Department of Administrative Services management, state agencies, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by the officials and staff of the Oregon Department of Administrative Services and by other state agencies during the course of our review were commendable and much appreciated.

AUDIT TEAM

Cathy Pollino, Audit Administrator
Marlene Hartinger
Cora Bristow
Ann Takamura

ANALYSIS TO DETERMINE THE POINT OF COST-EFFECTIVENESS

In deciding whether to use a state vehicle or a private vehicle for business travel, there is a point at which one method becomes more cost effective than the other. To identify this point for the state of Oregon, we developed a formula through reviewing equations and calculations from several other states and using cost data from the Oregon Department of Administrative Services. This appendix presents this formula along with some comparative information from the states of South Carolina and Maryland.

The formula we used to determine when it is more cost effective to use a state vehicle or a private vehicle incorporates the fixed and variable costs associated with ownership, maintenance, and utilization of state vehicles and compares those costs with the cost of mileage reimbursement for private vehicles. Exhibit 1 describes the formula and the variables involved:

Exhibit 1

$$X = \frac{D + I + FO}{R - VO - G}, \text{ where:}$$

X=	miles
D=	average monthly depreciation per vehicle
I=	average monthly insurance per vehicle
FO=	fixed overhead costs per vehicle
R=	private vehicle mileage reimbursement rate
VO=	variable overhead cost per mile
G=	average fuel cost per mile

Using this formula, our analysis showed that 1,427 miles per month is the point that distinguishes when one mode of vehicle travel becomes more cost effective than the other. Travel under 1,427 miles per month would be more economical to accomplish with a private vehicle, whereas travel over this mileage point would be best in a state vehicle. We identified this mileage point using the reimbursement rate of \$.22 per mile that was in effect during the period of our review. Exhibit 2 details the calculation to identify the cost-effective mileage point of 1,427 miles per month.

Exhibit 2

$$X = \frac{\$114.22132 + \$.54 + \$44.80}{\$.22 - \$.060943 - \$.047267}$$

$$X = 1,427 \text{ miles}$$

As the costs associated with state vehicles and private vehicle mileage reimbursement change, the cost-effective mileage point will also change. For example, in August 1995 the state increased private vehicle mileage reimbursement to \$.25 per mile. The result of this cost increase lowered the mileage point to 1,125 miles per month. Exhibit 3 describes how we calculated this mileage point.

Exhibit 3

$$X = \frac{\$114.22132 + \$.54 + \$40.80}{\$.25 - \$.060943 - \$.047267}$$

$$X = 1,125 \text{ miles}$$

This type of vehicle cost analysis is an important tool to guide agencies in making cost-effective travel decisions. Other states conduct similar analyses and use the information for decision-making purposes. For example, South Carolina's analysis determines when it is more economical to own, operate, and maintain a state vehicle than to pay for private vehicle mileage reimbursement. As of June 1995, South Carolina's cost-effective mileage point was 1,167 miles per month. South Carolina's State Fleet Management conducts the analysis and provides the information to agencies, stating that it should be used as a management tool to help decide when a state vehicle should be assigned to an employee and when agencies are putting an inadequate number of miles on existing state vehicles. The state of Maryland annually conducts a similar analysis to determine the cost-effectiveness of state versus private vehicle use and provides the information to the Maryland General Assembly. Maryland's report dated October 1995 stated that its annual cost-effective mileage point was 8,988 miles or approximately 749 miles per month.

AGENCIES' RESPONSES TO THE AUDIT REPORT

On the following pages are the agencies' responses to our audit report. We have footnoted the responses where we felt it was necessary to clarify issues. The footnotes begin on page 43, following the agencies' responses.

February 19, 1997

Don Waggoner, CPA
Secretary Of State Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

DEPARTMENT OF
ADMINISTRATIVE
SERVICES

TRANSPORTATION,
PURCHASING &
PRINT SERVICES
DIVISION

Dear Mr. Waggoner:

The Department of Administrative Services (DAS) is pleased to respond to the Opportunities To Reduce State Employee Travel Costs exit draft audit findings prepared by the State Audits Division.

