WR-B-01-01

AUDIT REPORT

RICHLAND OPERATIONS OFFICE FLEET MANAGEMENT

JANUARY 2001

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES

February 2, 2001

MEMORANDUM FOR THE MANAGERS, RICHLAND OPERATIONS OFFICE AND OFFICE OF RIVER PROTECTION

FROM: Lawrence R. Ackerly, Regional Manager (Signed)
Western Regional Audit Office
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on "Richland Operations Office Fleet Management"

BACKGROUND

The Department of Energy (DOE) Richland Operations Office and the Office of River Protection (together referred to as "Richland") and the Hanford Site's (Site) prime contractors had a fleet of 1,332 light and heavy motor vehicles as of March 31, 2000. These vehicles were leased from the General Services Administration (GSA). Fleet costs for Fiscal Year 2000 were approximately $5.5 million.

In a 1994 report, *Audit of Light Vehicle Fleet Management in the Department of Energy*, DOE/IG-0362, the Office of Inspector General reported that DOE was not managing its light vehicle fleet operations in the most economical and efficient manner. One of the four audited sites was Richland, where 64 percent of the 1993 vehicle fleet was utilized less than local mileage standards. Since the 1994 report was issued, the number of Site personnel has declined by 41 percent. The number of light vehicles, however, has declined by only 3 percent. The objective of this audit was to determine if the size of Richland's vehicle fleet was appropriate to its use.

RESULTS OF AUDIT

The size of Richland's vehicle fleet was not appropriate to its use, as 85 percent of the vehicles were used less than DOE's mileage standards. Further, 27 percent were used less than the local mileage standards. Richland had too many vehicles because it had not established and implemented controls required by DOE's Property Management Regulation. For example, Richland's Fleet Manager had not reviewed and approved the local standards or reassigned underused vehicles or returned such vehicles to GSA. We estimated that Richland could potentially reduce the number of vehicles by 559 and save about $1.7 million annually.

We recommended that Richland measure vehicle use against DOE standards. Alternatively, if circumstances warranted using local standards, those standards should be established—based on factors such as past performance and any special operating conditions—and reviewed and approved by the Fleet Manager. We also recommended that underused vehicles be reassigned or returned to GSA.

MANAGEMENT REACTION

Management concurred with the overall conclusion and recommendations. Richland estimated that the fleet could be reduced by about 400 vehicles, a reduction that would save about $1.2 million annually.

TABLE OF CONTENTS

Overview

INTRODUCTION AND OBJECTIVE

The Department of Energy (DOE) Richland Operations Office and the DOE Office of River Protection (together referred to as "Richland") and the Hanford Site's (Site) prime contractors had a fleet of 1,332 light and heavy motor vehicles as of March 31, 2000. These vehicles were leased from the General Services Administration (GSA). The fleet was intended to provide transportation for the Richland offices and prime contractors at the Site. Fleet costs for Fiscal Year (FY) 2000 were approximately $5.5 million.

In a December 1994 report, *Audit of Light Vehicle Fleet Management in the Department of Energy*, DOE/IG-0362, the Office of Inspector General (OIG) reported that DOE was not managing its light vehicle fleet operations in the most economical and efficient manner. One site included in that audit was Hanford and, with respect to that Site, the report concluded that 64 percent of Richland's vehicle fleet was utilized less than the mileage standards. The report contained recommendations to ensure that operations offices monitor vehicle utilization consistent with the current site vehicle utilization plan and take appropriate actions to reduce the fleet to the minimum level necessary.

Since the 1994 report was issued, the number of Site personnel has declined by 41 percent but the number of light vehicles has declined by only 3 percent. The objective of this audit was to determine if the size of Richland's vehicle fleet was appropriate to its use.

CONCLUSIONS AND OBSERVATIONS

The size of Richland's vehicle fleet was not appropriate. Of the 1,332 vehicles, 85 percent were used less than DOE's mileage standards. Further, 27 percent were used less than the Site's mileage standards. Richland had too many vehicles because it had not established or implemented controls required by DOE's Property Management Regulation. For example, the Organizational Motor Equipment Fleet Manager (Fleet Manager) had not returned underused vehicles to GSA or reassigned them. We estimated that Richland could potentially reduce the number of light vehicles by 559 and save about $1.7 million annually.

