

A

2003 Joint Committee on Audit

Fleet, State Vehicle

03hr_JC-Au_Misc_pt09a through pt09j

Voting

Vote Record

Joint Legislative Audit Committee

Date: 5-4-04

Bill Number: Vehicle Fleet scope audit

Moved by: Cowles Seconded by: Lassa, Kerkman, Darling

Motion: _____

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Senator Carol Roessler Co-Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz Co-Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Robert Cowles	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Alberta Darling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Jeffrey Plale	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Julie Lassa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Dean Kaufert	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative David Cullen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mark Pocan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 9 - 1 -

Motion Carried

Motion Failed



STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

PEGGY A. LAUTENSCHLAGER
ATTORNEY GENERAL

Daniel P. Bach
Deputy Attorney General

114 East, State Capitol
P.O. Box 7857
Madison, WI 53707-7857
608/266-1221
TTY 1-800-947-3529

April 16, 2004

Secretary Marc Marotta
Wisconsin Department of Administration
101 East Wilson Str., 10th Floor
HAND DELIVERED

Re: Vehicle Use Policies

Dear Secretary Marotta:

The Department of Justice is in the process of reviewing records and procedures related to the use of state vehicles by (DOJ) employees, a process begun immediately following the release of the Ethic's Boards findings relative to the Attorney General and me. As part of this review, we intend not only to determine whether there have been instances of non-compliance with Department of Administration fleet rules, but also to ensure that all DOJ employees who use state vehicles and their supervisors understand the meaning of those rules. We also plan to evaluate how the size of the DOJ fleet may be reduced. We will make certain that the results of our review are shared with your department.

Having said that, I believe that there are aspects of the fleet rules that require clarification or amendment. As I understand it, there are also certain exceptions to policies within the rules which have been made applicable, by written terms or patterns and practices, only to certain types of state employees, thereby creating illogical and inappropriate distinctions in approved vehicle use. I wish to point out at least some of these anomalies for your consideration in the hope that guidance or changes can be effected before we complete our own instructional program. I also intend to offer suggested changes to the fleet management system, at least as it pertains to DOJ, for the purpose of affording more efficient management of vehicles assigned to DOJ and to better conform the rules to justified business travel on a practical, realistic basis.

The most problematic aspect of the current rules concerns the restricted use of vehicles for "commuting" purposes and the exceptions thereto. Commuting is defined as travel between home and headquarters. Use of a state assigned vehicle to commute is permissible, as long as the employee pays the state for that mileage. There is an exception to that rule, however, for vanpool drivers and "employees who are on call 24 hours a day." My question is, to what aspect of the commuting restriction does the 24/7 exception apply? Does it apply to the obligation to reimburse for commuting mileage, or is it an exception only to the rule restricting non-business use to commuting?

Secretary Marc Marotta
April 16, 2004

In that vein, what is the rationale for the 24/7 exception, and how are employees determined to qualify for the exception? I note that the University of Wisconsin website identifies chancellors as "on-call 24 hours a day" and indicates that their family members may be covered by state automobile liability insurance because they "can also be agents of the University." Do our DOJ criminal investigators, or the state's "top cop," qualify for this exception? If the state deems it necessary for certain employees to have a state vehicle immediately accessible at all times, do the rules require that those employees pay for mileage affording them such access? It would appear that the provisions made applicable to University chancellors and their family members blur the distinction between personal and business travel, and what is considered reimbursable mileage.

Information recently made available by your department shows that many state employees have not claimed personal mileage for use of their state vehicles. Some of those individuals are prison wardens whose vehicle logs appear to reflect commuting mileage. Are these employees covered by the 24/7 exception? Again, without clarification and justification, it is difficult for those of us operating a department staffed by law enforcement officers to know what is fair and appropriate in relation to their state vehicle usage.

Another aspect of the rules which needs refinement concerns what I refer to as triangular travel. For many Madison-based employees whose job responsibilities require frequent travel but who don't happen to live in or near Madison, this rule in and of itself could coerce a household relocation. (If the state wants all of its workers to live in Madison, that is a policy debate which shouldn't be obviated by the vehicle rules.) The triangle rule provides, in essence, that if one travels to a particular business site and either begins or ends that trip from one's residence, the employee must reimburse for any mileage in excess of that which would have been incurred by travelling a direct course between work headquarters and the location where business was conducted.

In theory, the rule sounds good. In practice, however, a strict application of the rule can lead to absurd or unfair results, and a very inefficient use of employee resources. If, for example, an employee works in Madison, lives in Cambridge and has to travel to an early meeting in Milwaukee, it would be logical and most efficient that the employee travel a direct path from home to the business site in Milwaukee without losing time going through Madison to pick up a car. Under the rules, however, the employee who takes a state car home would have to reimburse for the additional mileage incurred by travelling to Milwaukee via Cambridge, or else use his or her own vehicle and be reimbursed at the insufficient rate of 22 cents per mile for the business portion of the trip. As the triangular distances and frequency of such travel vary, so too do the compelling nature of the results. As an administrator, I am at least as concerned about the efficient use of employee resources, not to mention the safety of our employees if they feel pressed by the rules to travel farther and later than they otherwise would, as I am about the expense of their travel. It would seem that this is an area where case-by-case discretion should be accorded to supervisors rather than rigid application of the one-size-fits-all current provision.

Secretary Marc Marotta
April 16, 2004

On the subject of supervisors, I have additional concerns about enforcement of the rules and the development of a system for redress of violations. The rules currently provide that supervisors, and ultimately department or agency heads, are responsible for ensuring that employees reimburse for personal mileage incurred. I had labored under the assumption that DOA, as the department responsible for fleet administration, would take a more active role in monitoring vehicle use than it has done or may be capable of doing. There is a schizophrenic quality about the authority DOA purports to have, what DOA does in fact, and what the rules provide. For example, there was a serious disconnect between your department's authorization that the Attorney General's state car be serviced in Fond du Lac, evidencing knowledge of her travels home, and the quick referral to the Ethics Board as soon as her DUI citation called attention to her use of the car to travel home as one leg of a longer, business trip (again, the triangle rule). In addition to following bad information provided by our own staff, we acted under the mis-assumption that DOA would alert us as soon as possible to any rule infractions it might detect. In light of your recent comments to the media in relation to the apparent widespread problem now under review, it appears that DOA may not be in a position to effectively administer fleet usage.

If that is the case, perhaps all responsibility for purchase, maintenance, and management of state vehicles should be left to individual departments themselves. The fleet rules are drafted, at least in part, as if that situation already existed. In the case of DOJ, the ultimate irony is that many of the cars we use were obtained through our own law enforcement seizures. We, however, then lease those same cars from DOA at considerable expense. As the Governor is intent upon reducing the size of state government, there would appear to be an economy we could achieve through eliminating your administration of the vehicles we seize and use. Moreover, it seems logical that a law enforcement agency is better suited to drafting rules governing the permitted use of law enforcement vehicles than a department with no law enforcement component or experience.

As part of our internal review of DOJ vehicle use, one change that will result is that all of our employees will be required to keep accurate logs of all mileage traveled. As you may know, DOA had eliminated that requirement, making it exceedingly difficult to establish how a particular vehicle has been used over any substantial period. I don't know how DOA intends to evaluate the accuracy of the records of the hundreds of state employees now under review, but if our supervisors are accountable for the mileage of employees under their charge we intend to impose the obvious and helpful solution of requiring better record keeping.

Finally, in other contexts DOJ has taken it upon itself to impose penalties for violations of work rules. I noted from your comments in the newspaper that penalties would be meted out to anyone who failed to reimburse the state for personal mileage. I would like to know what you envision in that regard, as we may find non-compliance with fleet rules in the course of our internal audit. Do you foresee referrals to the Ethics Board, do you expect each department to impose sanctions, or is there some other procedure or remedy you have in mind? As I'm sure you agree, fair and consistent treatment for all employees must be the objective.

Secretary Marc Marotta
April 16, 2004

Thank you for your consideration of these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. P. Bach', written in a cursive style.

Daniel P. Bach
Deputy Attorney General



STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

6-165*

PEGGY A. LAUTENSCHLAGER
ATTORNEY GENERAL

114 East, State Capitol
P.O. Box 7857
Madison, WI 53707-7857
608/266-1221
TTY 1-800-947-3529

Daniel P. Bach
Deputy Attorney General

April 21, 2004

Secretary Marc Marotta
Department of Administration
PO Box 7864
Madison, WI 53707-7864

Dear Secretary Marotta:

As a follow-up to my letter last week, I wanted to reiterate that the Department of Justice (DOJ) is concerned about any recommendations the Department of Administration may make regarding state employees found to have violated fleet vehicle rules. During our on-going DOJ review of our vehicle use, we have discovered one instance of long-term non-compliance with vehicle rules during the previous administration, the details of which I will forward to you. While I am not aware of any other instances of non-compliance at DOJ which have not been addressed, it is not premature to consider how any such issues will be resolved.

Second, one portion of my previous letter to you will require amendment, specifically the number of DOJ vehicles obtained through asset forfeiture. We are working on clarifying those details.

Sincerely,

Daniel P. Bach
Deputy Attorney General

DPB: kh



State Representative

Dan Meyer

Member: Joint Committee on Finance

APR 22 2004

April 21, 2004

Senator Carol Roessler, Co-chairperson
Joint Legislative Audit Committee
Room 8 South, State Capitol
Madison, WI 53707-7882

Dear Senator Roessler:

I am writing to request an audit of vehicle purchases by the Department of Natural Resources and the decision making process used by the DNR with regards to such purchases. Recently, an investigative reporting series by *The Lakeland Times*, in my district discovered that the Department of Natural Resources northern region has paid \$10.4 million to buy vehicles for use by staff over the last ten years. I believe state fleet purchases and the decision making process used by the DNR for such purchases would merit a review by the Legislative Audit Bureau.

I was stunned when I read the articles on the amount of taxpayer dollars that the Department of Natural Resources is spending on purchasing vehicles. During these difficult economic times and with reductions in budgets, I'm surprised that the DNR would place a priority on buying vehicles over putting people in the field. In addition, I question why they are buying high-priced vehicles at a time when the Department of Natural Resources and Secretary Hassett say that they do not have enough money in their budget to fight the invasive species invading our state's waterways.

The Department of Natural Resources has indicated that the public can expect poorer service and slower response times. Secretary Hassett has previously referred to budget cuts as "devastating." The DNR has proposed closing service centers and cutting fish hatcheries. When asked why they are not doing more to fight invasive species they respond by indicating that they do not have enough resources.

The DNR needs a reality check when it comes to setting the priorities that they have established. Purchasing large expensive vehicles should not be more important than putting people in the field, keeping service centers open, operating the state's fish hatcheries or fighting invasive species.

The recent investigation done by *The Lakeland Times* appeared to uncover significant gaps in the DNR's tracking of vehicle purchases and the decisions made surrounding such purchases. I believe a more extensive audit by the Legislative Audit Bureau is warranted at this time, and respectfully request your assistance in supporting such an audit.

If you have any questions, or need any additional information please do not hesitate to contact me at (608) 266-7141.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Meyer", with a long horizontal flourish extending to the right.

Dan Meyer
State Representative
34th Assembly District



Friday, April 16, 2004

Contacts: Jessica Erickson, Governor Doyle's Office, 608-261-2156

Governor Outlines Steps to Reduce State Car Fleet, Improve Accountability

*Governor has already cut new car purchases by more than 75 percent,
saving taxpayers \$26 million*

Governor Jim Doyle today outlined steps his administration has already taken to reduce the state car fleet, and ordered further actions to continue to reduce the size of the fleet and bring greater accountability to the system.

"Over the years, state government has bought too many new cars, allowed too many personally assigned vehicles, been too lax about ensuring people pay for personal use of state cars, and too careless about recordkeeping," said Governor Doyle. "But it is a new day in Wisconsin. When I took office, I directed my cabinet members to turn in the cars their predecessors used, and we have cut the number of new car purchases in all of state government by more than 75%. Today, I am ordering further steps to protect the taxpayers and bring greater accountability to our state car fleet."

