

State of Rhode Island and Providence Plantations

Department of Administration
BUREAU OF AUDITS
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June 11, 2014

Mr. Michael P. Lewis
Director
Department of Transportation
Two Capitol Hill
Providence, RI 02903

Dear Director Lewis:

The annual risk assessment performed by the Bureau of Audits resulted in an audit of Department of Transportation's management of the Fleet Operations. The audit was conducted in accordance with Rhode Island General Laws (RIGL) §35-7-3. The findings and recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

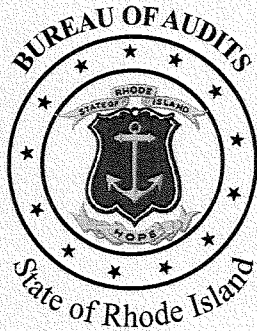
RIGL §35-7-3(b), entitled *Audits performed by bureau of audits*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on June 6, 2014, and such response is included in this report. Pursuant to this statute, the Bureau may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the management and staff of the Department of Transportation for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,

Dorothy Z. Pascale, CPA, CFF
Chief

c-Richard A. Licht, Director, Department of Administration
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Raymond Gallison, Jr., Chairperson, House Finance Committee
Dennis Hoyle, CPA, Auditor General
Peter Marino, Director, Office of Management and Budget, Department of Administration
Joseph D. Baker, PE, Administrator, Department of Transportation
Robert Shawver, Administrator, Department of Transportation
Robert Farley, Jr., Associate Director, Department of Transportation



AUDIT Executive Summary

Why the Bureau Did This Review

As a result of the annual risk assessment completed by the Bureau of Audits and a conversation with RIDOT management, the Bureau conducted an audit of the department Fleet Operations program. This audit was conducted in an effort to determine if the program is operating efficiently and effectively, in accordance with applicable statutes and state procedures, and with adequate controls to ensure safeguarding of assets and accurate reporting.

Background Information

The Fleet Operations unit within RIDOT includes administration and management of the vehicles allocated to the Department from the Department of Administration, Office of State Fleet Operations. This RIDOT unit is responsible to monitor compliance with the DOA State Fleet Rules and Regulations, reporting to DOA and the efficient use of vehicles. RIDOT fleet operations unit is responsible for a fleet of approximately 600 units.

To Improve Controls the Bureau Recommends:

- **Ensuring that timely, accurate and complete management data is available by:**
 - Establishing policies and procedures regarding data management
 - Collecting a date for “in-house” maintenance
- **Developing and documenting policies for improved fleet utilization, specifically:**
 - Permanently assigned vehicles
 - Pooled vehicle usage
 - Personal vehicle mileage reimbursement
- **Updating preventative maintenance schedule for newer vehicles.**
- **Ensuring compliance with State Policy A-51 *Employer Provided Vehicles* by:**
 - Keeping a list of all permanently assigned vehicles throughout the year
 - Providing the Department of Administration, Office of Accounts and Control, with a listing of individuals with state vehicle commuting privileges

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Objective and Scope

The Bureau of Audits (“Bureau”) conducted a limited scope performance audit of the Department of Transportation’s (RIDOT’s) management and administration of the Fleet Operations for calendar years’ 2012 and 2013. The purpose of this engagement was to determine if the program is operating efficiently and effectively, in accordance with applicable statutes and state procedures, and with adequate controls to ensure safeguarding of assets and accurate reporting.

Methodology

As part of our audit work, we gained an understanding of existing controls related to fleet operations at RIDOT. To address our audit objective, we performed the following:

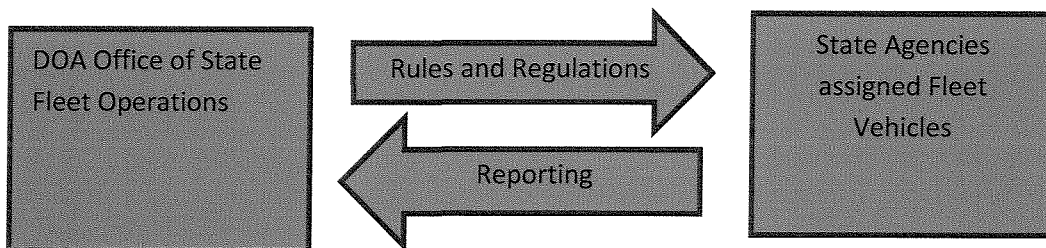
- Interviewed RIDOT management and staff
- Reviewed applicable state and federal laws, regulations, and department policies
- Gained an understanding of the procedures governing the management of the Fleet Operations program
- Reviewed Fleet reporting requirements and submissions to the Department of Administration

