

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Amber Robbins, Management & Program Analyst Supervisor AR

CC: Department of Transportation
Malcolm Long, Director
Julie Brown, Deputy Director
Dwane Kailey, Chief Operations Officer
Jon Swartz, Administrator, Maintenance Division
Walt Kerttula, Equipment Bureau Chief, Maintenance Division
Bo Antila, Equipment Bureau Fiscal Manager, Maintenance Division
Mike Solem, Motor Pool Manger, Maintenance Division
Natalie Gibson, Chief Auditor, Professional Services Division

DATE: April 2023

RE: Performance Audit Follow-Up (23SP-08): *Cost and Management of the State Motor Pool* (orig. 21P-03)

ATTACHMENTS: Original Performance Audit Summary

Introduction

The *Cost and Management of the State Motor Pool* (21P-03) report was issued to the Legislative Audit Committee in February 2022. The audit included one recommendation to the Montana Department of Transportation (MDT). In March 2023, we conducted follow-up work to assess implementation of the recommendation. This memorandum summarizes the results of our follow-up work.

Overview

Our audit recommended MDT use a more formal, data-driven approach to improve three areas of its fleet management practices. The fleet management areas addressed by our recommendation included: identifying underused leases, rightsizing the day fleet, and monitoring adherence to preventative maintenance requirements. We found through follow-up work that MDT implemented all three parts of our recommendation. The department provided both days-used and mileage information to its agency lease fleet contacts for identifying underused leases. The percentage of underutilized leases decreased between FY2021 and FY2022. The department has taken steps to reduce the size of the day fleet. However, the department has not fully reduced the day fleet to meet 80 percent demand but intends to meet this target as day fleet demand levels out after the COVID-19 pandemic. Additionally, MDT created a dashboard to continually monitor performance relative to its goal for compliance with preventative maintenance requirements.

Background

The purpose of the Motor Pool is to provide reliable and efficient vehicles to state employees for state business travel. The Motor Pool manages a fleet of vehicles in Helena for short-term rental by state employees (the day fleet) and a fleet of vehicles leased to agencies on a long-term basis (the lease fleet). Together, the Motor Pool manages about 1,000 vehicles, most of which (about 84 percent) are long-term leases to agencies. Our audit included a cost comparison between the Motor Pool and the private sector as well as a review of some of the key fleet management practices that could significantly affect costs. We found the Motor Pool to generally be a more economical option for state employee travel for both as-needed rentals and leases than the private sector. However, we identified three areas for improvement in some of the Motor Pool's fleet management practices. We made a three-part recommendation to MDT. The fleet management areas we addressed in our recommendation included identifying underutilized leases, rightsizing the day fleet, and monitoring compliance with preventative maintenance requirements.

Audit Follow-Up Results

The following sections summarize the progress toward implementation of the report recommendation. Follow-up work included reviewing Motor Pool data and reports on utilization, rightsizing, and preventative maintenance. We also interviewed staff at MDT to understand changes in the key fleet management areas for the Motor Pool addressed in our audit. We also reached out to the Governor's Office to learn more about how they work with agencies to identify Motor Pool leases that appeared underutilized.

RECOMMENDATION #1

We recommend the Department of Transportation use a more formal, data-driven approach to improve its fleet management practices in the following ways:

- A. Provide both mileage and days-used information to agencies and to the Governor's Office annually for identifying underutilized Motor Pool leases.**
- B. Adjust the size of the Motor Pool day fleet over time to meet 80 percent demand.**
- C. Measure progress toward goals for adherence to preventative maintenance requirements.**

Implementation Status – Implemented

Based on our follow-up work, we determined MDT implemented all three parts of our recommendation. The department's efforts in the three areas of our recommendation are discussed below.

- A. Our audit found that providing days-used in addition to mileage information would be helpful in identifying potentially underutilized Motor Pool leases. Since the audit, the department has provided both days used and mileage information to its lease fleet contacts for the purpose of identifying underutilized leases. We learned that only mileage information was sent with the Governor's Office lease survey to agencies as part of its work with agencies on their budgets. However, the extent to which the Governor's Office reviews or enforces sufficient use of Motor Pool leases was outside the scope of the audit. As part of follow-up work, we analyzed the utilization reports that MDT sent to the Motor Pool's agency lease fleet contacts. We found that, while the Motor Pool's lease fleet grew between FY2021 and FY2022, a lower percentage of leases were underutilized. This suggests that providing both days used and mileage information to agency lease fleet contacts was meaningful for monitoring use of Motor Pool leases.
- B. Our audit found that a target of meeting 80 percent demand was a good cost-minimizing target for the Motor Pool day fleet. Our performance audit identified vans, hybrid sedans, and sedans as vehicle types exceeding 80 percent demand in the Motor Pool day fleet. Since the audit, the department reduced its day fleet, mostly in the hybrid sedan category. The department reduced the day fleet by 10 vehicles in FY2021, 4 vehicles in FY2022, and 2 vehicles to date (at the time

of our follow-up work) in FY2023. The department estimated cost savings associated with this reduction was at least \$12,160. While MDT mostly reduced in the hybrid sedan category, the department plans to further reduce the fleet to meet 80 percent demand in other vehicle categories over time as demand further levels out after the COVID-19 pandemic. The department expects to have a better idea of what demand will normally look like at the end of FY2024.

- C. The Motor Pool requires regular preventative maintenance for its vehicles. During the audit, the Motor Pool had a goal of 90 percent compliance with preventative maintenance requirements. However, it was not monitoring whether it was meeting this goal using preventative maintenance data. We found during the audit that the department was not meeting this goal, with compliance at 83 percent. Since the audit, the department developed a dashboard to measure performance relative to its preventative maintenance goal. The dashboard breaks down compliance by month and for day fleet versus lease fleet vehicles. The dashboard shows compliance with preventative maintenance requirements to be about 97 percent across the entire Motor Pool fleet in March 2023. The department indicated they can better track preventative maintenance compliance because of this dashboard. The department finds the dashboard to be especially useful for tracking preventative maintenance for other MDT equipment as well.