

Audit Highlights



Highlights of Legislative Auditor report on the Motor Pool Division issued on September 29, 2010.
Report # LA10-16.

Background

The Motor Pool was created in 1961 to provide an economical means of transportation for state employees and officers on state business. The Motor Pool maintains facilities in Carson City, Las Vegas, and Reno. The Division operated a fleet of 849 vehicles in July 2009 that cost approximately \$13 million. Of these vehicles, 736 were on assignment to state agencies, and 113 were used as daily rentals.

In fiscal year 2009, the Motor Pool was authorized 15.51 positions. Operating expenditures totaled \$4.85 million during the year. The Division's primary source of funding is vehicle rental fees.

Purpose of Audit

The purpose of this audit was to determine whether the Motor Pool Division had controls in place to ensure the economical utilization of Motor Pool vehicles, and whether fuel card and purchase card transactions were safeguarded against loss and misuse. Our audit focused on the Division's activities for fiscal years 2008 and 2009.

Audit Recommendations

This report contains 11 recommendations to improve the Division's internal controls. Five recommendations include improving controls to help ensure the economic utilization of Motor Pool vehicles. We also made six recommendations to improve controls over fuel card and purchase card expenditures.

The Division accepted the 11 recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on December 29, 2010. In addition, the six-month report on the status of audit recommendations is due on June 29, 2011.

Motor Pool Division

Department of Administration

Results in Brief

The Motor Pool can improve the economical utilization of its vehicle fleet. The Division does not adequately monitor its fleet for potential elimination or reassignment of unneeded vehicles. We estimate the Motor Pool could save about \$1.6 million by delaying new vehicle purchases and reducing its fleet size. In addition, vehicles assigned to state agencies are not always maintained in accordance with established maintenance schedules. Preventive maintenance is important for controlling repair costs and performing vehicle safety checks. Additional savings may be realized by determining the most cost-effective time to replace vehicles.

The Motor Pool has significant weaknesses in its system of internal control. Specifically, controls over fuel cards were not adequate to deter improper use and to detect illegal transactions in a timely manner. Controls over fuel card use are important because fuel purchases totaled more than \$900,000 in fiscal year 2009. In addition, required reviews of purchase card transactions were not documented by staff. Most problems we identified throughout our audit report stem from management and staff not following the Division's internal controls and not documenting control activities performed.

Principal Findings

Many Motor Pool vehicles did not meet the Division's minimum use requirements. Our testing identified that 162 of 736 (22%) agency assigned vehicles were driven less than 6,000 miles during 2009. Low-use vehicles resulted in some agencies spending too much for transportation costs. State policies require the Motor Pool to monitor vehicles for low-use and reassign them if necessary. However, management has not actively monitored vehicles for low-use or followed Division policies for investigating low-use vehicles.

We estimate the Motor Pool could save \$1.6 million in future vehicle replacement costs by reducing its fleet by 73 low-use vehicles assigned to state agencies. These savings would occur if low-use vehicles were eliminated or reassigned and the Motor Pool delayed the purchase of replacement vehicles. Reducing the fleet size will save an average of \$21,835 per vehicle in future replacement costs and annual costs. This estimate includes the average capital outlay of \$18,360 for each vehicle purchased during fiscal year 2009, and \$3,475 in other reoccurring costs such as insurance and registration over the life of the vehicle.

Vehicles were not always maintained according to the Division's preventive maintenance schedule during fiscal years 2008 and 2009. Our testing identified that preventive maintenance was not timely for 85 of 279 (30%) required services, such as an oil change and vehicle inspection. The cost of these services are included in the monthly rate charged to agencies for Motor Pool vehicles. Without regular maintenance a vehicle's economic useful life may be compromised resulting in higher repair costs, lower resale value, and premature replacement. The Motor Pool can improve its maintenance process by using a report from its fleet management system that shows when a vehicle's maintenance is past due.

Although hybrid vehicles help to provide an environment friendly fleet, more attention is needed on recovering the initial cost premium paid when these vehicles are purchased. Relatively low gasoline prices prevented the hybrid vehicles retired in 2009 from generating fuel savings to recover a cost premium of about \$8,600. Because recovery of the cost premium depends primarily on miles driven and gas prices, the Motor Pool should try to place hybrid vehicles at agencies with high utilization. Hybrid replacement and cost recovery issues are important because the Motor Pool now has about 40 hybrid vehicles with a total cost of approximately \$870,000.

Monthly fuel card billings were not adequately monitored for improper use. We identified 16 vehicles that should have been promptly investigated for improper fuel card use from our review of 4 month's billing statements. Unusual fuel purchases for one vehicle were investigated by the Attorney General's Office during our audit. According to the Motor Pool, the investigation involved a theft of fuel which totaled approximately \$5,000. Although the theft occurred for about 1 year, the Motor Pool did not become aware of the problem until it received an exception report from the statewide fuel provider showing three purchases in 1 day. Unusual fuel purchases for this vehicle should have been identified much sooner since this was one agency's only Motor Pool vehicle.