

December 1994

FEDERAL MOTOR VEHICLES

PRIVATE AND STATE PRACTICES CAN IMPROVE FLEET MANAGEMENT





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-258136

December 29, 1994

The Honorable John Glenn
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable Byron L. Dorgan
United States Senate

The Honorable Bob Franks
House of Representatives

This report responds to your requests that we examine obstacles to agencies' management of cost-efficient federal motor vehicle fleets and identify the management practices used by managers from the private sector and state governments to improve the cost-efficiency of their fleets. The report contains recommendations to the Director of the Office of Management and Budget.

We are also sending copies of this report to other congressional committees; the Director, Office of Management and Budget; the Administrator, General Services Administration; the motor vehicle fleet managers in the federal agencies; and other interested parties. Copies will be made available to others upon request.

The major contributors to this report are listed in appendix II. Please contact me on (202) 512-2700 if you have any questions.

A handwritten signature in black ink, appearing to read 'William M. Hunt'. The signature is stylized with a large initial 'W' and a long horizontal stroke at the end.

William M. Hunt
Director, Federal Management Issues

Executive Summary

Purpose

With responsibility for about 375,000 passenger vehicles and light trucks and total expenditures for vehicle acquisition, operations, maintenance, and disposal estimated at more than \$1 billion a year, the federal government operates one of the largest motor vehicle fleets in the United States. These vehicles need to be well managed to provide appropriate and reliable transportation at the least cost. However, in 1992, a federal interagency task force identified numerous obstacles to cost-efficient fleet management. At the request of the Senate Committee on Governmental Affairs and Congressman Bob Franks, GAO

- summarized the obstacles faced by federal agencies in achieving cost-efficient fleet management that the task force identified, and
- identified examples of the management practices that managers of public and private fleets considered to be essential to cost-efficient fleet management and that may be applicable to the federal fleet.

Background

In 1986, Congress enacted the Consolidated Omnibus Budget Reconciliation Act of 1985. The act required agencies to take certain actions to improve the management and efficiency of their fleets and to reduce the cost of the fleets' operation. The act also required the General Services Administration (GSA) to issue regulations to implement cost-comparison requirements and that the Office of Management and Budget (OMB) monitor agency compliance. In 1988, GAO looked at actions agencies took to comply with the act's requirements and determined that most agencies had not conducted the required cost-comparison studies to determine the cost-efficiency of their fleets. In 1991, the President's Council on Management Improvement established the Interagency Task Force on Fleet Management. In July 1992, the task force identified obstacles to cost-efficient fleet management, including the continued lack of compliance with the act's requirements.

Results in Brief

The task force identified the following obstacles to more cost-efficient federal fleet management: the lack of uniform guidance to perform valid cost-comparison studies, insufficient vehicle information, unpredictable funding processes, and restrictive agency solicitations that limit the private sector's participation in providing federal fleets. The task force made recommendations to the President's Council on Management Improvement to address these obstacles. With the Council's concurrence, the task force also assigned various agencies the responsibility for further study and implementation of the recommendations. In response to a task

force recommendation, OMB issued uniform guidance in 1993 for conducting valid cost-comparison studies. However, the President's Council on Management Improvement and its task force had not defined their roles in relation to the new President's Management Council established in October 1993 and, as a consequence, the task force had not met since October 1993. Because the task force has been inactive and its future role is in doubt, it is not clear what organization is responsible for ensuring that the federal agencies properly implement the other corrective actions recommended by the task force.

Since the enactment of the 1985 budget reconciliation act, most federal agencies have continued to operate fleets without considering potentially more cost-efficient alternatives, such as leasing from private sector firms. Given the significant budgetary expense of federal fleets, agencies' continued failure to conduct cost-comparison studies and the lack of sound information needed to enable agencies to identify the most cost-efficient source of vehicles and fleet services are management weaknesses.