Introduction

The Department of Administration (DOA), Office of State Fleet Operations, is responsible for the allocation of state vehicles to all state agencies and ensuring the fleet is properly utilized. They are also responsible for the maintenance, repair and efficient use of all state-owned motor vehicles. Each state agency is responsible for:

- Enforcement of the Office of State Fleet rules and regulations
- Ensuring the efficient use of the state vehicles within its control
- Reporting usage and maintenance to the DOA

The relationship between the DOA Office of State Fleet Operations and the state agencies is depicted below:



The Department of Administration, Office of State Fleet Operations, has allocated approximately 600 vehicles and equipment to RIDOT Fleet Operations; this includes passenger vehicles, light trucks and SUVs, heavy trucks and other equipment.

The primary function of RIDOT Fleet Operations is to maintain and enhance the quality of the vehicles assigned, and to keep the fleet in good, safe operating condition. The objectives of the unit are to:

- Monitor and review vehicle maintenance costs and records for improved vehicle history and analysis
- Oversee and enforce maintenance of all vehicles every 2,500 miles or three months, whichever comes first
- Perform annual vehicle inspection
- Improve service efficiency
- Achieve efficient utilization of fleet

RIDOT Fleet Operations

Historically, RIDOT managed fleet operations as two entities based upon the location of the vehicles. One fleet management unit was located at the RIDOT Highway and Maintenance facility in Warwick, and the other fleet management unit was located at RIDOT Headquarters in Providence. During mid-November 2013, the RIDOT Director requested management restructures of the administration and oversight of the fleet by consolidating the oversight and responsibility to one unit; this newly consolidated unit is located at the Highway and Bridge Maintenance facility in Warwick.

Due to the numerous weather events since the requested restructure, the process of consolidation to the Warwick facility has not yet begun. According to the Assistant Administrator, this task will be addressed during the spring of 2014.

The current fleet management structure has inconsistent procedures between the Providence and Warwick locations. This is due, in part, to the uses and types of vehicles at each location. Also the sites continue to operate as two separate and distinct units.

Based on our review we believe the following items should be considered when implementing the consolidation:

- RIDOT should design oversight, reporting lines and appropriate authorities to meet objectives. These should include vehicle assignments, fleet oversight and maintenance, financial related functions and communication between divisions.
- Policies and procedures should be consistent for the entire fleet.
- Reporting to the Department of Administration Office of State Fleet Operations should be consolidated.

This report includes recommendations to improve controls that should be incorporated during the process of consolidation. These recommendations are related to specific areas of fleet management such as vehicle assignments, utilization, maintenance and reporting.

Recommendations to Improve Controls

Management Data is Key to an Effective and Efficient Fleet Management

To make informed decisions about a fleet of vehicles, agency managers must have accurate and reliable information. During the course of the year, no one database has current, complete and accurate information for management to evaluate and effectively oversee the vehicle fleet. Currently, information regarding the RIDOT fleet is maintained in three independent databases:

- Access database for vehicles located at RIDOT Highway and Bridge Maintenance facility tracks all vehicles and equipment assigned to the facility
- Access database for vehicles located at RIDOT Headquarters, Providence facility, tracks all vehicles assigned to units at the location
- Legacy database for all state vehicles located at the DOA, Office of State Fleet Operations, tracks all vehicles purchased, the maintenance records and generates the annual reports for the House and Senate fiscal advisory staff required under RIGL §42-11.3-5

The three individual databases mentioned above do not share information throughout the year. Driver mileage data and information from the RIDOT access databases are input into the state fleet database annually to meet reporting requirements. Since driver mileage and RIDOT access data is communicated on an annual basis, the Office of State Fleet Operations does not have timely information available for analysis of fleet usage and costs. Limited vehicle information and data prevents RIDOT and the Office of State Fleet Operations from effectively and efficiently managing vehicle fleets. Infrequent reporting also lends itself to inaccuracies if drivers are not continuously maintaining a driving log. DOA's Office of State Fleet Operations and RIDOT's Fleet Operations unit do not have the policies and procedures in place to collect fleet vehicle data more than annually and/or evaluate the data collected.

Additionally, maintenance may be performed internally at the Highway and Bridge Maintenance facility which is not captured by any fleet database. The related costs are not included in the annual report, resulting in misrepresentation of the true costs of the operation of such vehicles.