The Doyle Administration has already taken the following steps since the Governor took office:

- When Governor Doyle took office, he directed cabinet secretaries to turn in personally assigned vehicles their predecessors used. Unlike in previous administrations, neither the Lieutenant Governor nor any cabinet secretary has a personally assigned vehicle.
- In FY03 and FY04, a total of 1,770 new vehicles were requested by agencies to replace older vehicles, with an associated cost of \$35.2 million. Of these, 1361 purchases were rejected by the Doyle Administration and only 409 were approved, for a savings of \$26.3 million to taxpayers. In contrast, under former Governor McCallum, for FY02, 1405 new vehicles were requested – all of which were approved – at a cost of \$27.7 million.
- From January 2003 to January 2004, the overall size of the state car fleet was reduced by 132 cars.
- In February, 2003, the Department of Administration signed contracts to implement a consolidated vehicle maintenance system within the Department's centralized fleet to take advantage of the state's buying power to negotiate better rates on repairs and maintenance. As a result, DOA saved more than \$300,000 on repairs in 2003, an 18% reduction from 2002.

(more)

- Since Department of Administration Secretary Marotta asked state agencies to report on personally assigned vehicles in February, more than 80 personally assigned vehicles have been turned in.

Today, the Governor directed his cabinet to take the following additional steps:

- For all personally assigned vehicles that are driven less than 16,000 miles in a year, agencies will have 30 days to submit written justification on why those vehicles should be personally assigned. Personally assigned vehicles found to be underutilized or unnecessary will be revoked.
- The Governor has directed the Department of Administration to freeze the purchase of new state cars until a review of the usage of all state cars is complete and all agencies have responded to DOA's review of personally assigned vehicles.
- The Governor is directing his cabinet and all managers to educate all employees who use state cars about the rules and regulations on the personal use of state vehicles, and to take appropriate actions -- including possible disciplinary actions -- to ensure that all employees with personally assigned vehicles are paying for any personal use.
- The Governor is directing the Department of Administration to develop a better system of record keeping for the state fleet, particularly with respect to reporting of personal vehicle use and for tracking low-mileage vehicles.
- The Governor is directing the Department of Administration to continue to pursue consolidation of fleet management as well as maintenance services across state government as appropriate.



State Representative

Dan Meyer

Member: Joint Committee on Finance

April 21, 2004

Representative Sue Jeskewitz, Co-chairperson
Joint Legislative Audit Committee
Room 323 North, State Capitol
Madison, WI 53708

Dear Representative Jeskewitz:

I am writing to request an audit of vehicle purchases by the Department of Natural Resources and the decision making process used by the DNR with regards to such purchases. Recently, an investigative reporting series by *The Lakeland Times*, in my district discovered that the Department of Natural Resources northern region has paid \$10.4 million to buy vehicles for use by staff over the last ten years. I believe state fleet purchases and the decision making process used by the DNR for such purchases would merit a review by the Legislative Audit Bureau.

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Sincerely,

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Dan Meyer
State Representative
34th Assembly District

DNR Fleet Audit Background

Summary Points

The practices arose under the prior administration

The new administration responded timely and appropriately, as soon as the new administration learned of the practices

- Division Administrator immediately requested internal audit
- Disciplinary action was taken against the employee involved
- New administration has implemented audit recommendations
- New administration agreed to conduct a follow-up audit (in progress now) to ensure all problems have been successfully addressed. DNR will act on any additional recommendations that may come out of the follow-up audit.

The need for the vehicles and maintenance involved was not questioned; only the process for obtaining the needed items was questioned

There was no evidence that the employee involved gained anything personally (the improper practices were apparently motivated by a misguided desire to foster a less formal, "good working relationship" with providers to get a favorable price for the state)

Background--Timeline

- | | |
|--------------------------|---|
| 12/02 | Prior to the change in administration, a regional employee raised concerns in e-mail to supervisor at regional level |
| 3/12/03 | New administrator of the Division that oversees fleet purchases appointed |
| 3/04/03 | New administrator first informed of concerns re: fleet procurement practices |
| Rest 3/03-
Start 4/03 | New division administrator conducted investigation, including meeting with reporting employee and reviewing procurement documents
Contacted LAB re: LAB conducting an audit. LAB reported that they would not be able to schedule the audit for a number of months.
New division administrator wanted more timely action; recommended a DNR internal audit. |
| 4/21/03 | New division administrator requests internal audit |
| 7/03 | Audit completed; DNR commences implementing audit recommendations |

7/28/03 Division administrator met with finance bureau director, purchasing agent, fleet manager, and acting bureau director aeronautics and fleet. Reviewed audit findings, stressed new administration will fully comply with procurement rules, and make every effort to achieve multiple bids

8/ /03 Disciplinary action taken against employee

4/04 Follow-up audit now in progress

DNR FLEET MANAGEMENT

➤ DNR Has Not Been on a Vehicle Buying Spree

The press is about purchases in 2001 (203 vehicles) and 2002 (277 vehicles)

Purchases are cyclical; dependent on age and condition of fleet

Purchases even in 2001 & 2002 were primarily replacements, size of overall fleet did not increase dramatically then and has remained essentially constant in last five years

1999=1555 total vehicles

2000=1521

2001=1538

2002=1575

2003=1561

During this administration: total # vehicles reduced by 14
total # purchased in 2003 37, lowest total in at least eleven years
voluntarily canceled 2004 car buy

➤ DNR Has Responsibly Managed Fleet and Reduced Numbers as Appropriate in Response to the Budget Crunch and Cutbacks

□ DNR is austere

- DNR runs vehicles longer than required under general replacement criteria

Replacement criteria:

Cars - DOA 85,000 miles, DNR 120,000 miles

Light trucks - DOA 95,000 miles, DNR 200,000 miles

Heavy trucks - DNR strictly by condition of the vehicle (DNR does have semi tractors (Low Boy) in excess of 750,000 miles)

Reasons for running vehicles longer:

- Base warranties on diesel vehicles have been extended to cover first 100,000 miles for light trucks & 200,000 miles for heavy trucks.
- DNR switched from gasoline to diesel for all ¾ quarter ton trucks and larger due to the lower cost of operation (fuel economy 18mpg vs. 11.5 mpg, better base warranties, longer live, less maintenance)
- Utilizing technology
 - Purchasing trucks that grease themselves
 - Using life cycle coolant (never need to replace coolant)
 - Tires - DNR buys fuel efficient radials

- ❖ As a result of running our cars longer, DNR voluntarily canceled their 2004 car buy, which allowed DOC to purchase more cars.

- DNR looks for and purchases used trucks if makes economical sense

□ DNR has reduced its fleet

2003: total # vehicles reduced by 14

total # purchased 37, lowest total in at least eleven years
voluntarily canceled 2004 car buy

➤ **DNR Has a Unique Mix of Vehicle Needs and Remote Locations to Serve**

- Personally Assigned vehicles (as of April 19, 2004):

Overall (Cars & Light Trucks)
85% Law Enforcement
4% Forestry
2% Fisheries

Cars
27% Law Enforcement (all are equipped with siren, lights & radio)
20% Forestry
10% Fisheries

Light Trucks
93% Law Enforcement

- Specialized use & work unit vehicles:
 - Light Trucks (Total L. Trucks Dept. 1,077 of which 222 are personally assigned)
60% Off-road
Largest use = Towing (boats, equipment trailers)
Work units = Maintenance (e.g. carry cleaning supplies to clean pit-toilets), carry equipment, carry monitoring equip, plow snow, use for controlled burns (slip on fire unit), use as a dump truck (slip on dump unit), tank trucks for hauling fish (can also add on a dump unit).
 - Heavy Trucks (Total H. Trucks Dept. 181)
Specially designed dump trucks to haul rocks.
Haul CWD carcasses
Heavy haulers to haul heavy equipment and also pull trailers, haul building debris to landfills
- Low Mileage:
 - Parks – vehicles cover specific areas (e.g. clean pick toilets)
 - Forestry – emergency vehicles (must have on-hand and ready)
 - Seasonal operators (approx. 9 months per year)
 - Hatchery propagation trucks – only run locally. Use haul groups now instead.
 - Nurseries and game farms – specific areas

- ❖ Where possible the vehicles are used for multiple areas and are reassigned when mileage gets high for initial use. E.g. When a tank truck for hauling fish reaches 200,000 miles, the vehicle gets a permanent dump unit and is reassigned to a park.

Asbjornson, Karen

From: Stuart, Todd
Sent: Friday, April 23, 2004 2:56 PM
To: Mueller, Janice
Cc: Asbjornson, Karen; Matthews, Pam
Subject: DNR fleet audit



DNR Fleet
urchasing Report.doQuestioned Costs.xls

Jan:

Here is an internal DNR fleet audit and the appendix. There is some pretty nasty stuff in it.

REPORT

Fleet Purchasing Review

Bureau of Administration & Field Services

July 2003

Department of Natural Resources
State of Wisconsin
Madison, Wisconsin

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DNR Bureau of Finance, Auditing and Reporting Services Section

DNR's Internal Auditing goal is to provide objective auditing and consulting support to DNR's management and staff, to be guided by a philosophy of adding value to improve the operations of DNR and to assist DNR's management and staff accomplish their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of DNR's risk management, control and governance processes.

Blanca Rivera, Bureau Director

Review performed by:

Troy Brown, Section Chief
Larry Metz, Lead Internal Auditor

TRANSMITTAL LETTER

DATE: April 26, 2004
TO: Vance Rayburn, AD/5
FROM: /s/ Troy Brown for Blanca Rivera, FN/1
SUBJECT: Fleet Purchasing Review

FILE REF: 9300

At your request, we performed a special review of the Fleet Operations Program purchasing procedures and practices. The Fleet Operations Program is a section of the Bureau of Administrative and Field Services. The purpose of this review was to evaluate compliance with State and DNR purchasing procedures and evaluate internal controls. The State Statute s.16.75 broadly defines the State laws for purchasing goods and services to carry out government operations. The State Department of Administration (DOA) has delegated certain purchasing powers to the Department of Natural Resources (DNR) and promulgated rules in Administrative Code and the State Purchasing Manual to carry out the purchasing function for the agency.

We were not requested to and did not perform an examination for the purpose of expressing an opinion on the financial reports of the Fleet Operations Program of the Department of Natural Resources. Accordingly, we do not express an opinion on the financial and operating reports and related information contained in this report.

In this report, we have made comments and recommendations related to the Fleet Operations Program purchasing practices and related matters. Management's responses for the Fleet Operations Program are included in this report.

In summary, we recognize that implementation of our recommendations will require some changes in business practices, internal controls and may require more costs to the Fleet Operations Program. However, our recommendations are intended to improve business processes that will in the long-term provide more effective and efficient operations. We wish to thank the Fleet Operations staff for the courtesy and cooperation given to Larry Metz during this assignment.

cc: Scott Hassett, AD/5
Tom Joestgen, AF/BW
John Leighty, AF/DR
Julie Sauer, NOR-Spooner
Troy Brown, FN/1

INTRODUCTION

Background Information
Financial Data
Prior Audit Recommendations

Background Information

The Department of Natural Resources (DNR) owns and operates a vehicle fleet for various programs administered by the Department. This fleet consists of approximately 2,000 cars, trucks, equipment and trailers. The acquisition cost of the vehicles at June 30, 2003 was \$46.3 million. Fleet Operations are managed from the DNR offices at 2421 Darwin Rd., Madison Wisconsin. Fleet Operations staff includes a Fleet Program Manager, administrative and shop personnel. Field Maintenance Shops are located at Black River Falls, Brule, Grantsburg, Spooner and Woodruff to support and facilitate maintenance of mostly heavy trucks and equipment.