To identify ways to correct these weaknesses, GAO looked to the private sector and state governments for practices that improved fleet management. To manage their fleets more effectively and efficiently, many private sector firms and state governments have adopted management practices that they found to be essential to cost-efficient fleet management. Fleet managers from those firms and governments said that these practices significantly cut their motor vehicle fleet costs and improved performance for those fleets.

Specifically, fleet managers identified five essential management practices. These practices include (1) assessing vehicle utilization—how vehicles are used—to determine the appropriate size of the fleet and to establish a baseline for fleet operations; (2) having the needed information and supporting management information systems to enable management to make sound decisions and assess performance; (3) comparing, or benchmarking, the costs and performance of a fleet with those in what they found to be the best fleets; (4) funding the fleet through a revolving fund; and (5) centralizing fleet management responsibilities to establish uniform guidance and identify opportunities for improving a fleet's cost-efficiency.

Principal Findings

Obstacles to Cost-Efficient Fleet Management

According to the task force's 1992 report, the absence of uniform guidance made it difficult for federal agencies to share, consolidate, or compare information on operations, costs, and benefits of the agencies' fleets with those of other fleets. Because of this lack of uniform guidance, the task force concluded that there was confusion as to how agencies were to structure and conduct cost-comparison studies that would yield meaningful and equitable results. The task force said some agencies had invested significant resources to conduct studies that in retrospect were found to have limited value. Other agencies had not conducted the studies. (See pp. 14 to 15.)

To clear up the confusion on how to conduct cost-comparison studies, the task force recommended that OMB issue uniform guidance for conducting such studies. In 1993, OMB issued uniform guidance for conducting cost-comparison studies and through the task force advised the agencies to use it. (See pp. 15 to 16.)

In its report, the task force stated that many federal agencies lacked basic information to effectively and efficiently manage their fleets. For example, many federal agencies did not have complete and timely information on vehicle maintenance and repairs. Moreover, the task force found that agencies often lacked such information as the age, mileage, geographic location, and usage of the vehicles in their fleets. (See pp. 17 to 18.)

The task force also found that having to fund fleet operations through annual appropriations may have limited agencies' ability to replace their vehicles in an economical manner. For example, Department of Agriculture fleet managers said that relying on funds appropriated each year for replacing motor vehicles caused significant problems with their maintaining an adequate replacement schedule. These problems occurred because funding for replacements could not always be predicted. Agriculture's fleet of owned vehicles, as of 1994, averaged 4 to 5 years beyond the replacement age that Agriculture considered to be an economical replacement period. (See pp. 18 to 19.)

The task force also identified restrictive agency solicitations that contributed to the private sector's limited participation in the operations of federal fleets. For example, some agency solicitations required private

firms, when bidding for contracts to provide agency fleet services, to meet agency fleet needs for the entire country, including for isolated locations, rather than for specific geographic locations. Also, other agency solicitations required private firms to provide all fleet management functions from acquisition through disposal, rather than for just one or more of these functions. (See p. 19.)

The task force made recommendations to address each of these obstacles and assigned task force agencies responsibility for further study and implementation of the recommendations. For example, the task force recommended a comprehensive feasibility study to determine how restrictive solicitations could be eliminated to encourage private sector participation and improve cost-efficiency. However, since the President's Council on Management Improvement and its fleet management task force have not defined their future roles in relation to the new President's Management Council and the task force has not met since October 1993, no study has been conducted. (See pp. 19 to 20.)

As recommended by the National Performance Review, in October 1993, the President established the President's Management Council to ensure that the reforms adopted as the result of the National Performance Review are implemented throughout the executive agencies. The National Performance Review was established in 1993 to improve governmentwide operations. The National Performance Review report also said the President should update the Executive Order that established the President's Council On Management Improvement and revise its role in relation to the new President's Management Council. However, an OMB official said that such an executive order had not been drafted and no decision had been made by members of the President's Council on Management Improvement on what their new role should be in relation to the new President's Management Council. As a consequence, the President's Council on Management Improvement's fleet management task force is not active, and its future role is not clear.