General Comments

① Although the audit findings recognize only miles-per-month vehicle utilization, ... the kind of utilization that can easily be related to dollars and cents, the Motor Pool and state agencies have come to recognize other types of utilization. Numerous code compliance examiners and Human Resources case workers in field assignments, for example, have great need for, and spend many of their working hours in, officially designated state vehicles. While such vehicles are highly utilized as "on-the-road offices," and while their drivers' privately-owned vehicles are commonly unsuited to or unavailable for such applications, such vehicles' low monthly mileage accumulations might prompt one to conclude that they are underutilized. In terms of hours of use per day, they are well utilized.¹

② If customer vehicle demand were constant, from day-to-day, week-to-week, and season-to-season, the audit recommendations regarding the Motor Pool having excessive vehicles would be pursued.² If the Motor Pool were less concerned with customer service and rapid responsiveness to agency needs than it presently is, it would be inclined to pursue these recommendations. But demand varies widely, and customer responsiveness is as much valued as is vehicle utilization. Pursuing the recommended vehicle population reductions would result in agencies having much less access to:³

- ◆ Such special purpose day-use vehicles as cargo vans and passenger vans..., vehicles which are driven fewer miles per month than general purpose vehicles, but which are nonetheless critical to the mission success of several state agencies.
- ◆ Older general purpose vehicles, including "loaner" vehicles and other vehicles regularly set aside for such seasonal uses as litter patrolling and gypsy moth monitoring. Immediately following such applications, these vehicles are disposed of.



1225 Ferry St. SE
Salem, OR 97310-0531
(503) 378-4642
FAX (503) 373-1626

Please note that the Motor Pool day-use vehicle population, despite containing several of the above-noted underutilized (in terms of miles driven per month) groups, has a much higher overall utilization than does the larger "permanently assigned" vehicle population.

RECOMMENDATION 1

The Department of Administrative Services (DAS) should conduct the analysis necessary, using the calculations presented in this report, to determine when it is more cost-effective to use a state or a private vehicle and provide this information to all agencies. This analysis should be updated as needed to account for any changes in vehicle travel costs. In addition, agencies operating individual vehicle fleets and agencies that reimburse for private vehicle mileage at a higher rate should work with DAS to identify the cost-effective mileage point for their agency.

DAS will periodically perform such analyses and inform agencies of the results.

RECOMMENDATION 2

DAS should continue to ensure that vehicles in the three centralized motor pools maintain an average mileage rate above the cost-effective mileage point. For vehicles driven below the cost-effective mileage point, DAS should periodically evaluate the utilization of these vehicles. DAS should determine whether the vehicles are needed for special purpose or program reasons and whether the use of the remaining vehicles can be consolidated and any vehicles found to be unnecessary eliminated.

Believing it to be of little value to develop a single "cost-effective mileage point," DAS will instead provide multiple specific mileage points to correspond with the diverse models of vehicles that are available.⁴ DAS will continue to explore fleet consolidation and vehicle reduction initiatives that benefit state agencies.

RECOMMENDATION 3

Agencies should monitor employee travel and use the information provided to ensure that the most cost-effective travel decisions are made, where possible. Agencies with employees or groups of employees who travel in their private vehicles more than the cost-effective mileage point should consider obtaining permanently assigned state vehicles for these employees to use. Conversely, agencies that have permanently assigned state vehicles driven below the cost-effective mileage point should turn in these vehicles and have their employees use private vehicles or centralized motor pool rentals where possible. Agencies also need to ensure that all travel policies are communicated to employees.

DAS will pass this recommendation forward to state agencies.

Don Waggoner
February 19, 1997
Page 3

RECOMMENDATION 4

When assigning state vehicles to agencies on a permanent basis, DAS should review the request to determine if a program need exists or whether the agency is incurring enough vehicle mileage to justify the assignment. DAS should work with agencies to identify employees who travel enough miles in their private vehicles to warrant use of a state vehicle and should assign them such a vehicle. DAS should also identify agencies with permanently assigned state vehicles that are driven low miles each month and encourage these agencies to have their employees driven their private vehicles or rent from a centralized motor pool, if possible.

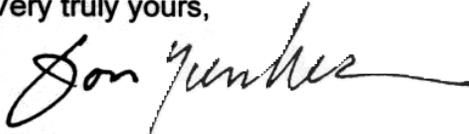
DAS will do as recommended. DAS will also train agencies on applying vehicle assignment guidelines.

RECOMMENDATION 5

DAS should complete the study required by ORS 283.320 to determine the vehicular needs of the state. DAS should eliminate any vehicles that it finds to be unnecessary. In the scope of its analysis, DAS should consider the availability and cost-effectiveness of other state-owned vehicles and private rental company vehicles as a back-up in the event that the motor pools have short-term or seasonal needs for additional vehicles.