Financial Data

The operating cost of the vehicle fleet in FY 2002 and 2003 was \$4,028,775 and \$4,331,463, respectively. The operating cost excludes capital purchases and imputed depreciation. Revenues, primarily from vehicle use fees, were \$7,048,119 in FY 2002 and \$6,968,013 in FY 2003 from the preliminary closing on June 30, 2003. *See Appendix 1 for more financial and operating information.*

Prior Audit Recommendations

DNR's internal audit staff conducted a business process review of Fleet Operations in 1999. The 1999 Review included several major recommendations:

1. Reorganize vehicle operations accounting as an "internal service" fund.
2. Utilize alternative financing to eliminate direct program contributions for new vehicles.
3. Develop an improved chargeback fee system to distribute the operating cost of vehicles.
4. Complete annual physical inventory of vehicles.
5. Obtain an annual internal post-audit of vehicle revenues and expenditures.

The only major recommendation fully implemented since the 1999 Review was an improved chargeback fee system. Also, other procedure changes recommended have been made. A partly implemented major recommendation was that most program contributions for new vehicles were discontinued, although the Conservation Fund balance continues to support the cost of financing new vehicle purchases rather than securing alternative financing.

FLEET PURCHASING

Authorizing Legislation
State Purchasing Procedures
DNR Fleet and Purchasing Procedures

Authorizing Legislation

The Laws of Wisconsin, 2001-02, for purchasing goods and services for government operations are, in part, as follows:

s. 16.71(1) "...The department [DOA] shall purchase and may delegate to special designated agents [DNR Purchasing Agents] the authority to purchase all necessary materials, supplies, equipment, and all other permanent personal property and miscellaneous capital, and contractual services and all other expense of a consumable nature for all agencies."

s. 16.75(1)(b) "...When the estimated cost exceeds \$25,000, the department [DOA or designated agents] shall invite bids to be submitted. The department shall either solicit sealed bids to be opened publicly at a specified date and time, or shall solicit bidding by auction to be conducted electronically at a specified date and time.

s. 16.75(1)(c) "...When the estimated cost is \$25,000 or less, the award may be made in accordance with simplified procedures established by the department for such transactions."

s. 16.77(1) "No bill or statement for work or labor performed under purchase orders or contracts issued by the secretary [of DOA] or the secretary's designated agents, and no bill or statement for supplies, materials, equipment or contracted services purchased for and delivered to any agency may be paid until the bill or statement is approved through a preaudit or postaudit process determined by the secretary [of DOA]."

s. 16.77(2) "Whenever any officer or any subordinate of an officer contracts for the purchase of supplies, material, equipment, or contractual services contrary to ss. 16.705 to 16.82 or rule promulgated pursuant thereto, the contract is void, and any such officer or subordinate is liable for the cost thereof, and if such supply, material, equipment or contractual services so unlawfully purchased have been paid for out of public moneys, the amount thereof may be recovered in the name of the State in an action filed by the attorney general against the officer or subordinate and his or her bonders."

State Purchasing Procedures

DOA further defined the policies for solicitation of bids and proposals (Adm 7) and the bidding process (Adm 8) by promulgated administrative codes related to purchasing.

The State Procurement Manual defines the procedures for the official sealed bid (PRO-C-5), simplified bidding (PRO-C-8) and other purchasing procedures, including serial contracting (PRO-C-27).

DNR Fleet and Purchasing Procedures

Fleet Management Handbook (9210.5) Ch. 90-1 "Repairs and Maintenance on Cars, Trucks and Heavy Equipment" states, in part:

"Repairs at DNR Maintenance Shops are made at the discretion of the shop manager for servicing and maintenance of equipment to attain the maximum efficiency of state facilities.

Repairs by outside vendors on cars and trucks costing under \$500 can be approved by the driver. Any repair over \$500 must have the prior approval from regional fleet management or Central Office fleet management. Repairs over \$1,000 on cars and trucks must have prior approval from Central Office fleet management. If no prior approval was given, the program will be liable for all costs over \$500. A repair on heavy equipment and medium duty trucks under \$1,000 needs no prior approval. For any repairs of medium or heavy trucks and equipment costing over \$1,000, Central Office fleet management must be notified. If no prior approval was given, the program is liable for all costs over \$1,000. Ch. 80 covers accidents and incident repairs."

In addition, DNR Manual Codes 9321, 9322.1 and 9322.2 provide specific guidance for purchasing and purchasing approvals. For example, the purchase requisition expenditure approval dollar limits (9322.2) are:

Secretary or designee	\$75,000 and above
Administrator or designee	\$25,000 to \$74,999
Region Director or designee	\$5,000 to \$24,999
Bureau Director or designee	\$5,000 to \$24,999
First line supervisor or program manager	\$0 to \$4,999

COMMENTS AND RECOMMENDATIONS

Serial Purchasing
Repairs and Maintenance
New and Used Vehicle Purchases

Serial Purchasing

Serial purchasing encompasses all attempts to circumvent proper approvals and awards of a purchase order to the lowest bidder. Serial purchases are prohibited because of the requirements in State Statutes and State policies requiring competitive bidding for government purchases. Not to be confused with the defined term, "serial contracting", in the State Purchasing Manual (PRO-C-27), serial contracting is where purchase orders issued to the same vendor within 90 days totaled more than \$25,000. We considered the broader term, serial purchasing, as we reviewed over 130 payment vouchers, for planned non-emergency purchases to the same vendor or for the same goods or services and not just purchase orders.

It seemed there were substantial serial purchases over the past two years that totaled more than \$490,000 in the Fleet Operations Program, Central Office expenditures. *See Schedule of Questioned Costs, Appendix 2.* The concentration of business with 4 vendors in the past three years has increased from \$2,209 in FY 2001 to \$578,380 in FY 2003. Most of these 4 vendor's purchases during the 3 years totaling \$990,658 were serial purchases but some of the purchases were made with purchase orders (\$322,147) where the winning bid had fewer than 3 bidders because allegedly the specifications were too restrictive to allow fair competition.

When components or a system costs over \$5,000, the asset should be capitalized with the proper object code in WiSMART. System assets are defined in the State Accounting Manual, Section V-12, as a group of interacting, interrelated or interdependent components forming a whole. The logic behind capitalizing each individual component, as part of the entire system, is that the component standing alone cannot function or serve its intended purpose. For example, we found many instances when individual invoices represented components of a system but were not properly approved or capitalized in the past two years.

Examples of the attempts to circumvent proper State purchasing procedures and to not properly capitalize vehicle components were as follows:

- Invoice splitting was observed when the purchase was billed or re-billed as several invoices (CAFD 37 & 524), each totaled less than \$5,000 (some were \$4,999 for different components). This practice was considered as attempted collusion between the fleet and vendor staffs that circumvented State Purchasing Procedures.
- Printing on the invoice that "Purchases over \$5,000 require PO" and issuing an invoice for less than \$5,000 when additional parts or work ordered would have caused the invoice to be over \$5,000 (CAFD 456). This practice indicated the vendor's staff was aware of State purchasing requirements.
- Billing parts on one invoice and the labor cost of installation on another invoice occurred several times to apparently to avoid the purchasing procedures (CAFD 885 & 903, 689 & 740). This practice by two vendors that circumvented state purchasing procedures was apparently condoned by fleet management.

We recommend that the Fleet Operations Manager prepare an action plan to ensure the issuance of purchase requisitions with proper approvals according to DNR Manual Code 9322.2, when required. Further, we recommend that the Fleet Operations Manager send each vendor a letter explaining the State's purchasing policies and procedures with examples of practices DNR does not want to occur in their billings.

Response

The fleet manager will prepare an action plan to comply with purchase requisitions and approvals according to DNR Manual Code. We will insist the fleet manager send each vendor a letter and on occasion meet with vendor explaining the State's purchasing policies and procedures. Before this can happen we will request the assistance of the Bureau of Finance to provide in-depth training to DNR fleet staff on all pertinent purchasing policies and procedures. It is difficult to ask our fleet staff to explain policies and procedures when they have received little training themselves.

State Statutes (s. 16.75) require solicitation of bids or written quotes, when the estimated cost of the purchase exceeds \$5,000. If the estimated cost is over \$25,000, the solicitation must be by official sealed bids. (See Statute excerpts in the prior *Fleet Purchasing* section.) We found that none of the purchases from the 4 vendors had 3 or more bids, except the bid solicitations #B-016-03 and #C-017-03. Although bid solicitation for some purchase orders had as many as 25 bid packages sent to potential bidders, the number of bids received was still 3 or less. The Fleet Program Manager's practice was to develop a "good working relationship" with a small number of vendors to obtain preferential pricing for DNR. Either competitive bidding or negotiated prices might work to the DNR's advantage, but only competitive bidding is allowed, in most instances. Situations with less than 3 bids or bidders deserved additional effort by DNR Purchasing Agents to obtain competitive bids.

We recommend that the Fleet Operations Manager develop written annual or biennial program goals for repairs and maintenance costs; and all additions, improvements and replacement of vehicles to identify purchases requiring a purchasing order.

DNR Purchasing Agents should provide additional oversight and monitoring of purchases to obtain 3 or more bids; perform a periodic analysis of similar transactions which could have been anticipated and consolidated into a single transaction (State Procurement Manual, PRO-C-27); and seek to establish a statewide contract for repairs and maintenance on medium or heavy trucks and equipment, as is currently available for cars and light trucks (State Contract #15-95360-001).

Fleet Response

Fleet manager will solicit customers to express the needs and expectations of the fleet from a program standpoint. From that information an operations budget can be written to include an annual report complete with program goals. The challenge will be to accurately predict the level of maintenance and repairs needed when the type and amount of work being done may vary throughout the year.

Fleet will work with purchasing agents in the hope of attaining 3 or more qualified bids, however the number of bidders are dependent on the number of vendors who subscribe to "Vendor Net". We welcome purchasing agent assistance in this process.

Purchasing Response

The Bureau of Finance will incorporate a review process for purchases over \$25,000 to ensure that there was appropriate competition. For large purchases, a review team may be put together and would include a purchasing agent, a program staff and the Purchasing Section Chief. In particular, this approach will be taken when three bids or less are received.

In addition, the Bureau of Finance will develop a monitoring system to assist us in determining if purchases made which are paid via direct payment should have followed a procurement process. Any findings will be referred to purchasing agents to work with appropriate program staff to develop a bid, RFP or the appropriate purchasing transaction.

Finally, the Bureau of Finance will begin to analyze areas in which a state-wide contract is appropriate and establish those contracts as soon as feasible. For FY05, we would have all necessary contracts in place.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. However, several internal controls could be strengthened with annual audits and additional training on State and DNR purchasing laws and regulations.

We strongly recommend that annual internal audits of fleet expenditures be requested from the Bureau of Finance to comply with Statute 16.77(1) and the 1999 DNR Fleet Operations Review recommendations. Further, we recommend that the Fleet Management Handbook make a stronger commitment for employees to observe the State and DNR laws and regulations before purchasing goods or services and to provide improved training of employees on the State and DNR purchasing laws and regulations.

Response

We will request a follow up audit one year from the Finance training of fleet staff to determine if the training was effective and recommendations were implemented. Further audits can be scheduled based on the assessment at that time.

Repairs and Maintenance

According to the Fleet Management Handbook (excerpt shown in the prior **Fleet Purchasing** section) vehicle users may purchase repairs and maintenance services for limited amounts; regional fleet management and the Central Office of fleet operations may pre-authorize larger dollar amounts for the user. Annual maintenance checks are required for all vehicles to ensure safe and reliable operation. A copy of the Inspection Report (Form 9200-94) is stored in the vehicle file at the Central Office of fleet operations. When deficiencies are found, repairs should be promptly performed to return the vehicle to safe and reliable operation.

The State Accounting Manual (Section V-12, Capital Expenditures) defines repairs to maintain a fixed asset in its original operating conditions as follows:

"Ordinary repairs are expenditures made to maintain assets in operating condition. Preventative maintenance, normal periodic repairs, replacement parts, structural components, and other activities to maintain normal services should not be capitalized but rather charged to appropriate repairs and maintenance object code.