Private and State Practices for a More Cost-Efficient Fleet

Fleet managers from some private sector firms and state governments and other fleet management experts (e.g., consultants and fleet industry associations) told GAO they recognized the need to have a cost-conscious culture in which they shifted the emphasis of their fleet management role from simply purchasing vehicles, parts, and services to one of making continuous improvements that could lead to reduced costs and the improved overall efficiency of the fleet. (See pp. 21 to 22.) In this

cost-conscious culture, fleet managers applied what they deemed to be essential management practices to achieve cost-efficient fleet management. (See pp. 21 to 28.)

These officials found that conducting utilization assessments to determine the appropriate size of the fleet can be a quick way for a fleet to become more cost-efficient. A utilization assessment creates an accurate snapshot of the current state of a fleet and can help fleet managers identify opportunities to streamline fleet size and composition. One consulting firm estimated that utilization assessments could result in savings of more than \$1 million per year for large fleets of 5,000 or more vehicles. (See pp. 22 to 23.)

All of the fleet experts GAO met with said that having the needed information and supporting management information systems to make sound decisions and assess a fleet's performance was another critical management practice. For example, one firm's fleet manager was able to change his firm's fleet mix, at a total savings of \$62 million, by having a management information system that detailed cost information on vehicle maintenance, safety, and resale value. (See pp. 24 to 25.)

Through benchmarking, private sector firms said they were able to identify the best practices and methods of operating their fleets. Benchmarking is a process of comparing the cost and performance of one fleet with those of other fleets. For example, one firm identified potential annual savings of \$19.8 million—\$6.4 million in cost reductions and \$13.4 million in productivity enhancements—by comparing numerous categories of its fleet costs, such as administrative expenses, maintenance, depreciation, and acquisition costs with the benchmarked costs of other firms in the fleet industry. In 1993, a fleet management consultant for the National Association of Fleet Administrators completed a benchmarking project to establish a database on the cost and performance of public sector fleets. (See pp. 25 to 26.)

Nearly all of the fleet experts with whom GAO met recommended a revolving fund for governmental fleets. Funding a fleet through a revolving fund, which is authorized to charge users the full costs for services, can provide predictable funding to consistently replace the fleet's assets in a timely manner, according to these experts. Under this funding approach, a fleet management program functions much like an in-house leasing company, acquiring vehicles and equipment and passing their costs on to

fleet users. In this way, customers became more cost-conscious about their fleet usage. (See p. 27.)

According to these experts, centralized fleet management gave fleet managers a broader perspective on an organization's fleet. In their view, using the previously mentioned management practices, a centralized fleet manager can (1) evaluate a fleet's cost and performance; (2) identify opportunities for improvement; and (3) select the most cost-efficient source of vehicles and fleet services, as required by the budget reconciliation act. (See p. 28.)

Recommendations

To improve the cost-efficiency of federal fleets and to help them comply with the act's requirements, GAO recommends that the Director of OMB, the organization identified by the act to monitor compliance, establish a corrective action plan with goals and milestones to monitor and ensure that agencies are meeting the act's requirements. GAO also recommends that the Director arrange for agency pilot projects to demonstrate the potential for improvements and cost savings through the use or expansion of such management practices as utilization assessments, sound information systems, benchmarking, and the establishment and use of revolving funds for agencies when authorized by law. GAO makes additional recommendations on page 32 of this report.

Agency Comments

GAO met with OMB's Deputy Director for Management on October 21, 1994, to discuss the information and recommendations in this report. He generally agreed with the report's findings and said they were consistent with the work of the President's Council on Management Improvement's task force on federal fleet management, which was endorsed by the National Performance Review. He also generally agreed with the report's recommendations.