In our opinion, the matters discussed in this report represent internal control weaknesses that Richland should consider when preparing the yearend assurance memorandum on internal controls.

(Signed)
Office of Inspector General

Vehicle Fleet Size Can Be Reduced

Number Of Vehicles Could Be Reduced

Richland's vehicle fleet was too large. A comparison of vehicle use to mileage use standards showed that a significant number of vehicles were used less than the standards. From this, we concluded that the number of vehicles could be reduced.

We compared vehicle use to DOE mileage standards and found that 85 percent of the Site's vehicles were used less than these standards. The table below provides supporting information on the number of vehicles by type (sedans, light trucks, and heavy trucks) that were used less than the DOE mileage standards. For example, 96 percent of the Site's sedans were used less than the DOE standard of 12,000 miles per year. Thus, only 4 percent of sedans met the standard. Similar statistics were compiled for light trucks and heavy trucks.

Since Richland did not follow DOE standards, we also compared vehicle use to "Site standards."[1] Even when the lower standards were used, the table shows that 27 percent of the vehicles were used less than these standards.

Vehicles Not Meeting Mileage Standards

	DOE Mileage Standards			Site Mileage Standards		
Vehicle Type	Standard (miles per year)	Number of Vehicles not Meeting Standard	Percent of Vehicles not Meeting Standard	Standard (miles per year)	Number of Vehicles not Meeting Standard	Percent of Vehicles not Meeting Standard
Sedans	12,000	145	96%	4,800	68	45%
Light	10,000	865	83%	4,000	257	25%
Heavy	7,500	118	84%	3,000	41	29%
Total		1,128	85%		366	27%

To determine if there had been any improvement in vehicle use since the OIG's 1994 audit report was issued, we made a third comparison. The 1994 report showed that 64 percent of the light vehicles did not meet the Site standards. We compared current use to the 1993 Site standards and again found that 64 percent (766 of the 1,201 light vehicles) were used less than these standards. Thus, in terms of the 1993 standards, Richland had not shown improvement.

[1]Richland and its contractors did not have one Site standard. Instead, contractors used different amounts, some above and others below the amounts shown. An approved local standard did not exist.

Richland and its contractors were aware that current vehicle use was falling short of Site standards. Fluor Hanford, Inc.'s (Fluor) fleet management had conducted four vehicle utilization reviews since the last quarter of FY 1999. The most recent review showed that 20 vehicles assigned to Richland were under what Fluor termed a "low usage standard" of 2,500 miles per year. Furthermore, Battelle-Pacific Northwest National Laboratory's (Battelle) quarterly performance reports for the second and third quarters of FY 2000 showed all 17 of its sedans were rated "marginal" with less than 4,200 miles of use per year.

Controls Over Fleet Size

According to DOE's Property Management Regulation (41 CFR subpart 109-38.50, *Utilization of Motor Vehicles*), DOE's policy is to keep the number of motor vehicles at the minimum needed to satisfy program requirements. The regulation establishes average utilization standards by type of vehicle. For example, the standard for sedans is 12,000 miles per year.

When operating circumstances prevent the DOE standards from being met, the regulation requires that efficient local standards be established and met. These local standards are to be established and documented by the Fleet Manager. They should take into consideration such factors as past performance, future requirements, geographical disbursement, and special operating requirements. The Fleet Manager is responsible for reviewing these standards at least annually and approving in writing all proposed local standards. If vehicles fail to meet the established standard, the Fleet Manager is required to promptly (1) reassign underused vehicles, (2) dispose of them, or (3) obtain from the users special justifications that document their continued requirement for the vehicle and any proposed actions to improve use. Special justifications require approval.

The regulation identifies controls and practices to be used for achieving maximum economical use of vehicles. One control is the maintenance of individual motor equipment use records, such as trip tickets or vehicle logs, or hours of use, as appropriate, showing sufficiently detailed information to evaluate appropriateness of assignment and adequacy of use being made.