Major repairs are relatively large expenditures that benefits more than one operating cycle or periods. If a major repair, e.g. an overhaul, occurs that benefits several periods and/or extends the useful life of the asset, then the cost of the repair should be handled as an addition, improvement or replacement, depending on the type of repair made.

Costs incurred to achieve greater future benefits, e.g. improve efficiency or materially extend the useful life of the asset and costs more than \$5,000, should be recorded as capital expenditures; whereas expenditures that simply maintain a given level of service should be recorded as repairs and maintenance."

In the 1999 Review of Fleet Operations, we found that repairs in excess of \$5,000 were not being considered capital expenditures, as required by the State policy.

The current Review of fleet purchasing found that all fleet repairs and maintenance expenditures without a purchase order were coded to the repairs and maintenance object code, #2470 in WISMART. Some of those expenditures for repairs and maintenance should be capitalized. Accordingly, we have questioned costs for repairs and maintenance of over \$490,000, shown in Appendix 2. The effect of treating all such repairs and maintenance as expenditures was to overstate the vehicle use fees to the user's programs in the second next year.

We recommend that the Fleet Operations Manager ensure the correct object codes are used for capital expenditures and repairs and maintenance. Further, the vehicle use fees should be calculated to give effect to retroactive capitalization of the major repairs that should have been capitalized in FY 2002 and FY 2003 by recalculating the depreciation charges for those years and include the change to the next rate adjustment.

Response

Purchases and repairs over \$5,000 will be a capitalized expense and build into the vehicle rate structure. At the request of the audit, fleet will review all expenses dating back to 2002.

New Vehicle Purchases

The purchase and sale of State cars, trucks, heavy equipment and trailers is directed by guidelines established by the DOA Central Fleet management. These guidelines, used as a general reference for vehicle purchase and replacement, are included in the DNR Fleet Management Handbook (50-1) on the following page.

Vehicle Category	Purchase if yearly mileage or hours is at or greater than	Sale is authorized when the following criteria are met.
Cars, station wagons and mini-vans	16,000 miles yearly	75,000 miles
Light duty trucks	12,000 miles yearly	85,000 miles
Heavy trucks, 2 tons and up	10,000 miles yearly	100,000 miles or condition
Tractors and other heavy equipment	200 hours	4,000 hours or 20 years
Trailers	N/A	Condition and use

Source: DNR Fleet Management Handbook.

To facilitate orderly consideration of vehicle purchase and replacement requests and of alternatives to purchasing additional fleet vehicles, the Fleet Management Handbook (50-2) describes the following procedures:

- a. The Fleet Operations Manager will in March or April of each year send a listing of vehicles that have met the sale guidelines to the regional fleet representatives or bureau contacts. The listing will divide vehicles into (1) vehicles that have not met the criteria, (2) vehicles that may be replaced depending on the justification for replacement by the program or (3) vehicles that will be replaced, if requested.
- b. Regional fleet representatives and bureau contacts will prioritize the vehicle replacement requests and add any vehicles that have not met the replacement guidelines but may be or become unsafe to operate and too costly to repair.
- c. The Fleet Operations Manager will analyze the regional fleet representatives and bureau contacts Vehicle Replacement Requests. The Fleet Operations Manager will make the final decision on which vehicles will be recommended for purchase or sale.
- d. A purchase requisition will be prepared, appropriate approvals obtained and send to the DNR Purchasing Agent to prepare a bid solicitation or send it to DOA Procurement Office to combine with other State Agency purchase requests for bidding.
- e. The Purchasing Agent will prepare bidding documents, advertise the Request for Bids, process bids and issue a purchase order for the vehicles requested at the lowest bid.

We reviewed the purchase requisitions for new and used heavy trucks for the FY 2003 purchases. We discussed the reasons for replacements with the Fleet Operations Manager with the following results for the purchase of 10 heavy trucks by purchase order (NMC 572):

- 2 trucks on the purchase requisition will not be replaced, but another vehicle will be substituted.
- 2 trucks were over the mileage guideline for replacement (100,000 miles).
- 4 trucks were not currently used for the minimum miles annually.
- 2 trucks were replaced for age and safety conditions.

The DNR Secretary approved the purchase requisition of the 10 heavy truck chassis on November 27, 2002 and the DNR Executive Assistant approved the related dump bodies on March 3, 2003. The costs for the heavy trucks and dump bodies amounted to \$727,600 and \$269,940, respectively.

Purchase of these 10 heavy trucks for nearly \$1 million came at a time when State budget cuts were occurring and deeper cuts were on the horizon. For example, the Conservation Fund, which includes the Fleet Operations Program, has gone from a balance of \$88 million as of June 30, 2000 to \$66.6 million as of June 30, 2002, before 2003 CWD costs and the 2003-05 Biennial Budget reductions. The Fleet Operations Program borrowed the funds to purchase vehicles from the Conservation Fund balance. The borrowings amounted to over \$13 million in the past 3 years. In the 1999 Review, the issues of financing purchases of new vehicles with program funds were described.

- Duplicate vehicle costs occurred because the user's programs paid for the cost of new vehicles and monthly usage fees that included depreciation. Most of the program expenditures for new vehicles have stopped, but some repairs and new equipment that Fleet Operations did not fund continues to be paid by user's program expenditures.
- In 1998, Federal auditors did not agree to usage fees for Fish & Wildlife grants with the existing Fleet billing procedures.
- Alternate financing through the State Capital Leasing Program would not encumber program fund balances (Conservation Fund) and is an allowable cost for grants (OMB Circular A-133).

We recommend that the Fleet Operations Manager and others consider the broad consequences of financing future fleet purchases with internally generated funding (Conservation Fund) rather than leasing through the State Capital Leasing Program. Leasing would relieve the substantial cash flow taken out of the Conservation Fund balance in critical budget periods. Further, we recommend that a lease vs. purchase analysis be made a part of each major vehicle purchase requisition.

Response

Fleet management and administration will review and discuss benefits of leasing versus purchase when financing fleet equipment.

Appendix 1
Summary of Fleet Operations Account and Conservation Fund
(Unaudited)

	<u>Fleet Operations</u>	<u>Conservation Fund</u>
Opening Balance 7/1/2000	\$2,250,907	\$87,448,759
FY 2001 Revenues	6,505,335	
FY 2001 Expenditures‡	<u>(8,591,542)</u>	
Balance 6/30/2001	\$164,700	\$81,531,532
FY 2002 Revenues	7,048,119	
FY 2002 Expenditures‡	<u>(10,691,527)</u>	
Balance 6/30/2002	\$(3,478,707)	\$66,598,133
FY 2003 Preliminary Revenues	6,968,013	
FY 2003 Preliminary Expenditures‡	<u>(6,186,792)</u>	
Balance 6/30/2003	<u>\$(2,697,486)</u>	<u>\$ n/a</u>

Source: DNR Statement of Condition and WiSMART for 2003.
‡ Includes capital expenditures.

Summary of Capital Expenditures
Fleet Operations Account
(Unaudited)

FY 2001	\$4,587,511
FY 2002	6,662,752
FY 2003 Preliminary	<u>1,855,329</u>
Totals	<u>\$13,105,592</u>

Source: WiSMART

Current Active Vehicle Counts
7/15/03
(Unaudited)

Cars	318
Light Trucks	1,077
Heavy Trucks	173
Trailers	150
Heavy Equipment	<u>295</u>
Total	<u>2,013</u>

Source: Fleet System Database

APPENDIX 2

Fleet Purchasing Review
Schedule of Questioned Costs

Voucher ID	Voucher		Line Description	Original Object Code	Total Amount	Correct Object Code	Corrected Amount	
	Date	Vendor					FY 2002	FY 2003
BAFD429	11/16/2001	Badger Utility Inc	SW/H006 Repaint and replace bearings, brakes	2470	\$ 5,277.02	4360	\$ 5,277.02	
BAFD839	04/03/2002	Badger Utility Inc	TR1047 Repaint and replace bearings, brakes, jack stand	2470	5,672.27	4360	5,672.27	
BAFD944	04/19/2002	Monroe Truck Equipment	8921 Dump and hoist	2470	9,954.00	4360	9,954.00	
BAFD1008	05/17/2002	Transport Refrigeration	8133 Hydraulic tailgate and raptor /w fenders	2470	8,672.00	4360	8,672.00	
CAFD037	07/23/2002	Monroe Truck Equipment	TS119 Install A/C and replace wiring	2470	5,224.12	4360	5,224.12	
CAFD252,			7497 Install Triple Tipper and parts	2470	8,408.00	4360	8,408.00	
299, 347,			8913 Install Versaline platform and parts	2470	5,465.00	4360	\$ 5,465.00	
334	09/17/2002	Badger Utility Inc	EX105 Repaint & refurbish digger	2470	15,769.02	4360		15,769.02
CAFD 290	10/04/2002	Monroe Truck Equipment	8905 Install Versaline platform and std option	2470	6,153.00	4360		6,153.00
CAFD370	10/11/2002	Trudell Trailer	TR1078 Extend trailer, crossfires and drawbar	2470	4,800.00	4360		4,800.00
CAFD437	11/06/2002	Monroe Truck Equipment	8911 Boss Snowplow upgrade from PO	2470	4,865.00	4360		4,865.00
CAFD456	11/10/2002	Monroe Truck Equipment	8886,8887,8890 Install new service body and parts	2470	22,899.00	4360		22,899.00
CAFD482	11/08/2002	Monroe Truck Equipment	8910 Boss Snowplow upgrade from PO	2470	4,814.33	4360		4,814.33
CAFD 524	11/21/2002	Monroe Truck Equipment	8910 Install Crane and platform	2470	23,612.00	4360		23,612.00
CAFD685	01/03/2003	Monroe Truck Equipment	8902 Install dumpbody and triple tipper	2470	8,759.00	4360		8,759.00
CAFD620,								
689, 740,								
775	12/19/2002	Transport Refrigeration	EX115 Install heater, autogreaser, replace broken edge	2470	10,197.98	4360		10,197.98
CAFD771,								
856	02/06/2003	Badger Utility Inc	TR1092 Repaint and replace bearings, brakes and airbags	2470	7,429.85	4360		7,429.85
CAFD872	03/07/2003	Monroe Truck Equipment	8673, 8964 Install welline kit and new tool box	2470	7,658.00	4360		7,658.00
CAFD856	02/17/2003	Monroe Truck Equipment	TD246, 8972 Prep and paint vehicles	2470	9,783.17	4360		9,783.17
CAFD881,								
942, 960	03/13/2003	Badger Utility Inc	7044 Repair and prep for sale to DOC	2470	3,980.74	4360		3,980.74
CAFD885	03/07/2003	Badger Utility Inc	TR1092 Install ABS brakes; replace flooring	2470	11,426.26	4360		11,426.26
CAFD885,								
903	03/07/2003	Badger Utility Inc	EX108 Install auto-greaser and parts	2470	7,030.18	4360		7,030.18
CAFD895	03/14/2003	Transport Refrigeration	EX246 Install A/C	2470	4,968.68	4360		4,968.68
CAFD896,								
915, 927	03/14/2003	Badger Utility Inc	TR1054 Replace flooring,brakes, platform, repaint	2470	9,249.35	4360		9,249.35
CAFD971,								
1002, 1033	03/28/2003	Badger Utility Inc	TBG334 Replace flooring, brakes, repaint	2470	8,666.69	4360		8,666.69
CAFD1033,								
1037, 1058,								
1073, 1083	04/11/2003	Badger Utility Inc	TR7914 Lengthen, replace flooring, axles, repaint etc.	2470	25,034.51	4360		25,034.51
CAFD1116,								
1138, 1144,								
1164	05/05/2003	Trudell Trailer	TR1077 Lengthen, replace flooring, axles, repaint	2470	19,118.26	4360		19,118.26
Various		Badger Utility Inc	Install crossfire tire pressure device	2470	10,020.63	4360		10,020.63
Various		Transport Refrigeration	Install heaters on vehicles	2470	154,716.07	4360		154,716.07
								32,865.57

APPENDIX 2

**Fleet Purchasing Review
Schedule of Questioned Costs**

Voucher ID	Voucher Date	Vendor	Line Description	Original Object Code	Total Amount	Correct Object Code	Corrected Amount	
							FY 2002	FY 2003
Various		Monroe Truck Equipment	Install new grill guards	2470	8,712.00			8,712.00
Various		Badger Utility Inc	Install autogreasers	2470	59,307.25	4360	4,540.03	54,767.22
Totals to Transfer from 2470 to 4360					\$497,643.38		\$175,548.29	\$322,095.09



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

For Immediate Release

April 26, 2004

For More Information Contact:

Senator Carol Roessler
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(608) 266-5300
(608) 266-3796

Audit Committee Reviews Air Management Audit and Potential Audit of State Fleet
The Joint Legislative Audit Committee will meet on May 4, 2004

(Madison) Today -- The Co-Chairs of the Joint Legislative Audit Committee announced that a public hearing on both the nonpartisan Legislative Audit Bureau's (LAB's) evaluation of Air Management Programs in the Department of Natural Resources, as well as a potential audit of the State's vehicle fleet will be held on Tuesday, May 4, 2004. Both Co-Chairs agree these two issues need review and follow-up to assure that programs are run effectively and taxpayer dollars are spent wisely.