Contents

Executive Summary		2
Chapter 1		10
Introduction	Background	10
	Objectives, Scope, and Methodology	12
Chapter 2		14
Federal Agencies Faced Obstacles to Cost-Efficient Fleet Management	Agencies Lacked Uniform Guidance to Compare Their Fleet Costs and Benefits With Other Alternatives	15
	Agencies Did Not Have Sufficient Information to Efficiently Manage Their Fleets	17
	Unpredictable Funding and Restrictive Solicitations May Have Limited the Selection of a More Cost-Efficient Fleet Alternative	18
Chapter 3		21
Management Practices Are Considered Essential to Cost-Efficient Fleet Management	Experts Said Improving Fleet Management Requires a Cost-Conscious Culture	21
	Management Practices Believed Essential to Cost-Efficient Fleet Management	22
	Interagency Forum to Promote Federal Fleet Management Issues Has Been Inactive	29
Chapter 4		31
Conclusions, Recommendations, and Agency Comments	Conclusions	31
	Recommendations	32
	Agency Comments	33
Appendixes	Appendix I: List of Experts in Fleet Management We Visited or Contacted	34
	Appendix II: Major Contributors to This Report	36
Table	Table 1.1: Federal Motor Vehicle Fleet as of July 1992	11

Contents

Abbreviations

COBRA	Consolidated Omnibus Budget Reconciliation Act of 1985
GSA	General Services Administration
IFMS	Interagency Fleet Management System
IRS	Internal Revenue Service
NAFA	National Association of Fleet Administrators
OMB	Office of Management and Budget
PCMI	President's Council on Management Improvement
PMC	President's Management Council

Introduction

With responsibility for about 375,000 passenger vehicles and light trucks,¹ the federal government operates one of the largest motor vehicle fleets in the United States. The federal motor vehicle fleet provides transportation to support government activities, such as law enforcement and health care. The federal fleet costs the federal government more than \$1 billion a year for vehicle acquisition, maintenance, operation, and disposal. The federal fleet represents significant budgetary expense for the government and deserves to be well managed to provide appropriate and reliable transportation at the least cost.

Background

The General Services Administration (GSA) has both a regulatory and an operational role concerning federal motor vehicle fleets. Under the Federal Property and Administrative Services Act of 1949, GSA is responsible for issuing governmentwide policy for federal fleet management functions. These functions are the acquisition, operation, maintenance, and disposal of motor vehicles. In addition, GSA has regulatory responsibilities, regarding (1) replacement standards for government-owned vehicles, (2) the size of passenger vehicles, and (3) the use of alternative fuels for federal vehicles. Since 1954, GSA has operated its Interagency Fleet Management System (IFMS) to provide vehicle fleet services to federal agencies.² The IFMS vehicle fleet, which GSA leases to other federal agencies, represents approximately one-third of the federal fleet.

Federal agencies own most of the remaining two-thirds of the fleet; and about 7,500 vehicles, or about 2 percent of the fleet, are commercially leased from the private sector. Regardless of the source of their vehicles, federal agencies are responsible for the day-to-day management of their motor vehicle fleets. This means that each agency is to ensure that (1) it has the appropriate number and types of vehicles to meet its objectives and (2) that these vehicles are operated in the most cost-efficient manner. Table 1.1 shows the composition of the federal motor vehicle fleet by agency.

¹This number does not include the U.S. Postal Service fleet or the fleets of agencies with less than 300 motor vehicles. Also, it does not include Department of Defense vehicles, other than passenger vehicles and light trucks. According to the General Services Administration, light trucks are trucks that do not exceed 8,500 pounds gross vehicle weight.

²These services include maintaining a database on the IFMS fleet operations and providing vehicles to agencies upon request.