Controls Over Fleet Size Not Established Or Implemented

Richland had not established or implemented the required controls for fleet management. Specifically, the Fleet Manager had not reviewed and approved annually local standards. When audits and reviews disclosed a significant number of vehicles being used less than standards, Richland had not reassigned or disposed of the vehicles, or obtained special justifications from the users and reviewed and

approved those justifications. Individual vehicle use records were generally nonexistent. In addition, most vehicles were not covered by performance measures, which are intended to make contractors more accountable to DOE.

The Site's local use standards had not been reviewed and approved by the Fleet Manager. The process employed by Richland and its contractors generally sidestepped these controls.

- Bechtel Hanford, Inc. (Bechtel), and Battelle, which together had about 301 light vehicles, had proposed that 40 percent of DOE's standard (or 4,800 miles per year) be used as the performance measure for an "Excellent" rating for their light vehicle use; 4,200 miles for a "Very Good" rating; and less than 4,200 miles for a "Marginal" rating. Although Richland agreed to use these amounts as performance measures, the Fleet Manager did not review and approve the mileage standard.

- Fluor, which was the contractor with the most vehicles, used a 5,000-miles standard to review mileage usage of its vehicles. Fluor's vehicle use was not covered by a contractual performance measure, and the Fleet Manager did not review or approve the mileage standard.

None of these local standards was supported by documentation that demonstrated how the standards took into consideration past performance, future requirements, geographical disbursement of vehicles, or other special operating requirements. There was no documentary evidence of a review or approval of them by the Fleet Manager. While the use of local standards at Richland might be appropriate, the basic problem was that none of the standards being used was supported. There was no documentation that demonstrated why local standards should be used or which specific standards were appropriate to the vehicle users' circumstances and would serve to minimize the number of vehicles.

Not only were Site standards unsupported, they were being lowered over time. The 1994 audit report noted that Richland had a mileage standard of 9,500 miles for sedans but was in the process of lowering it to 9,300 miles. Since the 1994 report, the standard has been reduced to about half of what it had been. In 1994, the OIG reported that "Richland elected to reduce its local standards in 1993 rather than reduce fleet size, even though approximately 60 percent of the fleet

did not meet the previous local use standards." Six years later, mileage standards continue to go down while the number of vehicles remains relatively constant. This gave the appearance of standards being set to match use rather than being used to minimize the number of vehicles.

Richland also lacked policies and procedures to ensure that underused vehicles were reassigned, returned to GSA, or retained by users based on approved special justifications. Richland and contractor vehicle managers told us that project managers were allowed to decide whether a vehicle should be retained or returned. This process undermined the usefulness of standards as a tool for controlling the number of vehicles. Thus, Richland did not reduce its fleet after the OIG reported in 1994 that over 64 percent of Richland's vehicles did not meet then-current standards. While the number of personnel has declined by 41 percent (going from 17,000 to 10,000), the number of light vehicles has declined by only 3 percent.

Finally, individual vehicle use records were generally nonexistent. Richland and its contractors were not maintaining the type of information needed to establish justifiable local use standards. Although DOE's Property Management Regulation required that vehicle logs or trip tickets be used and some contractors' policies recommended that users maintain usage logs, sufficient in detail to evaluate appropriateness of assignment, Site users did not usually maintain such logs. Managers and vehicle users either said that they were unaware of the utilization log requirement or that trip logs were unnecessary and too time consuming.

Savings Available By Reducing The Number Of Vehicles

Based on the underused vehicles, Richland could reduce the number of vehicles leased from GSA. We estimated that Richland could potentially reduce the number of vehicles by 559 and save about $1.7 million annually in lease operation and maintenance costs. This estimate was based on the DOE mileage standard since the Fleet Manager has not reviewed and approved the use of local site standards. See Appendix 2 for estimation details.

RECOMMENDATIONS

We recommend that the Managers, Richland Operations Office and Office of River Protection direct the Fleet Manager to:

1. measure vehicle use against the DOE or local standards. If local standards are to be used, they are to be established and documented, taking into consideration past performance, future requirements, geographical disbursement, and any special operating requirements. The Fleet Manager should review and approve these standards annually to ensure that efficient standards are used;

2. incorporate vehicle standards into all contracts as performance measures;

3. promptly reassign underused vehicles, return them to GSA, or obtain a special justification from the user; and,

4. require vehicle users to maintain individual vehicle use records, such as trip tickets or vehicle logs, or hours of use, as appropriate, showing information adequate to evaluate the appropriateness of assignment and use being made.