The current process of sharing information results in management not having the information readily available to monitor and analyze effective fleet utilization.

Recommendations:

To ensure that timely, accurate and complete management data is available, RIDOT should:

1. Establish policies and procedures regarding data management, including the process for combination of data between the systems.
2. Keep record of the cost of "in-house" maintenance performed on agency fleet.

3. Review the mileage logs maintained by individuals with permanently assigned vehicles on a continual basis.
4. Analyze, on a periodic basis, agency fleet data for accuracy, completeness, and reasonableness.

DOA, Office of State Fleet Operations, should:

5. Analyze fleet data for accuracy, completeness and reasonableness more than annually.

Management Responses RIDOT:

1. Currently we utilize vehicle history reports for data management, including the process for combination of data between the systems. These reports are generated from data collected whenever repairs or parts are procured. Fleet Operations (vehicles located at 2 Capitol Hill) are presently being integrated into a single Maintenance Vehicle Management System located at Maintenance Headquarters. Policies are in place which standardizes the workflow procedure.
2. Maintenance is captured at the macro level, will assess using VUEWORKS and/or Fleet Management System to capture in-house Operations.
3. RIDOT is currently reviewing estimates regarding GPS operated technologies with the capabilities of monitoring and updating vehicle mileages regularly. RIDOT is also working with State Fleet Operations and has gained access to mileage information collected from State fueling depots.
4. We concur and will continue to monitor for accuracy, completeness, and reasonableness.

RIDOT Anticipated Completion Date: October 2014

RIDOT Contact Persons: Joseph D. Baker, Paul Pusyka

Management Responses DOA, Office of State Fleet Operations:

5. The DOA Office of State Fleet Operations in conjunction with the DOA Office of Management & Budget completed a review of fleet data to improve enforcement of current requirements that departments with State vehicles provide accurate mileage and odometer readings. As a result of this effort, reporting compliance was increased and will carry forward to produce more accurate data.

Office of State Fleet Anticipated Completion Date: Completed

Office of State Fleet Contact Person: Barbara Phayre

Develop Fleet Management Policies and Controls for Improved Utilization

Proactively managing vehicle assignment and use is essential to ensuring resources are used efficiently. RIDOT does not have formal or clearly defined criteria or policies for making permanent vehicle

assignments, the use of agency pooled vehicles or the use of employees' personally owned vehicles. Management has noted that a variety of factors are included in vehicle assignment, including employee classification, safety concerns and number of available vehicles.

Without clearly defining the criteria for permanently assigned vehicles and other vehicle usage, there is potential for underutilization or inefficient use of state vehicles. Vehicle assignment policies should define employee classifications, address safety concerns and determine mileage reimbursement cost maximum amounts. A policy should also define when pooled vehicles should be utilized, versus paying mileage reimbursement, to make sure the state fleet is being utilized in a cost-efficient manner.

Recommendations: RIDOT coordinating with DOA, Office of State Fleet Operations, should develop formal policies and procedures for vehicle assignment and usage. These policies and procedures should address:

6. RIDOT permanently assigned vehicles, including procedures for annual review of assignment.
7. Factors to determine if a pooled vehicle should be assigned versus reimbursing an employee for using a personally owned vehicle.

Further, RIDOT should consider developing:

8. Management standard operating procedures regarding vehicle utilization and mileage reimbursement review; assess when it is more cost beneficial to increase utilization of the motor pool and/or allow for mileage reimbursement.
9. Procedures to rotate vehicles annually based on utilization review noted above (i.e., swap a vehicle with high annual mileage for one with low annual mileage).

Management Responses RIDOT:

8. Permanently assigned vehicles are issued to emergency and first response personnel whose work schedule revolves around a 24/7 emergency work plan. Between 11/1-12/31 RIDOT will review assignments in compliance with RIGL 42-11.3-4.
9. Cost benefit analysis of utilization rates must be performed to determine an appropriate course of action. Concur. Will continue to review with Operating Division.
10. Currently implemented with seven (7) pool vehicles permanently assigned to the Construction Section. Eight (8) vehicles at Two Capitol Hill will pool for use by RIDOT employees based on past history utilization.
11. Under review and to be implemented, accordingly.