Table 1.1: Federal Motor Vehicle Fleet as of July 1992

Federal agency	Owned by agency	IFMS	Leased from private sector	Total vehicles
Defense ^a	134,799	67,466	4,084	206,349
Agriculture	34,443	6,050	402	40,895
Interior	15,426	13,915	142	29,483
Justice	24,151	568	1,524	26,243
Energy	11,341	6,628	148	18,117
Treasury	13,778	1,692	645	16,115
Transportation	564	8,051	38	8,653
Veterans Affairs	1,435	5,018	0	6,453
Health and Human Services	511	3,966	8	4,485
National Aeronautics and Space Administration	926	3,139	10	4,075
Labor	154	3,843	18	4,015
State	3,397	327	136	3,860
GSA	0	2,101	2	2,103
Commerce	729	1,184	157	2,070
Environmental Protection Agency	573	572	137	1,282
Office of Personnel Management	0	745	64	809
Housing and Urban Development	0	366	8	374
Total	242,227	125,631	7,523	375,381

Note: Numbers are based on the most current compilation of data available for agencies with fleets of 300 or more total vehicles, not including the U.S. Postal Service.

^aDefense vehicles listed here are passenger vehicles and light trucks, not military vehicles, such as tanks.

Source: Report of the President's Council for Management Improvement's Interagency Task Force on Federal Motor Vehicle Fleet Management, July 1992.

In 1986, Congress enacted the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA.³ Congress believed that significant savings could be achieved by finding more cost-efficient means to acquire, operate, maintain, and dispose of motor vehicles in federal agencies. As a consequence, COBRA required the heads of federal agencies, the Administrator of GSA, the Director of the Office of Management and Budget (OMB), and the Comptroller General to take certain actions to improve the management and efficiency of the federal fleet and to reduce the costs of their operations.

³Public Law 99-272.

Specifically, COBRA required each agency that operates more than 300 motor vehicles to identify, collect, and analyze all of the costs of their motor vehicle operations. In addition, each agency was to conduct a comprehensive, detailed study to compare the costs and benefits of its motor vehicle operation with those of (1) GSA's IFMS, (2) private sector firms, or (3) any other means that could be less costly to the federal government. GSA is responsible, in cooperation with OMB, for issuing regulations to implement the law. OMB is required to monitor agency compliance and to annually provide Congress with a summary and analysis of statements submitted by agencies concerning the operations of their motor vehicle fleets.

COBRA required us to report on actions OMB, GSA, and the agencies took to comply with the act's requirements. Accordingly, in 1988, we reported on the actions of selected agencies to comply with the act's requirements and determined that COBRA did not specify a method for compiling cost data or conducting cost comparisons.⁴ We also reported that most agencies had not conducted cost-comparison studies.

Objectives, Scope, and Methodology

At the request of the Committee on Governmental Affairs and Congressman Bob Franks, our objectives were to (1) summarize obstacles faced by federal agencies in achieving cost-efficient fleet management and (2) identify examples of the management practices that managers of public and private fleets considered to be essential to cost-efficient fleet management.

To describe obstacles faced by federal agencies' in achieving cost-efficient fleet management, we met with members of the President's Council on Management Improvement's (PCMI) Interagency Task Force on Federal Motor Vehicle Fleet Management. In 1991, the PCMI established the task force to identify obstacles to cost-efficient fleet management and provide recommendations to improve it. The task force consisted of fleet managers from the larger federal agencies—agencies that owned or leased fleets of 300 or more vehicles—and representatives from GSA and OMB who had fleet management responsibilities.

To identify the management practices that managers of public and private fleets considered essential to cost-efficient fleet management, we conducted interviews at two levels. First, we contacted representatives

⁴Federal Motor Vehicles: Agencies Progress in Meeting Expenditure Control Requirements (GAO/GGD-88-40, Mar. 2, 1988).

from fleet industry associations and fleet management consultants. We did so to identify private sector firms and state governments that public and private sector fleet managers recognized as having well-managed fleets or using new techniques to improve their fleets and reduce costs. Second, we interviewed fleet managers and other officials from these companies and state governments to learn the practices that they used to make their fleets more cost-efficient and that could be applicable to federal fleets. We asked them to provide examples demonstrating the benefits of the practices they described. However, we did not independently evaluate the extent to which these practices improved the fleet management of the organizations visited. Once we developed a list of these practices, we contacted fleet management experts⁵ to validate the importance to cost-efficient fleet management of these management practices. The fleet management experts we contacted are listed in appendix I.