DAS will complete the required study.

Very truly yours,



Jon Yunker
Director

c: Cam Birnie
Rob Cameron
Coyne Smith

FINANCE
AND
ADMINISTRATION

January 7, 1997

Mr. Sam Cochran
Deputy State Auditor
225 Capital Street NE, Suite 500
Salem, Oregon 97310

Dear Mr. Cochran,



OREGON
STATE
UNIVERSITY

40 Kerr Administration
Building
Corvallis, Oregon
97331-2156

We appreciate your transmitting to us a copy of the draft audit report on the use of state and private vehicles for state business travel. As you may know, Oregon State University faculty, staff, and students do drive a significant number of miles on university business each year. To accomplish this we do provide access to state-owned vehicles for both day use and long-term assignment through our own motor pool facilities as well as reimbursement of private vehicle mileage. During fiscal year 1996 we registered approximately eight million total business miles driven with three million six hundred thousand miles driven in private vehicles.

Throughout our organization we constantly endeavor to operate in the most cost-effective manner, and travel expense is one we monitor regularly. Our initial review of your conclusions and recommendations finds our operations within the bounds of your defined cost-effective measurements. Your recognition of the multitude of factors that affect cost analysis do play a significant part in our specific operations. The needs of our on-campus facility services group versus an eastern Oregon extension agent's can vary dramatically. These needs are in clear contrast to the needs of faculty and students to conduct academic field trips or deliver presentations throughout the state. Our motor pool does serve a myriad of different types of clients with varying needs but does make every effort to provide the most cost-effective service possible in all cases.

I would like to thank you again for providing your findings to us. Once you have finalized the report, I will provide it to our motor pool management staff and ask that they ensure that we continue to deliver the most cost-effective travel programs possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lee Schroeder', written over a horizontal line.

Lee Schroeder
Vice President

Telephone
541-737-2447

Fax
541-737-3033

mm

January 13, 1997

Don Waggoner, CPA
State Auditor
Audits Division, Secretary of State
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

Dear Mr. Waggoner:

We appreciate the opportunity to respond to your draft audit report on the State of Oregon's use of state and private vehicles for employee travel. We have prepared the following comments and clarifications to the information in the report as well as specific responses to your recommendations for improvement in the Department of Human Resources.

We agree with the quarterly mileage report finding of non-reporting by DHR/SDSD as well as two instances of incomplete information provided by DHR/SOSC&F and DHR/VRD. However, we do not agree with the reasons cited in the report for non-reporting or providing incomplete information; therefore, we have prepared the following comments and clarifications:

We agree that the last report provided DAS by DHR/SDSD was for the 1993-94 fiscal year. Limited resources were not available to complete these statistical reports, since available resources were utilized to provide on-going operational priorities combined with the planning and conversion from the Executive Accounting Systems to the Statewide Financial Management System. Accordingly, we request that the reason cited for non-reporting be changed from *"Switched to the new Statewide Financial Management System (SFMS); last report turned in for this agency was for fiscal year 1993-94"* to *"Limited resources were allocated to the highest operational priorities."* ⁵

It should be noted that there is a centralized tracking process for private mileage reimbursement in DHR/SOSC&F in the field and central offices. During your review this was not a mandatory data entry element. Subsequent to your review we have submitted a request to establish an edit which would require the entry of this information which would subsequently be utilized by the central office to monitor these reimbursed expenses. Accordingly, we request that the reason cited for incomplete information in the audit report be changed from *"Individual branch offices maintain mileage information; no centralized tracking in place."* to *"Some offices did not provide this statistical information during the data entry process."* ⁶



John A. Kitzhaber
Governor

500 Summer Street NE
Salem OR 97310-1012
Salem - (503) 945-5944
FAX - (503) 378-2897
TTY - (503) 945-5928

It should also be noted that the request for information from DHR/VRD was made by your auditors at the time accounting staff were completing the year-end closing process. At that time the accounting manager informed your auditors that limited accounting resources were dedicated to completing the year-end closing process during the next three weeks and to defer any requests for information for three weeks. Accordingly, we request that the reason cited for incomplete information in the audit report be changed from "No response" to "Limited resources were utilized on the highest operational priorities." ⁷

Recommendation: "Agencies should monitor employee travel and use the information provided to ensure that the most cost-effective travel decisions are made, where possible. Agencies with employees or groups of employees who travel in their private vehicle more than the cost-effective mileage point should consider obtaining permanently assigned state vehicles for these employees to use. Conversely, agencies that have permanently assigned state vehicles driven below the cost-effective mileage point should turn in these vehicles and have their employees use private vehicles or centralized motor pool rentals where possible. Agencies also need to ensure that all travel policies are communicated to employees."