MANAGEMENT COMMENTS

Management concurred with the facts presented, the overall conclusion, and the report's recommendations. Richland estimated that the vehicle fleet could potentially be reduced by about 30 percent, or 400 vehicles, with potential cost savings of $1.2 million. Management stated that it would request a 30 percent fleet reduction from the contractors to occur in FY 2001.

Recommendation 1. Management agreed that vehicle use standards should be established and documented. Richland and the Site contractors had used various mileage goals to evaluate contractor performance. During the December 12, 2000, exit conference Richland management further clarified its response by stating that the local standards will be established and documented by taking into consideration past performance, future requirements, geographical disbursement, and any special operating requirements. The Fleet Manager will also annually review and approve the established Site standards used by Richland and the Site contractors.

Recommendation 2. Richland's Office of Site Services will study the feasibility of incorporating performance measures related to vehicle standards into the appropriate Site contracts. The estimated completion date for this action is September 2001.

Recommendation 3. Richland and the Site contractors will promptly reassign or return to GSA underutilized vehicles throughout the Site or obtain a special justification from the user. As an example, Richland's August 2000 *Vehicle Utilization Study* targeted 18 (30 percent of 60) underused vehicles assigned to Richland personnel. Twelve of these targeted vehicles were returned to GSA and justifications were provided for the remainder of these vehicles to remain onsite. The Site contractor will be directed to reassign or return to the GSA underutilized vehicles based on the results of future utilization studies.

Recommendation 4. Richland will direct the Site contractors to maintain continuous vehicle use logs and direct users to provide detailed information similar to that required by Richland vehicle users. A document entitled *Weekly Motor Pool Vehicle Use Log*, which requires the user to log the hours of use, mileage, destination, purpose of trip, and vehicle identification, is already maintained by Richland for all leased Richland vehicles.

AUDITOR COMMENTS

Management's comments and corrective action plans are responsive to our recommendations.

Appendix 1

SCOPE

The audit was performed from April 19, 2000 through October 25, 2000, at the Richland Operations Office, the Office of River Protection, and at the following Site prime contractors: Fluor, the managing and integrating contractor for the Project Hanford Management Contract and its subcontractors; Bechtel, the environmental restoration contractor; Battelle, the management and operating contractor for the Pacific Northwest National Laboratory; and CH2M Hill Hanford, Inc. The scope included 1,201 light and 131 heavy vehicles leased from GSA as of March 31, 2000.

METHODOLOGY

To accomplish the audit objective, we:

- analyzed vehicle mileage data from the GSA Inter-agency Fleet Management System to annualize monthly vehicle mileage usage;
- electronically mailed questionnaires to users of randomly selected light vehicles and heavy vehicles not meeting the DOE mileage standard and interviewed those users;
- interviewed Richland officials, contractor management, and employees;
- reviewed vehicle budgets and expenditures;
- compared personnel staffing and fleet size in FY 1993 to FY 2000;
- determined whether vehicles had utilization trip logs;
- compared Site vehicle mileage to DOE and Richland use standards;
- visited employee work sites, facilities, and offices and obtained odometer readings; and,
- reviewed contract provisions for Government Performance and Results Act of 1993 performance measures related to the audit objective.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Internal controls reviewed included regulations, DOE and contractor policies, and

procedures related to management of light and heavy vehicles leased from GSA. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. Since we relied on computer-processed data stored on the Inter-agency Fleet Management System, we assessed the reliability of the data on a test basis and found it to be reliable. Finally, we reviewed Richland's and the major Site contractors' vehicle utilization performance goals that were relevant to the audit objective.

We held an exit conference with the Acting Director, Office of Site Services, Richland Operations Office, on December 12, 2000.

