



STATE VEHICLE MAINTENANCE FACILITY
AND FLEET FUEL CARD PROGRAM

From The Office Of State Auditor
Claire McCaskill

The state vehicle maintenance facility is cost-effective and efficient. The fleet fuel card program needs evaluation.

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PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

October 2003

YELLOW SHEET

Vehicle maintenance facility is cost-effective and efficient, while fleet fuel card program needs evaluation

This audit reviewed the management of the state's vehicle maintenance facility and the quality of the state's fleet fuel card contract, both administered by the Office of Administration. The vehicle maintenance facility provides automotive repairs and body shop services for state vehicles primarily stationed in the Jefferson City area. The fleet fuel card contract is currently a 3-year contract with services provided by the vendor free of charge. The state purchased nearly 1.7 million gallons of fuel on the fuel cards during the year ended December 2002. The following highlights the findings:

Vehicle maintenance facility saves state money

The Jefferson City vehicle maintenance facility is managed well and provides a valuable service to state customers. Auditors found most customers are satisfied with the repair costs and the facility is run efficiently. According to the fleet manager's analysis for the year ended June 30, 2002, the facility saved the state approximately \$434,000. (See page 2)

Current fleet fuel card program may not be cost-effective and efficient

The current fleet fuel card program may not give the state the most value for its money. Other states have negotiated better deals and obtained per gallon discounts or rebates with different vendors, which could have saved the state up to \$51,000. The current 3-year contract expires June 30, 2005 and should be re-bid to maximize savings. (See page 4)

State agencies need consistent guidelines for fuel card use

A fleet card vendor report showed the state spent an additional \$11,892 to buy higher octane fuels during the year ended December 31, 2002, but documentation is not required to show the need for such purchases. State entities indicated the purchases occurred due to a lack of monitoring and lack of knowledge of acceptable purchases. The Office of Administration could provide additional guidance in an information booklet including when to allow exceptions to regular-grade fuel purchases. (See page 4)

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TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1
RESULTS AND RECOMMENDATIONS	2
1. Vehicle Maintenance Facility Provides a Cost-Effective and Efficient Method of Providing Vehicle Repairs	2
Conclusion	3
2. Fleet Fuel Card Program Needs Evaluation.....	4
Conclusions.....	5
Recommendations.....	6
 APPENDIXES	
I. OBJECTIVES, SCOPE AND METHODOLOGY	7
II. VEHICLE MAINTENANCE EXPENDITURES BY STATE ENTITY	8
III. SURVEY RESULTS	9



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Jacquelyn D. White, Commissioner
Office of Administration
Jefferson City, MO 65102

The State Auditor's Office audited the maintenance of state vehicles. The audit included maintenance performed on vehicles owned by the 17 state departments and elected officials. The objectives of this audit were to evaluate the effectiveness and efficiency of (1) the Office of Administration's vehicle maintenance facility and (2) the state's fleet fuel card program.

We concluded the practice of maintaining a state vehicle maintenance facility is cost-effective and efficient. However, the fleet fuel card contract may not be cost-effective and efficient and the state should consider re-bidding the contract to take advantage of potential discounts and fuel purchase rebates.

We conducted the audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill
State Auditor

The following auditors contributed to this report:

Director of Audits: William D. Miller, CIA
Audit Manager: Randy Doerhoff, CPA
In-Charge Auditor: Heather M. Thompson
Audit Staff: Norma Payne

RESULTS AND RECOMMENDATIONS

1. Vehicle Maintenance Facility Provides a Cost-Effective and Efficient Method of Providing Vehicle Repairs

The vehicle maintenance facility located in Jefferson City is managed well and provides a valuable service to state customers. State officials responding to our survey said they used the facility, as required, and were generally satisfied with the service received. Facility officials effectively conduct customer satisfaction surveys to address any concerns. These officials conduct annual pricing surveys to ensure the facility is cost advantageous to customers and our audit analysis concluded the pricing surveys were accurate.

Vehicle maintenance facility

The Office of Administration - Division of General Services operates the vehicle maintenance facility (facility) to provide cost-effective automotive repairs and body shop services for state vehicles primarily stationed in the Jefferson City area. The division director and the fleet manager monitor the facility's activities, while the vehicle maintenance manager handles the facility's day-to-day operations.

Price and quality of repairs

The fleet manager annually surveys local commercial vendors to determine the average labor rate for the Jefferson City area. In addition, the fleet manager gathers cost information on routine maintenance procedures from local commercial vendors. The facility's prices are compared to local commercial vendors' average prices and then lowered to ensure less than market prices. The fleet manager also analyzes cost savings provided by the facility annually. According to the analysis for the year ended June 30, 2002, the facility saved the state approximately \$434,000.

We surveyed 86 state entities, including 46 in the Jefferson City area required to use the facility, to determine the satisfaction level of facility services. Based on the responses, state entities in the Jefferson City area used the facility as their primary repair source. Also, 40 of the 46 entities (87 percent) said they were satisfied with the services provided. The six unsatisfied entities disclosed two complaints each about prisoner labor, timeliness of services, and unreliable repairs. However, one of the two entities noting unreliable repairs also indicated the problem was due to a misunderstanding and was subsequently corrected.