In February 2004, the LAB released an audit that analyzed the Department of Natural Resources' air permitting programs, including the issuance of both operation and construction permits. The review assessed the timeliness and effectiveness of program operations. This critical evaluation highlighted several areas for improvement, especially in program management.

Audit Committee Co-Chair Carol Roessler (R-Oshkosh) reacted, "The concerns raised by both business and environmental groups about the air management program were well founded. This thorough and excellent review by the LAB confirmed their concerns. The federal government requires us to issue these permits and we just aren't getting the job done. We should have had our major operation permits completed by 1998, and the audit found that 210 major operation permits are still backlogged, along with 881 other permits."

"More than one quarter of all regulated facilities in Wisconsin are located in Southeastern Wisconsin," remarked Co-Chair Suzanne Jeskewitz (R-Menomonee Falls), "yet it has the lowest percentage of permits issued for any region in the State." Southeast Wisconsin has 32.7 percent of the larger permitted facilities, but has issued permits to only 45.4 percent of these 427 facilities. Statewide, the auditors determined that only 50.8 percent of all operating permits applied for have been issued and that Wisconsin has the lowest percentage of major operating permits issued in the Midwest. The national average is 80.9 percent.

The Co-Chairs received an audit request from Senator Rob Cowles earlier this month after an article appeared in the *The Lakeland Times* criticizing the DNR's management of its fleet of vehicles. Last week an additional request to audit the DNR's fleet came from Representative Dan Meyer. While Roessler and Jeskewitz agree that an audit is merited, they believe it should be expanded and have worked with the LAB to draft an audit scope memo to bring before the Joint Audit Committee that is as broad as possible to encompass all issues surrounding the State's vehicle fleet.

"I believe there are legitimate concerns with the organization and authorization of the state car fleet and we need to get to the bottom of this issue. I want to ensure that all these cars are needed, energy efficient, appropriate for the type of state employee user, and ultimately that taxpayer dollars are not being inappropriately expended on cars for state employees," Roessler stated.

"If we are going to do an audit I want it to be a thorough inventory and assessment of the entire state car fleet, not just the DNR's," added Jeskewitz. "We cannot afford to be providing unnecessary cars to state employees and we must assure taxpayers that they are not subsidizing the personal use of state vehicles."

The audit of the state fleet would include:

- an analysis of the number of vehicles owned and leased;
- a review of the specific types of vehicles, such as sedans, sport utility vehicles, and trucks;
- an assessment of how the total number of vehicles needed is determined;
- a review of bidding procedures used in purchasing and disposing of vehicles;
- a review of how decisions to personally assign vehicles are made and monitored, including how agencies determine whether it is less costly to pay employees mileage for use of their own personal vehicles rather than to purchase state vehicles;
- a determination of the extent to which state employees have reimbursed the State for personal mileage on state vehicles and whether existing policies appropriately limit the personal use of state vehicles;
- a review of the cost effectiveness of current maintenance processes, both those performed in-house and those contracted to outside vendors; and
- a review of best practices for fleet management used by other Midwestern states.

The public hearing before the Joint Legislative Audit Committee will start at 8:30 a.m. on Tuesday, May 4, 2004. The LAB audit of DNR's Air Management Programs will be first on the agenda followed by Committee consideration of the request to audit the State's vehicle fleet.

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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DATE: April 26, 2004

TO: Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller *Janice Mueller*
State Auditor

SUBJECT: Proposed Audit of the State's Vehicle Fleet—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering requests from several legislators for an audit of the State's vehicle fleet. Currently, state employees who travel on average more than 16,000 miles per year can be assigned a personal vehicle. Those employees who travel less can request vehicles from central pools operated by the Department of Administration, the University of Wisconsin campuses, and several other large state agencies. The Department of Administration reports there are over 7,000 vehicles, primarily cars and light trucks, at the state agencies and the University of Wisconsin campuses.

It has been widely reported in the media that the Department of Natural Resources (DNR) significantly increased its expenditures for vehicles in 2001 and 2002 as the State's budget situation was deteriorating. For example, DNR reportedly spent \$4.2 million for vehicle purchases in 2001 and \$6.1 million in 2002, a 45.2 percent increase. A total of 480 vehicles were purchased by DNR in this two-year period. These reports have prompted questions about the number of vehicles purchased by other agencies in recent years.

The Department of Administration is currently conducting a statewide review to assess vehicle use and compliance with state fleet regulations. However, because information relating to fleet operations is maintained in various data systems in several agencies, comprehensive information has been difficult to assemble. On April 16, 2004, the Governor directed the Department of Administration to freeze the purchase of new vehicles until its review is completed.

In addition, several incidents that received media coverage have prompted concerns about the personal use of state vehicles by state employees. For example, it was recently determined that the Attorney General had not reimbursed the State for personal use of a state car assigned to her, as required by state regulations. This has led to questions about whether other state employees with personally assigned vehicles are complying with reimbursement requirements, and whether they are driving a sufficient number of miles to warrant a personally assigned vehicle.

An audit of the State's vehicle fleet would cover all vehicles in all agencies and could include:

- an analysis of the number of vehicles owned and leased;
- a review of the specific types of vehicles, such as sedans, sport utility vehicles, and trucks;
- an assessment of how the total number of vehicles needed is determined;
- a review of bidding procedures used in purchasing and disposing of vehicles;
- a review of how decisions to personally assign vehicles are made and monitored, including how agencies determine whether it is less costly to pay employees mileage for use of their own personal vehicles rather than to purchase state vehicles;
- a determination of the extent to which state employees have reimbursed the State for personal mileage on state vehicles and whether existing policies appropriately limit the personal use of state vehicles;
- a review of the cost effectiveness of current maintenance processes, both those performed in-house and those contracted to outside vendors; and
- a review of best practices for fleet management used by other midwestern states.

If an audit of the State's vehicle fleet is directed, we would seek to coordinate our work with the Department of Administration's review to limit any duplication of effort.

If you have any questions regarding this request, please contact me.

JM/DB/ab

cc: Senator Robert Cowles
Senator Alberta Darling
Senator Jeffrey Plale
Senator Julie Lassa

Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Cullen
Representative Mark Pocan

Representative Dan Meyer

Marc Marotta, Secretary
Department of Administration

Scott Hassett, Secretary
Department of Natural Resources

Katharine Lyall, President
University of Wisconsin System

Asbjornson, Karen

From: Asbjornson, Karen
Sent: Tuesday, April 27, 2004 4:19 PM
To: Asbjornson, Karen
Subject: FW:

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

-----Original Message-----
From: A1wifan [mailto:a1wifan@yahoo.com]
Sent: Tuesday, April 27, 2004 3:19 PM
To: sen.roessler@legis.state.wi.us
Cc: rep.jeskewitz@legis.state.wi.us
Subject:

Dear Committee Members,

Your Idea to eliminate the state fleet is good if you want to increase the cost to the state. Currently DOA is operating each vehicle at approximately 22 cents per mile including insurance. If you make the employees take there own vheicle(which many would not) and reimburse them at 35 cents a mile plus insurance. The math does not add up to a savings. Why aren't all of the fleets operating in this manner?

What is needed is better management of the state fleets. Currently the management has just been transferring to other agencies, a former section chief with DOA is now with DOT, and the former DOA Fleet manager is now with the UW in the same capacity. DOA needs to get rid of the current Bureau Director, who was also in charge of the states airplanes, He has directed this agency for too many years and has proven he can't manage it properly. Then they need to consolidate all of the state fleets into one, making sure the former management teams from DOT, UW and DNR do not head it up. That would also involve not letting agencies like corrections or DNR or DOT buy vehicles on there own.

Please look into all of the options and cost savings before condemning the state fleet. Other states have made it work. Why can't we, to much upper management.

Concerned taxpayer and state employee,

Doug

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STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

PEGGY A. LAUTENSCHLAGER
ATTORNEY GENERAL

Daniel P. Bach
Deputy Attorney General

114 East, State Capitol
P.O. Box 7857
Madison, WI 53707-7857
608/266-1221
TTY 1-800-947-3529

May 4, 2004

The Honorable Carol Roessler, Co-Chair
Joint Committee on Audit
State Capitol Building, Room No. 8 South
HAND DELIVERED

The Honorable Suzanne Jeskewitz, Co-Chair
Joint Committee on Audit
State Capitol Building, Room No. 314 North
HAND DELIVERED

Re: Proposed Audit of State's Vehicle Fleet

Dear Co-Chairs Roessler & Jeskewitz:

In recent weeks, serious questions have been raised about the size of the state's vehicle fleet, the absence of appropriate record keeping, the lack of uniformity in policies and procedures related to personally assigned vehicles, cryptic regulations governing personal mileage reimbursement, disparate designation of 24/7 responders, and inequitable enforcement mechanisms. Among other justifications, the lack of clarity and uniformity highlighted by these issues underscores the need for a comprehensive legislative audit of the state's vehicle fleet. I write now on behalf of the Department of Justice (DOJ) to urge your approval of the related audit request before you.

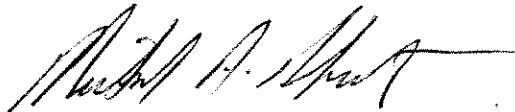
Given the obligations of department supervisors to ensure compliance with fleet rules, the Attorney General directed me to conduct a thorough internal review of all DOJ fleet use, policies, and procedures. Based upon the initial findings of this internal investigation and a growing awareness of the inconsistencies among the various state agencies involving fleet policies, DOJ has sought clarification of several items from Department of Administration Secretary Marc Marotta. Copies of the related inquiries are attached for your reference. Also, in response to the initial findings of DOJ's internal review, the Attorney General has announced her intention to reduce the size of DOJ's vehicle fleet. The internal review of DOJ has also identified the need to institute measures to improve efficiencies within the agency's vehicle management, and to reconsider outdated vehicle rules (such as the presumption that employees live near their places of work) that create inefficiencies regarding both employee and vehicle resources.

Joint Committee on Audit
May 4, 2004

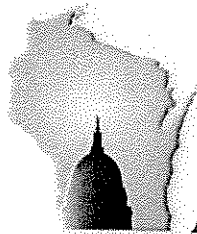
Balancing the various vehicle needs of the many state agencies with the importance of reliable, uniform state fleet policies is no simple task. It is however, one that has been neglected for too long. Nothing short of a thorough accounting of state practices will satisfy the need to restore public confidence that those in charge of state fleet management have the systems in place that best serve department needs and the citizens of this state.

It is for all of the reasons above, and for many more, that the Department of Justice joins with Senator Cowles to urge your approval of a statewide vehicle fleet audit. Thank you for your consideration of this request.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael A. Roberts", with a long horizontal flourish extending to the right.