Also, as a result of our discussions with the fleet managers and fleet management consultants, we obtained and reviewed documents that provided further detail on obstacles to and practices of fleet management. These documents included fleet management studies by federal agencies, state governments, consulting firms, and fleet industry associations. In addition, we gathered further information on the management practices through literature searches.

We did our work from April 1993 through June 1994 in Albany, New York; Washington, D.C.; and at the locations of the fleet management experts visited in accordance with generally accepted government auditing standards. On October 21, 1994, we discussed the information in this report with OMB's Deputy Director for Management, and his comments are presented on page 33.

⁵These experts included fleet managers from private sector firms and state governments, fleet industry associations, consultants, and fleet management service companies. Fleet management service companies lease vehicles, provide information management services, and serve as consultants for every aspect of fleet management.

Federal Agencies Faced Obstacles to Cost-Efficient Fleet Management

Motor vehicle fleets need to be managed in a cost-efficient manner to provide appropriate and reliable transportation. Fleet managers in the public and private sector told us that uniform policies and procedures, sound information for making decisions and assessing performance, and predictable funding for vehicle replacement are essential elements for managing a cost-efficient fleet.

However, the PCMI's Task Force on Federal Motor Vehicle Fleet Management found that federal agencies faced obstacles to managing a cost-efficient fleet and complying with COBRA requirements. In addition, the task force concluded that agencies still were not complying with the COBRA requirement to determine the most cost-efficient fleet alternative. In its July 1992 report,⁶ the task force identified a number of obstacles that prevented federal agencies from managing the fleet cost-efficiently and made specific recommendations for addressing these obstacles. With the concurrence of the PCMI, the task force also assigned various agencies the responsibility for further study and implementation of the recommendations.

The most significant of the obstacles identified by the task force were the following:

- Agencies lacked uniform guidance to help them perform valid comparisons of fleet costs and benefits between their agencies' fleets and those of other alternatives, such as GSA's IFMS and private sector firms.
- Agencies did not have sufficient basic vehicle information or complete and timely agency data collection efforts to help them efficiently manage their fleets and assess their performance from acquisition through disposal.
- Unpredictable funding and restrictive agency solicitations limited agencies' ability to select a more cost-efficient alternative for managing and replacing their fleets.

The task force also identified other obstacles to cost-efficient fleet management. However, the ones we mentioned—guidance, information, and funding—related most directly to what fleet management experts in the public and private sector told us they considered to be the essential elements of fleet management.

⁶Recommended Improvements for Federal Motor Vehicle Fleet Management, report from the Interagency Task Force on Fleet Management to the President's Council on Management Improvement, July 1992.

Agencies Lacked Uniform Guidance to Compare Their Fleet Costs and Benefits With Other Alternatives

COBRA required agencies to compare the costs of operating their fleets with the costs of IFMS and those of private sector fleets so that agencies can determine the least costly method of managing their fleets. However, the task force found that COBRA's objectives—for agencies to have efficient and cost-effective fleet management—were not being met. One reason agencies were not making cost comparisons was the lack of uniform guidance for them to make such cost comparisons.⁷ In its 1992 report, the task force concluded that agencies lacked uniform guidance, a finding similar to one in our 1988 report, for performing valid COBRA cost comparisons. Specifically, the task force found that the absence of uniform guidance made it difficult to share, consolidate, or compare information on the operations, costs, and benefits of the agencies' fleets with information on other fleet alternatives.

Because of this lack of uniform guidance, the task force concluded that agencies were confused about how to structure and conduct COBRA cost-comparison studies that would yield meaningful and equitable results. As a result, the task force said, some agencies had invested what they described as significant resources, i.e., money and staff, to conduct studies that were subsequently found to have had limited value. Other agencies had not conducted the studies at all. According to the OMB officials responsible for monitoring COBRA motor vehicle cost-comparison studies, only one agency—the Internal Revenue Service (IRS)—had completed an acceptable cost comparison, as of June 1994. According to the OMB officials, IRS' 1991 cost comparison was acceptable because it compared the costs of operating IRS' vehicle fleet, GSA's IFMS, and a private sector fleet.