Customers are
satisfied with
facility

In addition, the vehicle maintenance manager distributes written customer satisfaction surveys for each repair performed. Customers return the surveys to the division director. These surveys also noted few customer complaints. Division personnel also make quarterly telephone calls to customers to ensure satisfaction with the services and to identify areas for improvement.

Conclusion

The practice of maintaining a state vehicle maintenance facility is cost-effective and efficient. The majority of customers are satisfied with the cost and quality of repairs by the facility. In addition, division officials adequately monitor the operations of the facility to identify areas for improvement.

2. Fleet Fuel Card Program Needs Evaluation

The state may not receive the most value for its money with the current fleet fuel card vendor. Other states have negotiated better deals and obtained per gallon discounts or rebates with different vendors. The Office of Administration - Division of Purchasing competitively bid the contract in November 2001. The state received bids from four companies and evaluated the bids based on cost, experience, reliability, expertise, and method of performance. The period of the contract is July 1, 2002, through June 30, 2005, with renewal options for 3 additional years. The vendor provides its services free of charge. Although our review confirmed the state properly awarded the contract in November 2001, other states began obtaining discounts and rebates from fleet fuel card vendors in fall 2002.

Vendor rebates offered by other fleet services companies

We surveyed officials from five states to determine the methods used for vehicle maintenance services. Our analysis showed four states use a fleet fuel card vendor offering rebates for fuel purchases through a merchant rebate program. Selected merchants included on a preferred merchant list offer an average rebate of 3 cents per gallon of fuel purchased. The rebates are deducted on the monthly billing statements. The state purchased nearly 1.7 million gallons of fuel on the fuel cards during the year ended December 31, 2002. The state could have saved about \$51,000 (1.7 million x 3 cents) if rebates were available.

Other states
obtain rebates on
fuel purchases

Office of Administration officials stated they have discussed discounts and rebates with fuel company officials in the past, but have not been successful. Since other states have recently acquired discounts and rebates on fuel purchases, the state should evaluate the need to re-bid the contract for the fleet fuel card vendor.

Fuel card is not always used in a cost-effective manner

We reviewed fuel card billing statements from six state entities for October 2002. Our analysis showed these entities do not have consistent guidelines for appropriate use of the fuel cards. Some entities allow fuel purchases using full service pumps and premium-grade fuel. A fleet card vendor report showed the state spent an additional \$11,892 for the purchase of higher octane fuels during the year ended December 31, 2002. Although some vehicles may require premium-grade fuel, documentation is not required to show the need to purchase such fuel over regular-grade fuel.

State entities indicated lack of monitoring and lack of knowledge of acceptable purchases as reasons for these additional expenditures. The Office of Administration could provide additional guidance in an information booklet and include instructions for regular-grade fuel purchases at self-service pumps and when to allow exceptions.

Survey noted complaints regarding fuel cards

We surveyed state entities to determine the satisfaction level with the fuel cards. The survey showed that 17 of 84¹ entities (20 percent) were not satisfied with the services received from the fleet fuel card vendor. State personnel complained about accuracy of billing statements and lack of vendor acceptance of the fuel cards. Some specific complaints were:

Some entities not satisfied with fuel cards

- "The card is not accepted at many locations listed on the approved vendor listing. Software problems at gas stations cause cards to be rejected. Gas and oil purchases which appear on the gas ticket correctly appear on the monthly invoice as miscellaneous or food items which invalidates any use of their tracking system for gas and oil purchases and it creates additional problems for processing the billing for payment. Cards need to be made out of more durable material so they won't break as often or wear out as quickly needing replacement."
- "Problems have been noted with processing card and availability."
- "Some fuel stations do not accept the card."
- "On occasions we've had problems with the fuel card not working at the gas stations (i.e. unable to read card or make transaction). We can't rely on the accuracy of the reports regarding the type of fuel purchased. We have found some unleaded fuel purchases were actually E-85 fuel² purchases."
- "Stations not accepting the card or machine won't accept card and have to pay cash. Cards tend to break and magnetic strip won't read."
- "It appears some stations do not transmit odometer readings to their system all the time."
- "The inability to recover exempted federal excise taxes for E-85 purchases and for purchases made at some independent stations that accept the card."
- "There are some remote locations in the southeast region where it can be difficult to locate a station where the fuel card is accepted. In these instances, staff must search for a vendor who accepts the fuel card."

Conclusions

The fuel card contract may not be cost-effective and efficient to the state. State employees are not always using the cards in the most cost-effective and efficient manner because they occasionally purchase premium (higher octane) fuel and use full service. In addition, some state

¹ The Department of Transportation and the Missouri State Highway Patrol do not participate in the fleet fuel card program.

² E-85 is a fuel blend of 85 percent ethanol and 15 percent gasoline.

entities are not satisfied with the services, and other fleet fuel card vendors offer discounts and rebates on fuel purchases.