Michael A. Roberts, Administrator
Division of Law Enforcement Services



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

JUN 21 2004

JIM DOYLE
GOVERNOR

MARC J. MAROTTA
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

June 16, 2004

The Honorable Carol A. Roessler
State Senator
8 South State Capitol
Madison, WI 53702

The Honorable Suzanne Jeskewitz
State Representative
314 North State Capitol
Madison, WI 53702


Janice Mueller, State Auditor
22 East Mifflin Street, Room 500
Madison, WI 53702

Dear Senator Roessler, Representative Jeskewitz, and Ms. Mueller:

I wanted to update you on the Department of Administration's (DOA) activities on topics related to vehicle fleet operations. Last Friday DOA issued the attached report, "Governor Doyle's State Fleet Reduction Initiative Phase One: Eliminating Under-Utilized Vehicles." Deputy Secretary Laura Engan also had the opportunity to meet the Legislative Audit Bureau's team last week, led by James Zylstra, along with DOA staff that will be available to assist in their audit efforts. I am looking forward to a constructive, comprehensive dialog and engagement that will benefit all state residents.

Please contact Sari King, (608) 266-5452, if you have any questions on our report. I will continue to keep you informed as we make additional decisions on fleet reduction and related fleet improvements.

Sincerely,



Marc Marotta
Secretary

cc: Laura Engan
Sean Dilweg
Sari King

Governor Doyle's State Fleet Reduction Initiative
Phase One:
Eliminating Under-Utilized Vehicles

Executive Summary

This report was prepared by the Department of Administration (DOA) at the direction of Governor Jim Doyle to continue his efforts to reduce the size of the state vehicle fleet and bring greater accountability to the system.

A key finding of our analysis is that the State's vehicle fleet grew substantially in the 1990's. In fact, from 1994 to 2003, vehicles owned by the State increased from 6,187 vehicles to 7,360, or almost 19%. Governor Doyle has set the goal to reduce the state's vehicle fleet back to the approximate level of ten years ago. Accordingly, the Governor has directed DOA to achieve an additional reduction of at least 1,000 vehicles, in addition to the 132 vehicles that were eliminated last year.

This vehicle reduction initiative includes the elimination of 569 vehicles in phase one, which is outlined in this report. The Governor has directed DOA to identify and eliminate an additional 500 vehicles by late July for phase two of the initiative, which will reach the goal of returning the State to 1994 levels.

Throughout the summer, DOA will continue to work with the Office of State Employment Relations as well as all state agencies to expand on its "under-utilization" analysis and incorporate a "zero-base" review of how vehicles are initially deployed to conduct state business. Where appropriate, further opportunities and recommendations to reduce the state's fleet will be presented. Future reports will also document DOA's ongoing fleet management improvement efforts, including progress on the agency's 2004 workplan. (See attachment #1)

Reducing the overall size of the fleet and the number of personal assigned vehicles in particular will allow the state to better manage the cars that we have and ensure full compliance with state policies, including the requirement that employees reimburse the state for any personal use of a state vehicle.

Overview

As of January, 2004, the State of Wisconsin's automotive fleet consisted of 7,228 vehicles with a book value of over \$50 million. The State's fleet consists of four major vehicle categories: nearly half, or 49%, of the fleet consists of passenger vehicles (3,606); and 36% consists of light duty trucks (2,627). (See Table 1 below.) In an effort to improve the accountability over this significant investment of state resources, the Governor directed the Department of Administration to continue its efforts to reduce the state fleet, evaluate compliance with and sufficiency of current state vehicle policies, and improve overall management accountability through the use of technology and improved coordination of fleet operations.

Table 1
Composition of State of Wisconsin Vehicle Fleet
May 27, 2004

<u>Type of Vehicle</u>	<u>Number</u>	<u>Percent</u>
Passenger Vehicles	3,606	49 %
Small, Medium, Hybrid	1,451	20 %
Vans	1,418	19 %
Station Wagons	737	10 %
Light Duty Trucks	2,627	36 %
Pick Up Trucks	1,819	25 %
SUVs	410	6 %
Cargo & Step Vans +15,000 lbs GVW	283 115	4 % 2 %
Law Enforcement	628	9 %
Heavy Duty Trucks	444	6 %
Heavy Trucks	407	6 %
Busses	37	<1 %
Total	7,305	100 %

In contrast to the dramatic increase in State vehicles in the previous decade under prior administrations, Governor Doyle reduced the fleet by over 132 vehicles between January of 2003 and January of 2004.

Upon taking office, Governor Doyle directed immediate steps to reduce the state vehicle fleet and more appropriately deploy personal assigned vehicles:

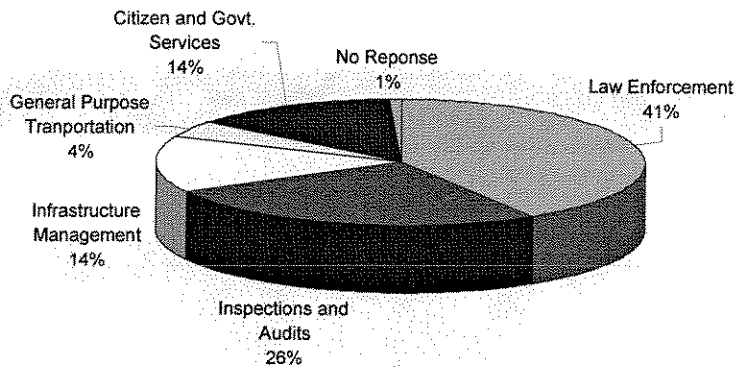
- When Governor Doyle took office, he directed cabinet secretaries to turn in personally assigned vehicles their predecessors used. Unlike in previous administrations, neither the Lieutenant Governor nor any cabinet secretary has a personally assigned vehicle.
- In FY03 and FY04, a total of 1,770 new vehicles were requested by agencies to replace older vehicles, with an associated cost of \$35.2 million. Of these, 1361 purchases were rejected by the Doyle Administration and only 409 were approved, for a savings of \$26.3 million to taxpayers. In contrast, under former Governor McCallum, for FY02, 1,405 new vehicles were requested - all of which were approved - at a cost of \$27.7 million.
- In February, 2003, DOA signed contracts to implement a consolidated vehicle maintenance system within the Department's centralized fleet to take advantage of the state's buying power to negotiate better rates on repairs and maintenance. As a result, DOA saved more than \$300,000 on repairs in 2003, an 18% reduction from 2002.
- Since Department of Administration Secretary Marotta asked state agencies to report on personally assigned vehicles in February, more than 200 personally assigned vehicles have either been turned in or designated for reassignment as a work share vehicle.

Vehicle Fleet Survey

The Department of Administration conducted a fleet utilization survey in February of 2004 to evaluate vehicle deployment practices of state agencies. The initial purpose of the survey was to update and improve the state's data of vehicle deployment and guide DOA's efforts to respond to the Governor's directive to reduce the state's vehicle fleet. During the course of the review, additional issues surfaced about appropriate use and appropriate personal reimbursement patterns of state employees. Between March and May, DOA worked with state agencies to identify and resolve compliance problems and evaluate how best to reduce the fleet.

The Department of Administration's review found that most state vehicles are used by more than one employee. A total of 5,118 vehicles, or 72% of the state's fleet, are used as work share vehicles, and 448 vehicles, or 6%, are assigned to motor pools. About 20%, or 1,392 vehicles, are personally assigned to individuals for work including a variety of inspection, auditing, law enforcement functions and general purpose transportation, infrastructure management, as well as general citizen and government services. (See chart 1 below.)

Chart 1
Category of Use for
Personally Assigned Vehicles



Fleet Reduction

As the State moves forward to resolve the largest fiscal crisis in its history, state agencies, especially DOA, can no longer take a "business as usual" approach to the management of its resources. While vehicles may be a necessary tool to conduct state business, they must be deployed prudently. Our analysis of survey data suggests the state could significantly reduce its fleet. However, to ensure a thoughtful approach to this effort, DOA will first eliminate under-utilized vehicles, and second conduct a zero-based approach to vehicle assignment to further reduce the fleet. DOA will report back to the Governor by the end of July on how many additional vehicles can be eliminated from the fleet.

Current DOA policy states that personally assigned vehicles should meet a mileage threshold of 16,000 miles, and that work share vehicles should exceed 13,000 miles. (Vehicles requiring unique equipment such as prison transport vehicles may be assigned without regard to mileage.) The Department of Administration's review found that 583, or 42%, of personally assigned vehicles and approximately 2,900, or 58%, of work share vehicles did not meet these criteria. Based upon these findings, staff analyzed how these vehicles were deployed and worked with state agencies to consider whether certain exemptions should be made.

The reduction exempted three main categories, including:

- Specially equipped vehicles, including law enforcement vehicles;
- Vehicles carrying or towing loads, including infrastructure maintenance vehicles, medium and light trucks; and,
- Vehicles needed to transport patients, inmates or other non-state employees.

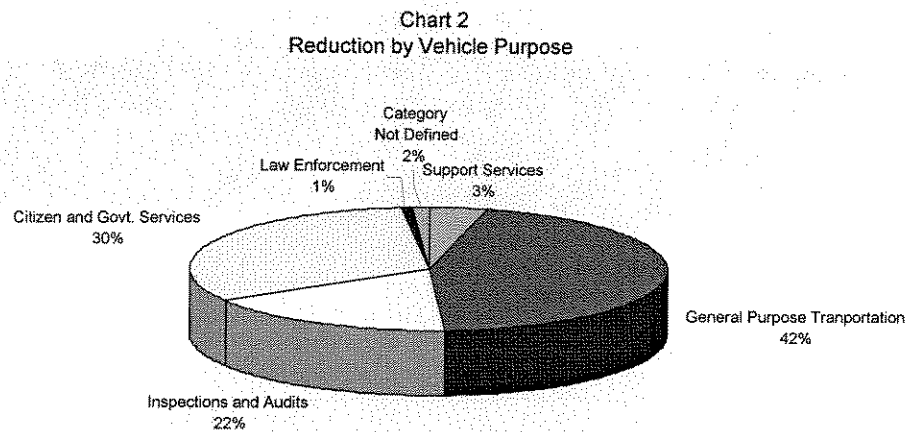
In addition, small agencies which had few vehicles available were exempt from this phase one review. Despite these exemptions, if a vehicle is personally assigned and falls below 16,000 annual miles, we recommend that agencies re-assign the vehicle as a work-share vehicle, where appropriate.

Based upon the above criteria, we identified 569 vehicles to be immediately eliminated from the fleet. Implementation of this initial recommendation would reduce the fleet by roughly 8%. Table 2 below provides a summary of how the proposed vehicle reduction breaks down by agency.

Table 2
Vehicle Reduction by Agency

<u>Agency</u>	<u>Current Assign Vehicles</u>	<u>Vehicles Reduced</u>	<u>Percent of Assignment</u>	<u>Percent of Reduction</u>
DNR	1,562	114	7%	20%
UW	1,551	95	6%	17%
DOA	425	78	18%	14%
HFS	346	74	21%	13%
DOT	1,354	52	4%	9%
DATCP	216	48	22%	8%
Commerce	102	24	24%	4%
DOC	974	22	2%	4%
DPI	67	17	25%	3%
Revenue	49	12	24%	2%
Public Defender	43	11	26%	2%
DOJ	130	9	7%	2%
DWD	29	7	24%	1%
DVA	49	6	12%	1%
Total		569	8%	100%

The Department's February survey also asked managers to identify how vehicles were deployed using 57 general occupational descriptions (see attachment #2). These 57 classifications were collapsed into six general categories. Chart 2 provides a summary of how the reduction initiative would affect deployment practices. Based upon agency responses, these cuts would reduce 239 vehicles deployed to provide general transportation for employees, including functions ranging from motor pool operations to economic development activity. A total of 168 vehicles would be reduced from the category of citizen and government services, including such activities as educational research and instruction to marketing and recruiting. The next largest reduction would occur in the inspection and audit function, where 128 vehicles would be eliminated.