RIDOT Anticipated Completion Date: October 2014

RIDOT Contact Persons: Joseph D. Baker, Paul Pusyka

Update Preventative Maintenance Schedule

The RIDOT and DOA fleet policies require scheduled preventative maintenance be performed at more frequent intervals than required by the manufacturers recommendations. During our audit, it was noted that Fleet Operations located at RIDOT headquarters follows the defined preventative

maintenance schedule noted in the policy; however, Fleet Operations located at the Highway and Bridge Maintenance facility does not complete scheduled maintenance as frequently. The current preventative maintenance schedule has not been updated and is outdated for the newer vehicles that make up the majority of the RIDOT fleet.

Preventative maintenance, including oil changes, should be performed according to the manufacturers' recommended schedule unless vehicles operate under severe driving conditions. Failure to change oil at or before the manufacturers' specified timetable can also void a warranty. Adherence is essential to avoid expending unbudgeted funds to pay the unplanned repair costs of components.

According to the Guide to Federal Fleet Management, performing preventative maintenance too frequently is a waste of natural resources (i.e., oil), adds unnecessary cost, and imposes an unreasonable burden of inconvenience upon the driver.

Recommendation:

10. RIDOT should work with DOA, Office of State Fleet Operations, to update the required preventative maintenance schedule and update the regulations accordingly.

Management Response RIDOT:

12. RIDOA and RIDOT have participated in an initial teleconference with a prospective vendor. A shared goal reinforces our collaboration in this endeavor.

RIDOT Anticipated Completion Date: October 2014

RIDOT Contact Persons: Joseph D. Baker, Paul Pusyka

Ensure compliance with State Policy A-51 Employer Provided Vehicles

When an employee is allowed to commute in an employer-provided vehicle, they must comply with the Office of Accounts and Control State Policy A-51, Employer Provided Vehicles. This ensures the employee and the state are in compliance with the federal regulations relating to an employer provided vehicle. Requirements for when an employee must be assessed a taxable benefit are established by the Internal Revenue Service guidelines (IRS Publication 15-B). Under some conditions, the benefit is assessed at \$1.50 one-way for each day an employee commutes in an employer provided vehicle. This is the method used for the vast majority of RIDOT employees who commute to work in a state assigned vehicle. It was also noted that if individuals were assigned a vehicle with commuting privileges during a portion of the year, not at the time of annual reporting in December, there is potential that the state may not be assessing the fringe benefit.

There are no formal procedures for RIDOT or the Office of Accounts and Control to reconcile the A-51 forms submitted to individuals who have permanently assigned vehicles with commuting privilege

throughout the year. The agency, RIDOT, is responsible for collecting and submitting the A-51 forms to Accounts and Controls. RIDOT keeps a schedule of individuals who are assigned vehicles with the commuting privilege on an annual basis; however, it does not include individuals that may have the privilege at some point during the year and not at year end. The A-51 forms account for the fringe benefit from November 1 through October 31 of the following year. The A-51 forms submitted are not reconciled to the approved year-end list or a listing of individuals with the privilege throughout the year, which resulted in the following:

- Three individuals who had commuting approved for the year did not submit the required form to be assessed the taxable fringe benefit.
- Individuals who were not assigned a vehicle at year end, but assigned a vehicle during the year, may not be in compliance.
- Two individuals who do not commute in employer-provided vehicles erroneously completed the forms and were assessed the taxable fringe benefit.

Recommendations:

11. RIDOT should submit to the Office of Accounts and Control the required A-51 forms for the three individuals who were not properly assessed the taxable fringe benefits for 2013.
12. RIDOT should keep a listing of all individuals who had a vehicle assigned with commuting privileges throughout the year, including starting and ending dates (i.e., if they have a vehicle to commute through July, commuting November 1- July 31).
13. RIDOT should develop procedures to reconcile the individuals who had the commuting privilege during the year to the A-51 forms submitted.
14. RIDOT should provide the Office of Accounts and Control a listing of all individuals who should have the benefit assessed, so they can verify that all employees do have the benefit included in their wages and the corresponding taxes are paid.

Management Responses RIDOT:

13. Prior to next reporting cycle RIDOT will prepare a defined standard operating procedure/policy for annual fleet reports. We will take further action with the individuals upon identification.
14. The current listing with the Division of Highway & Bridge Maintenance's Fleet Office is intact and a process for tracking and changes has been implemented within the Department.
15. The standard operating procedures will be reduced to writing.
16. This list will be provided.

RIDOT Anticipated Completion Date: October 2014

RIDOT Contact Person: Joseph D. Baker, Paul Puyska