Response: We concur with each of these recommendations and our corrective action plan includes monitoring employee travel, reviewing the use of permanently assigned vehicles, and communicating travel policies to our employees.

Recommendation: "We recommend that agencies approve reimbursement requests for private vehicle mileage only when employees have provided all of the required information."

Response: We concur with this recommendation and our corrective action plan includes communicating the requirements to our employees as well as establishing procedures to ensure that all required information has been obtained prior to authorizing travel reimbursements.

If you have any questions regarding our comments, clarifications, or responses please do not hesitate to contact our office.

Sincerely,

 Bobby S. Weeks, Deputy Director for

Gary K. Weeks
Director

cc: Cam Bernie, DAS



January 13, 1997

500 Airport Road SE
Salem OR 97301

Sam Cochran
Secretary of State, Audits Division
255 Capitol St. NE #500
Salem OR 97310

Dear Sam:

PO Box 12649
Salem OR 97309

Thank you for asking for comments on the draft audit report, "Opportunities to Reduce State Employee Travel Costs." We appreciate the information given regarding cost-effective mileage points, and will use that as we continue to make the most appropriate travel decisions for our program.

Phone
503-540-1000

You identified 1,193 permanently assigned vehicles from the motor pool which are driven below the cost-effective point. And you recognized that some are needed for special program reasons. We have about ten vehicles each month in this group, carrying Lottery equipment and supplies to support our network of some 3,300 retailers; we would neither expect nor allow our employees to carry these items in their personal vehicles.

Fax
503-540-1001

You also identified 40 state employees who drove enough miles that a state vehicle would be more cost effective than reimbursing for private vehicle mileage. Although we don't know if any of these 40 are Lottery employees, we do have a few whose mileage can range from under 1,000 in one month to 2,000 the next month. Again, we will continue to monitor travel to ensure we are making the most appropriate program decisions.

Sincerely,

Chris Lyons
Director

Web Center
www.das.state.or.us/lottery/

CL:jj
W:fleetcom

OREGON AUDITS DIVISION'S FOOTNOTES TO THE RESPONSES

1. The audit does recognize that there are vehicles needed for special purpose or program reasons that may not be highly utilized. On page 12 of the audit report we state, "In addition, there are program reasons that make it necessary to use a state vehicle in situations where reimbursing for private vehicle mileage would be more cost-effective. For example, agency employees may drive a permanently assigned state vehicle only 100 miles a month, but the agency may need to have the vehicle readily available for sporadic, but necessary, field visits. Also, agencies transporting clients, such as children in state custody or developmentally disabled adults under state care, may prohibit employees from using private vehicles for liability reasons." We also state in our recommendations on page 20 that "DAS should determine whether the vehicles are needed for special purpose or program reasons and whether the use of the **remaining** vehicles can be consolidated and any vehicles found to be unnecessary eliminated." [emphasis added]
2. The audit does recognize that there are seasonal and short-term needs for additional vehicles; however, we question whether owning and maintaining vehicles year round is the most cost-effective way to meet those needs. On page 21 of the audit report we state, "In the scope of its analysis, DAS should consider the availability and cost-effectiveness of other state-owned vehicles and private rental company vehicles as back-up in the event that the motor pools have short-term or seasonal needs for additional vehicles."
3. As stated on page 18 of the audit report, we excluded from our analysis older sedans, trucks, pickups, and vans. Therefore, pursuing this recommendation would not result in agencies having less access to "other" vehicles, such as cargo vans, passenger vans, and older general-purpose vehicles.
4. We agree with DAS that there should be multiple cost-effective mileage points. These mileage points, however, should not only vary by the general type of vehicles, but also by agency operating the vehicle fleet. As stated on page 11 of the audit report, "...agencies operating individual vehicle fleets and agencies that reimburse for private vehicle mileage at a higher rate will have different cost-effective mileage points."
5. Text changed to "Limited resources; last report turned in for this agency was for fiscal year 1993-1994."
6. Text changed to "Individual branch offices maintain mileage information; some offices do not report mileage."
7. Text changed to "Limited resources."