As recommended by the task force, in 1993 OMB issued uniform guidance—(1) minimum quality standards, (2) a cost-comparison handbook, and (3) a cost accounting guide—for conducting cost-comparison studies. In March 1993, OMB developed minimum quality standards for the acceptance of past agency efforts to comply with COBRA requirements. Also in March 1993, OMB issued interim guidance through its Federal Motor Vehicle Fleet Management Cost Comparison Handbook, which agencies were to use in conducting their COBRA cost comparisons. In addition, in May 1993 OMB issued additional interim guidance, titled The Federal Motor Vehicle Fleet Cost Accounting Guide, to resolve agency questions concerning cost elements and cost accounting standards for managing motor vehicle fleets. The guide lists principles and standards for

⁷IFMS and private sector vehicles in the existing federal motor vehicle fleet were generally obtained or leased through interagency agreements and contractual arrangements made before the enactment of COBRA.

agencies to determine costs, including obligations and outlays incurred in the operation, maintenance, acquisition, ownership, and disposition of federal motor vehicles. Although the standards, handbook, and guide had not been finalized, OMB, through the task force, advised the agencies to use them.

In 1993, the task force supplied federal agencies with three options for complying with COBRA: (1) rely on past agency COBRA cost-comparison studies if they met the March 1993 minimum quality standards, (2) use the 1993 motor vehicle cost-comparison handbook and accounting guide to conduct COBRA cost comparisons, or (3) rely on the results of a comprehensive analysis recommended by the task force. The comprehensive analysis was to be a pilot project conducted by certain agencies to test alternative ways of conducting COBRA cost comparisons.

However, according to OMB officials, agencies still had not complied with the minimum quality standards, nor had they completed any cost-comparison studies using the 1993 cost-comparison handbook and accounting guide as of June 1994.⁸ Also, agencies had not conducted the comprehensive analysis. However, the PCMI's task force has not met since October 1993, and no agency is ensuring that the comprehensive analyses and other corrective actions recommended by the task force to assist agencies in meeting COBRA requirements are properly implemented.

As recommended by the National Performance Review, in October 1993, the President established the President's Management Council (PMC) to ensure that the reforms adopted as a result of the National Performance Review are implemented throughout the executive agencies. The National Performance Review report also said the President should update the Executive Order that established PCMI and revise its role in relation to the new PMC. However, an OMB official said that an executive order to do this had not been drafted and no decision had been made by members of the PCMI on what their new role should be in relation to the new President's Management Council. As a result, the fleet task force is not active and its future mission has not been defined.

⁸IRS had conducted its COBRA cost comparison before the 1993 OMB guidance was issued.

Agencies Did Not Have Sufficient Information to Efficiently Manage Their Fleets

A good management information system should provide the federal agency fleet manager with timely, accurate, and complete information on the costs of acquiring, operating, maintaining, and disposing of vehicles. Such information is vital to agencies for doing COBRA cost-comparison studies, according to the guidance issued by OMB, and for providing the central monitoring required by COBRA. Also, the system should permit the fleet manager to conduct *ad hoc* analyses to help identify opportunities for reducing costs and improving a fleet's performance.

GSA collects such information for the IFMS fleet. However, according to the task force's 1992 report, other federal agencies generally lacked such basic information to effectively and efficiently manage their fleets. For example, according to the task force, many federal agencies did not have complete and timely information on vehicle maintenance and repairs. Moreover, the task force reported that agencies often lacked information on their fleets, such as the age, mileage, geographic location, and usage of the vehicles in their fleets.