Moving forward, the Division of State Agency Services will continue to work with agencies to implement the above recommendations. In addition, the State Surplus Property Program will work with fleet managers across state agencies to coordinate and secure vehicles for auction, and market surplus vehicles first to local municipalities across the State. To facilitate this process, auctions will be held in at least three different cities across Wisconsin in the coming months. DOA recommends that any proceeds from sales be deposited directly to the State's budget stabilization fund.

The State has never conducted a base level review of what type of activities and operations require the use of a state vehicle. Based upon an analysis of survey findings, DOA believes that additional reductions could be made. For example, current work share vehicles are assigned to specific work units, and are not made available to other agencies in close proximity. In addition, further examination of work practices could identify opportunities to take advantage of technology, as well as exploring new ways of getting work done.

State Rules and Guidelines

As part of its 2004 workplan, the State's Enterprise Fleet Committee has been working to revise the state's vehicle policies, which have not been updated since 1996. Information learned through agency interaction and recent questions raised through media reports of employee vehicle abuse only further highlight the necessity of this project.

Compliance with reimbursement policies for personal travel was of particular concern to DOA's review. Survey results revealed that 58.7% of employees with a personally assigned vehicle park the vehicle at their workplace overnight. In these cases, personal commuting miles likely would not need to be claimed. Additionally, over 9% of employees reported that their home residence is considered their workstation. Current state policy does not require these employees to pay for commuting miles. (In the future, these employees, with the exception of certain law enforcement personnel, will be required to reimburse the State for commuting miles in order to comply with Internal Revenue Service (IRS) requirements.)

As of DOA's survey in February 2004, there were 1,392 individuals with personally assigned vehicles. Of those, 1,232 had those personally assigned vehicles last year, and so DOA took a closer look at the 1,232 individuals to determine whether the individuals were paying personal reimbursement and if not, whether they likely should have been.

After adjusting for vehicles where current policy requires no commuting payment as well as for vehicles where the employees indicated the vehicle is never used to commute, DOA found 208 vehicles where the employee was likely to incur personal miles. Of those individuals, 69 reported no personal mileage.

The Department is sending a letter to each of these 69 individuals and their supervisors indicating that our survey results, at first glance, would suggest that they may owe the state reimbursement for personal use and giving them until July 1 to submit such reimbursement or explain why reimbursement was not submitted. There may be valid reasons why some of these individuals may not have been required to reimburse, and there may also be errors in record-keeping, but DOA believes additional follow-up is necessary to ensure full compliance with state policies.

Policy Clarifications and Improvements DOA's review did point to a variety of areas where rule clarification and policy changes were needed. Of most significance was our finding that, in some cases, long-standing state policies were non-compliant with IRS rules.

According to the IRS rules, personal use of a state-owned vehicle is a taxable fringe benefit. Personal use includes the value of commuting to and from work in a state vehicle, even if the vehicle is taken home for the convenience of the State. The only exceptions to this rule are for law enforcement personnel who carry a firearm, execute search warrants, and make arrests, or employees whose only office headquarters is established as their residence. The exemption does not apply to current employees who are designated as available 24/7. The operator of the vehicle is required to keep track of all business miles by keeping a log on a daily basis. In accordance with IRS rules, any undocumented mileage will be considered personal miles and considered compensation provided to the employee.

Attached to this report are updated fleet management and driver policies. Some highlights include:

- Personal use policies and vehicle mileage policies are updated to conform to IRS rulings;
- Permitted incidental travel and stops that occur during the scope of the employee's work responsibilities are clarified;
- Travel logs will be maintained in compliance with IRS rules.
- Agencies must annually review and approve employee vehicle use agreements.

- Agencies must use and manage fleet inventory using FleetAnywhere.

Improved State Fleet Management

Currently, ownership and management of the State's vehicle fleet is disbursed across two dozen agencies and campuses. Record keeping, maintenance, billing and other aspects of fleet management vary. In 1999, the State purchased the FleetAnywhere software package for use as the enterprise's fleet management tool, but not all agencies are using and maintaining data using FleetAnywhere. While further consolidation of fleet operations should be considered, especially small fleet operations and the fleet of DOA and the University System, DOA recommends that all state agencies be required to use Fleet Anywhere immediately.

Implementing FleetAnywhere and additional enhancements statewide will improve the State's management of the fleet, and provide new opportunities to save taxpayer dollars. It also will improve accountability, and help the state efficiently track and identify potential cases of abuse. It will provide the State with a consistent source of data for developing fleet performance statistics and will allow real time information sharing among the State's fleet management organizations. It will also facilitate the identification and analysis of common vehicle and fleet performance trends and conditions that impact the management and operation of all State fleets. Improved reporting capabilities will aid decision making regarding procurement, budgeting, policy making and responding to legislative requests.

The Department of Administration will use Meta-Frame technology to allow users to access FleetAnywhere through the Internet. Client installation on workstations throughout the state would prove to be complex, costly and time intensive. The Meta-Frame technology allows users to have full access to FleetAnywhere, which would be no different than a desktop installation. As FleetAnywhere Meta-Frame access is being made available, DOA will offer comprehensive training programs to ensure new users are adequately prepared to use the software. Training sessions will be offered in Madison and at UW Stevens Point to accommodate state personnel in the central and northern parts of the state.

In addition to making FleetAnywhere available, its usability must be enhanced. To improve the efficiency of the system, the Department of Administration, working with the enterprise fleet committee, will explore implementation of the Maximus web application "Info-Center". This software will enable web-based reporting to track and manage personal mileage reporting, vehicle utilization, operational cost summaries by department including: fuel, oil, preventive and general maintenance, body and other damage repairs as well as other fleet management statistics. Initial demonstrations of these web applications will occur in July of 2004, with planned implementation scheduled for October of this year.

Summary

This review is part of an overall effort by Governor Doyle to use taxpayer resources efficiently, and to reduce the cost and size of state government. While reductions in the fleet may require agencies to rethink how they do their work, this process will ultimately lead to a leaner, more effective government for the citizens of Wisconsin.

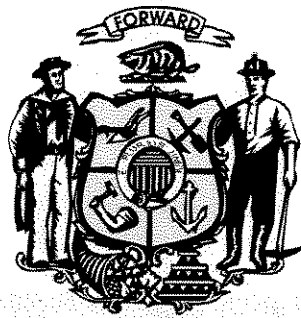
Attachment 1

State of Wisconsin
Enterprise Fleet Services

Enterprise Fleet Committee
Fiscal Year 2004 Work Program

STATE OF WISCONSIN

ENTERPRISE FLEET SERVICES



ENTERPRISE FLEET COMMITTEE
FISCAL YEAR 2004 WORK PROGRAM

FY 2004 ENTERPRISE FLEET PROGRAM

Project #1: Expand Enterprise Fleet Participation

Goal: Effective deployment of enterprise fleet resources to meet statewide demand.

Background

DOA engaged the Fleet Management Services Group of DMG-MAXIMUS in Fiscal Year 2000 to assist it in assessing the feasibility and potential benefits of consolidating fleet management programs. DMG Maximus has evaluated fleet management practices in more than two dozen states, and has specifically evaluated the desirability of consolidating fleet management programs for several of them, including Missouri, South Carolina, New Jersey, Utah, Arizona, and Iowa. While DMG found significant opportunities to improve the management of Wisconsin's fleet resources, they concluded that these opportunities can be pursued just as well by coordinating the activities of the existing, independent fleet management organizations as by consolidating them in the Department of Administration.

The coordinating mechanism for state fleet activities is the Enterprise Fleet Coordinating Committee. Current membership includes the five largest agency fleets at DOA, UW-Madison, DOT, DNR and DOC. The committee meets monthly and acts as a forum for resolving issues in vehicle acquisition, disposition, deployment and maintenance.

Accomplishments

1. Based upon the recommendations of the committee, the State Procurement Director was added as a member in October 2003.
2. Also in October 2003, UW Systems asked to be represented through the UW-Madison Director of Physical Plant Services.
3. Three employees at DOA were hired in FY04 to perform full-time work for Enterprise Fleet Services. They will provide information management, planning, analysis and liaison services to participating agencies.

Objectives

1. Contact, whenever appropriate, representatives of state agencies & system campuses that use state owned vehicles and other fleet services, but have yet to participate in the unified enterprise fleet program.
2. Use the coordinating committee as a forum for identifying and implementing best practices in fleet management.

Resources

- Six member Enterprise Fleet Coordinating Committee.
- Enterprise Fleet Services staff.

Deliverable Products

- Expanded enterprise participation in the Fleet Coordinating Committee's program of projects.

Timeline Estimate

Ongoing. Other agencies will be asked to participate in specific projects contained in this work plan as set out by each project's timeline.

FY 2004 ENTERPRISE FLEET PROGRAM

Project #2: *FleetAnywhere* Information Management Software

Goal: Consistent and optimized use of the *FleetAnywhere* software by all users.

Background

The DMG Maximus study recommended that DNR, DOA, DOT, and UW-Madison implement a uniform information management system. To that end, the computerized relational database called *FleetAnywhere* was acquired and installed for use by all state agencies that use fleet services. *FleetAnywhere* is recognized by the fleet industry as a consistent source of data for fleet performance statistics. It can facilitate the identification and analysis of common vehicle and fleet performance trends and conditions that might impact the operation of all State fleets, and it can facilitate information sharing among the State's fleet management organizations.

A great deal of system implementation has already occurred. We are now at a point of determining what performance and inventory reports are needed to effectively manage the enterprise. The group will work collectively in phases, pulling in additional expertise as needed, to meet enterprise needs. It is important to note that we will be developing a "living process". This process will be employed whenever a new, significant demand is requested from the *FleetAnywhere* program.

Accomplishments

1. *FleetAnywhere* has been installed and is being used by the five largest state agency fleets and UW Systems.
2. An IS Business Automation Specialist has been hired by Enterprise Fleet Services

Objectives

1. Analyze and document desired fleet business processes and their information requirements to be supported by *FleetAnywhere* software (what & why).
2. Fully understand the current and potential capabilities of FA software.
3. Analyze and document the current fleet business processes and their information requirements unique to each agency.
4. Develop solutions and user training protocols to bridge gaps.
5. Identify efficient & effective management reporting solutions for different enterprise layers.

Deliverable Products

- Management reports on vehicle costs, usage, and replacement.
- Fleet information management training program.

Resources

- UW- Madison IT & Fleet staff.
- John Driscoll, Enterprise Fleet IS Business Analyst.
- *FleetAnywhere* software license.

Timeline Estimate

March 2004 analysis and recommendations complete.

FY 2004 ENTERPRISE FLEET PROGRAM

Project #3 & 4: Vehicle Procurement & Auction Process Re-engineering

Goal: Provide one location where all current policies and procedures governing the state fleet can be accessed by anyone.

Project 3: Vehicle Auction Process Re-engineering

Objectives:

1. Through an inter-agency committee, collaboratively introduce process and practice improvements in operations and policy based on all major fleets and fleet staff to better meet the needs of the state and all stakeholders.
2. Review all applicable policies, procedures and associated documents.
3. Develop a Request for Proposal (RFP).

Products/Deliverables:

Updated policies, procedures and associated documents to support all agreed upon program changes, including:

- Vehicle temporary use program, PRO-F-1, Used Vehicle Condition Report, Vehicle Auction Standards, DMV Mandatory Display Agent.
- Work flow maps of all processes.
- Contract award by 3/31/04.
- Periodic updates and final report to transportation directors.

Project 4: Vehicle Procurement Process Re-engineering -

Objectives:

1. Through an inter-agency committee, collaboratively introduce process and practice improvements in operations and policy based on all major fleets and fleet staff to better meet the needs of the state and all stakeholders.
2. Review all applicable policies, procedures and associated documents.