Appendix 2

Estimate Of Potential Fleet Reduction And Annual Savings

To estimate the potential reduction in the size of the fleet, we first identified the number of vehicles that were underused when compared to the DOE mileage standards for the three major types of vehicles (sedans, light trucks, and heavy trucks). For each underused vehicle, we multiplied its average actual monthly mileage by 12 months in order to annualize actual mileage. We then summed the annualized actual mileage by type of vehicle. We subtracted this sum from the mileage that the underused vehicles would have been driven to meet the DOE mileage standard. For each type of vehicle, we then divided this difference by the applicable DOE standard to estimate a potential reduction in the number of vehicles per vehicle type. To estimate potential savings, we multiplied the resulting number of vehicles by the average yearly cost to lease the type of vehicle from GSA.

Using this methodology, we estimated that:

- sedans could be reduced by 87 vehicles with annual savings of $180,525. 145 sedans were used less than 12,000 miles. For FY 2000, the sum of the annualized actual mileage for these vehicles was 691,380 miles. To meet the DOE standard, these vehicles would have been driven 1,740,000 miles (145 sedans X 12,000 miles). Dividing the difference of 1,048,620 miles by 12,000 miles equates to an estimated reduction of 87 vehicles. Multiplying 87 vehicles times the yearly cost of $2,075 to lease a sedan from GSA results in $180,525 of savings;

- light trucks could be reduced by 409, which would save $1,126,795 annually. 865 light trucks were used less than 10,000 miles. For FY 2000, the sum of the annualized actual mileage for these vehicles was 4,559,316 miles. To meet the DOE standard, these vehicles would have been driven 8,650,000 (865 light trucks X 10,000 miles). Dividing the difference of 4,090,684 miles by 10,000 miles equates to an estimated reduction of 409 vehicles. Multiplying 409 vehicles times the average yearly cost of $2,755 to lease a light truck from GSA results in $1,126,795 of savings; and,

- heavy trucks could be reduced by 63, which would save $353,682 annually. 118 heavy trucks were used less than 7,500 miles. For FY 2000, the sum of the annualized actual mileage for these vehicles was 414,156 miles. To meet the DOE standard, these vehicles would have been driven 885,000 miles (118 heavy trucks X 7,500 miles). Dividing the

difference of 470,844 miles by 7,500 miles equates to an estimated reduction of 63 vehicles. Multiplying 63 vehicles times the average yearly cost of $5,614 to lease a heavy truck from GSA results in $353,682 of savings.

Finally, we estimated a total vehicle reduction of 559 by adding the reductions by type of vehicle (that is, 87 sedans + 409 light trucks + 63 heavy trucks) and total annual savings of $1,661,002 by adding the savings by type of vehicle ($180,525 for sedans + $1,126,795 for light trucks + $353,682 for heavy trucks).

Appendix 3

RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Vehicle Use at Lawrence Livermore National Laboratory, WR-B-00-07, September 2000. Not one of 31 randomly selected vehicles used primarily for transportation of lab employees and light materials on the one-square-mile lab site met the laboratory's trips-per-day use standard. The vehicle fleet was larger than necessary because the Oakland Operations Office allowed the lab to count and report trips based on mileage rather than the actual number of trips taken.

Vehicle Fleet Management at the Idaho National Engineering and Environmental Laboratory, WR-B-99-02, March 1999. The OIG reported that, in FY 1997, 45 percent of the light vehicles at the Idaho Operations Office and its contractor were underused. Light vehicles were underused because the operations office had not reviewed individual vehicle use against mileage standards. As a result, the light vehicles were used significantly less than the mileage standards and the light vehicle fleet was larger than necessary.

Audit of Light Vehicle Fleet Management in the Department of Energy, DOE/IG-0362, December 1994. The OIG reported that DOE needed to improve the management of its light vehicle fleet. Vehicle use standards established by operations offices were generally well below the DOE guidelines and there was little or no documentation available to support management decisions to use the lower standards. Even when compared to the lower use standards, over 64 percent of Richland's fleet was underutilized in FY 1993.

Equipment Use and Repair at the Hanford Site, WR-BC-93-1, March 1993. The OIG reported that Richland had not taken steps to identify and reduce underused equipment. Heavy-duty trucks were used less than 50 percent of the suggested property management use standards. Richland and its contractor were unaware of the low usage because equipment use data was incomplete.

Report No.:WR-B-01-01

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