Recommendations

We recommend the Commissioner, Office of Administration:

- 2.1 Instead of exercising the renewal option on the current fleet fuel card contract, re-bid it to take advantage of potential discounts and rebates on fuel purchases.
- 2.2 Establish uniform instructions for use of the fuel cards by state entities. These instructions should require regular-grade fuel purchases at self service pumps, unless specified exceptions are approved by management and documented.
- 2.3 Work with the fuel card vendor to address the state entity concerns related to the fuel cards.

Office of Administration Comments

- 2.1 *The Office of Administration's State Fleet Management Program in conjunction with the Division of Purchasing and Materials Management will explore the feasibility of other options in the fleet fuel card industry prior to renewing for another year with the current contractor. Additionally, the Office of Administration is currently exploring a per gallon discount with retail fueling stations that receive a large percentage of the state's business. The Office of Administration is also reviewing data submitted by the Missouri Department of Transportation to determine if any savings could be realized by utilizing their current fuel card contract.*
- 2.2 *The Office of Administration will include this recommendation in the State Vehicle Policy.*
- 2.3 *One of the benefits of the Voyager card is its wide acceptance within the State of Missouri. The Division of Purchasing and Materials Management provides a list of stations that accept the card as well as a list of stations to avoid. The "Stations to Avoid" list includes those independent stations where the state is unable to recover exempted federal excise taxes. These lists are available on the Division of Purchasing website and updated as necessary. Voyager offers Level III reporting, which among the fuel card industry, is the highest accuracy level available. Errors in coding data are largely dependent upon station attendants coding transactions appropriately. The Office of Administration will raise concerns with the durability of the card with the vendor. Agencies are able to obtain replacement cards at no cost.*

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

To determine if the current practice of maintaining a state vehicle maintenance facility is effective and efficient. To determine if the state's fleet fuel card program is effective and efficient.

Scope and Methodology

Auditors reviewed the state's policies and procedures for maintaining state vehicles. Auditors performed the following audit steps to determine if maintaining a state vehicle maintenance facility is cost-effective and efficient:

- Interviewed management from the state vehicle maintenance facility to determine the policies and procedures used to ensure costs are competitive and interviewed management from the Office of Administration - Division of General Services to determine the management controls in place for monitoring the operation of the state vehicle maintenance facility.
- Surveyed state entities to determine the level of satisfaction with repair costs and the quality of repairs received at the state vehicle maintenance facility and to determine the policies and procedures in place for obtaining vehicle repairs outside of the Jefferson City area.
- Reviewed repair orders from the state vehicle maintenance facility for October 2002.
- Evaluated the use of the state fleet fuel cards to determine whether their use is cost-effective and efficient or if better alternatives are available.
- Contacted the management of five states to determine their policies and procedures for maintaining state vehicles.

We also analyzed vehicle maintenance expenditures for October 2002 to determine if 1) vehicle maintenance costs are reasonable; 2) invoices are reviewed and approved before payment; 3) state entities used state contracts for vehicle maintenance; and 4) state entities used the state vehicle maintenance facility, when required.

SCHEDULE OF MAINTENANCE EXPENDITURES BY STATE ENTITY

State Entity	Fiscal Year 2002	October 2002
Transportation	\$ 8,565,991	\$ 848,898
Conservation	1,046,289	108,011
Public Safety	915,050	69,183
Corrections	566,729	52,015
Natural Resources	443,399	53,515
Mental Health	431,360	42,209
Social Services	333,367	23,754
Office of Administration	160,391	15,480
Agriculture	154,882	14,674
Revenue	95,206	12,932
Economic Development	30,485	3,502
Elementary and Secondary Education	29,235	5,128
Health and Senior Services	25,029	2,029
Labor and Industrial Relations	17,872	0
Public Defender	10,435	1,186
Attorney General	9,631	4,570
Secretary of State	7,284	2,060
State Auditor	4,232	193
Insurance	3,696	19
Judiciary	2,966	2,245
Higher Education	2,353	49
Legislature	2,040	630
Governor	628	8
State Treasurer	88	193
Total	<u>\$12,858,638</u>	<u>\$1,262,483</u>

Source: State expenditure records

SURVEY RESULTS

Survey Question	State Entity Response	
	Yes	No
Is your office domiciled in Jefferson City?	49	37
Are you required to use the vehicle maintenance facility?	46	3 ¹
Do you use the state vehicle maintenance facility?	46	0
Are you satisfied with the state vehicle maintenance facility?	40	6
Do you have your own vehicle maintenance facility?	12 ²	74
Do you use the fleet fuel card?	84	2 ³
Are you satisfied with the fleet fuel card?	67	17

Source: SAO survey results

¹Transportation, Conservation, and the State Highway Patrol are not required to use the state maintenance facility

²Conservation, Corrections, Transportation, Mental Health hospitals and habilitation centers, and the Natural Resources-Division of State Parks

³Transportation and the State Highway Patrol