Products/Deliverables:

- Updated policies, procedures and associated documents to support all agreed upon changes, including:
- Life-cycle costing model including a replacement component, incorporation of tire and other vehicle related purchases into out-sourced maintenance model, improved start-to-order timetable and just-in-time delivery model.
- Work flow maps of all processes.
- Periodic updates and final report to transportation directors.

FY 2004 ENTERPRISE FLEET PROGRAM

Project #5: Update Fleet Policies

Goal: Provide one location where all current policies governing the state fleet can be accessed by anyone.

Phase One. Update the Manual.

1. Meet with members of the travel committee.
2. Revise the manual through five meetings (Oct 14, Oct 29, Nov 12, Nov 18, & Nov 26) and "homework" in between meetings.
3. Present recommendations at the November TD meeting.
4. After recommendations are adopted, finalize changes.

Deliverables

- Updating and rewriting of the current Policies and Procedures Manual excluding purchasing and surplus content.
- Identify policies that require substantive action or additional committee attention before they can be changed.

Timetable

Completed document by end of January. Recommendations to the Transportation Directors at the February 2004 meeting.

Phase Two. Improve Communication of the Manual to Drivers.

1. Meet in February to develop recommendations.
2. Present recommendations at the March meeting.
3. Implement recommendations, based on the adopted timelines.

Deliverables

- Adopt changes that will improve communication of the requirements in the Policies and Procedures Manual to vehicle drivers.

Timetable

- Begin working when Phase One is completed.
- If Phase One is on time, present recommendations to the March TD meeting.
- Implement the recommendations, based on adopted timelines.

Phase Three. Spin-off Projects

Deliverables and Timetables

Will be defined as part of Phase One.

Resources (all phases)

Policies Subcommittee with representatives from all five major fleet agencies.
Enterprise Fleet Services staff.

FY 2004 ENTERPRISE FLEET PROGRAM

Project #6: Strategic Maintenance Procedures

Goal: Provide guidelines for using an assortment of different maintenance providers.

Background

The state fleet managers employ a variety of ways to maintain and repair their rolling stock of vehicles. These approaches in the past have included in-house state maintenance shops (prevalently used by DNR to service their scattered fleet in the northern part of the state) and state contracts directly with vendors of specific service (such as for tires and replacement glass). More recently, three firms were brought under state contract and whose specialties include vendor referral, cost control, and management reporting. Each type of maintenance provider is seen as performing a unique service that is used depending upon the type of maintenance needed in any given situation.

The DMG Maximus study identified potential savings through the use of managed maintenance contracts. DOT has been using one such company, PHH, for six years. DMG Maximus believed that the primary contributor to DOT's lower overall maintenance costs was the use of a managed maintenance contract. Although this is a long-term project, the consultant identified eventual savings of over \$3,000,000 over five years.

Accomplishments

1. In February of 2003, the State signed professional services contracts with three fleet maintenance management firms: PHH Vehicle Maintenance Services, Consolidated Service Fleet Management (CSC), and Automotive Rentals, Inc. (ARI).
2. Each maintenance management firm has been assigned to an agency fleet to examine their effectiveness in handling certain types of vehicle maintenance & repair. PHH is being used by DOT (law enforcement vehicles), CSC is servicing DNR (light & medium duty trucks), and ARI is handling the maintenance for DOA (motor pool).

Objectives

1. Identify the unique types of maintenance vendors currently used by the state fleet and the specific maintenance services that they provide.
2. Develop customer service survey tools to capture qualitative data.
3. Collect quantitative and qualitative data.
4. Analyze data.
5. Present findings and recommendations to Transportation Directors.

Resources

- Fleet maintenance budgets for the five largest fleets.
- Enterprise Fleet Services staff.

Deliverable Products

Report and recommendation on procedures to follow when deciding what maintenance vendor to use in a given situation of need.

Timeline Estimate

Identify vehicles and data	January 2004
Develop customer survey	March 2004
Report findings and recommendations	March 2005

FY 2004 ENTERPRISE FLEET PROGRAM

Project #7: Pool Vehicles Assignment and Use

Goal: Increase the effective use of pooled vehicle assets through integration and coordination.

Background

Each agency currently participating in Enterprise Fleet activities owns and operates a number of motor pool vehicles, primarily in Madison, to serve the short term transportation needs of their employees. Up until the present, these motor pools have been operated independently of each other with limited coordination of activities. The DMG Maximus analysis indicated that opportunities exist to improve service & reduce costs through increased cooperation & coordination of pool activities, and by sharing pooled vehicles.

Accomplishments

UW – Madison demonstrated to Fleet Coordination Committee members their prototype development of a *FleetAnywhere* web-based reservation system for pooled vehicles in the Fall of 2003.

Objectives

- * Update/modify policies and procedures for consistency and compatibility.
 - Consistency in business practices.
 - Creation of a single “virtual” Madison Motor Pool seamless to the user.
 - Balance between Enterprise and individual agency missions.
 - Centralized vs. decentralized functions and resources.
 - Appropriate use of outside vendors.
- * Maximize the use of technology.
 - Best use of *FleetAnywhere* software.
 - Web-based reservation system.
 - Supplemental systems and solutions.
 - On-line billing statements.
 - On-line driver verification.
 - Electronic Unavailability Slips.
 - Electronic mileage reporting.
 - GPS technology.
- * Maximize enterprise-wide cooperation and synergy.
 - Inventory of pool sizes and locations.
- Vehicle exchange programs.
- Re-distribution of vehicles.
- Elimination of duplications.
- Functional/satellite pools.
- * Streamline financial cost accounting and customer billing.
 - Rate structure and fees.
 - Charge-back methodology.
 - Intra-agency invoicing.
 - Customer billing
 - Accepting on-line payments for personal use.
 - Reimbursements.
- * Customer focused.
 - Business hours/services/...
 - Demand location study.
 - Transportation options (Madison Metro, valet service, shuttle, ..)
 - Personal and physical security.
 - One Stop Shopping/central help desk.
 - Marketing of services.

Timeline Estimate

First phase of web-based reservation system in March 2004.

Resources Required

UW – Madison Fleet staff.

FY 2004 ENTERPRISE FLEET PROGRAM

Project #8: Annual Vehicle Utilization Review

Goal: To guarantee that fleet vehicles are being used in a cost-effective manner.

Background

To efficiently operate the state's fleet, vehicles must be utilized effectively. If a vehicle isn't attaining a certain annual mileage, it may be more effective to pay an employee mileage reimbursement for use of a privately-owned vehicle, utilize the state's rental contract or use a pool vehicle.

Accomplishments

- Fleet Managers collaborated with enterprise staff in October 2003 to update cost per mile calculations to reflect all known costs of operating DOA's general use passenger vehicles. Based on this cost analysis, breakeven mileage for small and medium passenger vehicles was determined.
- Enterprise fleet staff developed a list of vehicle uses exempt from mileage considerations including those with security considerations or uses inherently damaging to personal vehicles.

Objectives

1. Update unit costs and mileage calculations. Revisit vehicle use exemptions.
2. Determine the feasibility of capturing annual reimbursement miles by employee and agency.
3. Identify underutilized vehicles and, if feasible, employees reimbursed above breakeven mileage. Notify Fleet Managers of findings.
4. Evaluate & recommend Fleet Managers' plans to reassign, surplus, or procure vehicles based upon the annual breakeven mileage.

Resources

- Agency fleet staff.
- Enterprise Fleet Services staff.

Deliverable Products

Reassignment and/or reduction of state fleet based on utilization review.

Timeline Estimate

Develop breakeven mileage	November 2003
Develop exception list	November 2003
Determine underutilized vehicles	January 2004
Solicit reduction/reassignment plans	March 2004

FY 2004 ENTERPRISE FLEET PROGRAM

Project #9: Motorized Equipment Initiative

Goal: Develop & implement purchasing best practices for all state-owned, motorized equipment.

Background

The DMG Maximus study concluded that the State's fleet management organizations tend to limit their endeavors to the management of over-the-road vehicles such as cars, vans, and trucks.

This has led to a situation where expensive, mission-critical construction equipment (such as backhoes and loaders), specialty equipment (such as mowers, snowmobiles, and boats), and auxiliary equipment (such as air compressors and trailers) can be acquired and used without regard to ongoing maintenance and replacement costs. Management of these assets has been, for the most part, left to user organizations.

Subjecting hundreds of pieces of expensive and complicated equipment to professional fleet management will provide the State with significant cost saving and operational improvement opportunities.

Accomplishments

DMG Maximus identified potential savings of \$400,000 over 5 years through systematic maintenance/replacement of non-vehicular motorized equipment.

Objectives

1. Identify interagency purchasing and fleet management work group.
2. Inventory all state owned motorized equipment, including auxiliary equipment.
3. Inventory all state motorized equipment contracts.
4. Identify equipment needs and develop specification standards.
5. Host vendor conference and finalize specifications.
6. Update procurement rule policies and procedures.

Deliverable Products

- Motorized equipment inventory.
- Motorized equipment needs assessment.
- Specification standards.
- Motorized equipment procurement policies & procedures.

Timeline Estimate

Equipment Inventory	20 weeks
Equipment Contracts Evaluation	4 weeks
Specification Standards	10 weeks
Policies & Procedures	12 weeks

Resources Required

State Bureau of Procurement staff.

2003 Major Accomplishments

2004 Objectives

2004 Objectives

2004 Objectives

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Attachment 2

Reported Categories of State Vehicle Purpose and Use

REPORTED CATEGORIES OF STATE VEHICLE PURPOSE AND USE

- Citizen and Government Services-Pollution abatement management
- Citizen and Government Services-Athletic operations
- Citizen and Government Services-Badger State Industries
- Citizen and Government Services-Disaster response or emergency vehicle
- Citizen and Government Services-DMV mobile staff
- Citizen and Government Services-Educational research and instruction
- Citizen and Government Services-Fire suppression
- Citizen and Government Services-Marketing/Recruiting
- Citizen and Government Services-Materials distribution
- Citizen and Government Services-Other
- Citizen and Government Services-Pollution abatement management
- Citizen and Government Services-Social workers
- Citizen and Government Services-State parks, forest or resource management
- Citizen and Government Services-Transport of patients or clients
- Citizen and Government Services-Van pool
- Citizen and Government Services-Vocational rehabilitation
- General purpose transportation-Economic Development Activities
- General purpose transportation-Motor pool
- General purpose transportation-Other
- General purpose transportation-Student Transport
- Infrastructure Management -Campus and prison grounds upkeep
- Infrastructure Management -Habitat development / construction / maintenance
- Infrastructure Management -Highway development / construction /maintenance
- Infrastructure Management -Other construction
- Infrastructure Management -Other development / construction / maintenance
- Infrastructure Management -Other state facility upkeep
- Infrastructure Management -Park upkeep
- Infrastructure Management -Repair shops
- Inspections and Audits-Animal health
- Inspections and Audits-Bridge and highway pavement
- Inspections and Audits-Buildings and equipment
- Inspections and Audits-Other inspection
- Inspections and Audits-Public health
- Inspections and Audits-State lab work
- Inspections and Audits-Wastewater and solid waste sites
- Inspections and Audits-Weights and measures
- Inspections and Audits-Food and meat
- Inspections and Audits-Gaming
- Inspections and Audits-Jails
- Inspections and Audits-Auditors/Examiners
- Law Enforcement-DNR Forest Ranger
- Law Enforcement-DNR Park Ranger
- Law Enforcement-DNR Warden
- Law Enforcement-DOC Warden
- Law Enforcement-Hearings and legal actions
- Law Enforcement-Inspector
- Law Enforcement-Inspector, investigator or undercover
- Law Enforcement-Perimeter Patrol/Armed escort
- Law Enforcement-Police Patrol
- Law Enforcement-Prisoner armed escort
- Law Enforcement-Prisoner transport/escort
- Law Enforcement-Support activity
- Law Enforcement-Probation and Parole officer
- Support Services -Food service
- Support Services -Inter-agency deliveries
- Support Services -Laundry service
- Support Services -Safety