The task force found that inadequate systems and data collection efforts contributed to the agencies' lack of this critical information. The task force also found that agency systems varied in comprehensiveness and sophistication, ranging from manual systems and personal computers to IFMS' comprehensive database of fleet information. For example, the Department of Agriculture, a task force participant, recognized the importance of improving its information on the costs, status, and condition of its fleet in its 1993 internal assessment of its fleet management information systems. In the assessment report, Agriculture officials concluded that these systems lacked considerable data. In addition, they concluded that Agriculture's various departmental components had erroneous and inconsistent data, which made using the data for purposes of management and analysis difficult.

The task force further noted that even when agencies collected vehicle information, it may not have been useful, because it was inadequate or outdated. In March 1994, the Department of Transportation's Inspector General reported an example of such inadequate collection efforts at the Federal Aviation Administration. The Inspector General found that the usage records and vehicle retention justifications required by Transportation were not maintained or were not adequate to support the retention of 70 percent of the vehicles in the sample during the Inspector General's audit.

To do COBRA cost comparisons, the task force said agencies needed to improve their fleet management information systems and data collection efforts. Accordingly, in its report, the task force recommended to the PCMI a comprehensive analysis of federal fleets. The purpose of this analysis would be to define requirements and plans for standardizing the reporting of fleet data. Also, the task force reported that federal agencies needed to determine what information was required to improve the quality of the vehicle maintenance of their fleets. As of June 1994, the task force had not met to assign an agency to manage the comprehensive analysis.

Unpredictable Funding and Restrictive Solicitations May Have Limited the Selection of a More Cost-Efficient Fleet Alternative

Fleet managers in the state governments visited told us that on the basis of their experiences, predictable funding could help federal agencies to recover the full costs of fleet operations and to fund the replacement of vehicles in a timely fashion.⁹ Also, to determine whether the private sector is the most cost-efficient alternative, the task force found that agency fleets needed federal solicitations that encouraged private sector participation. However, the task force found that unpredictable funding and restrictive solicitations have limited the use of the most cost-efficient fleet management alternatives.

Unpredictable Funding Process

According to a member of the task force, the task force found that having to fund fleet operations through single-year (annual) appropriations may have limited an agency's ability to replace its vehicles in a timely and economical manner. For example, Department of Agriculture fleet managers found that using directly appropriated funds to replace motor vehicles significantly affected Agriculture's ability to maintain an adequate replacement schedule. These problems occurred because funding to replace vehicles could not always be predicted. As of 1994, the owned vehicles in Agriculture's fleet, which were purchased with funds appropriated for such purposes, were an average of 10 to 11 years old. This was 4 to 5 years beyond the 6 years that Agriculture officials said they considered to be an economical replacement period. Agriculture's officials said that the age of these vehicles resulted in significant downtime, high repair and maintenance costs, unreliable transportation, and increased fuel consumption.

To solve the problem of unpredictable funding, Agriculture said that a revolving fund would enable it to maintain an up-to-date fleet, which

⁹Their experiences with predictable funding for vehicle replacement are described in chapter 3.

would be capable of meeting mission requirements at a reasonable cost. Agriculture pointed to its Forest Service fleet, which it believed had operated efficiently through the use of a revolving fund. Agriculture estimated that updating the vehicles for the rest of its fleet would save approximately \$30 million annually.¹⁰ GSA operates a revolving fund for its IFMS fleet for which agencies pay a rental charge to cover GSA's fleet operations costs, thereby reducing GSA's need for appropriations from Congress.

The task force recommended exploring three alternatives to funding fleet operations. These alternatives were single-year appropriations, revolving funds, and multiyear appropriations. At the time of our review, the task force had not met to explore these alternatives.

Restrictive Solicitations Discouraged Private Sector Participation

Through discussions with private sector managers, the task force identified restrictions to solicitations because of statute or agency requirements that contributed to the private sector's limited participation in the operations of federal fleets. These restrictions included some agency requirements that private sector firms bidding to provide fleet services to federal agencies were to

- provide all fleet management functions from acquisition through disposal rather than just one or more of these functions;
- meet an agency's fleet needs for the entire country, including isolated locations, rather than specific geographic locations; and
- meet delivery time frames, such as replacing an agency's entire fleet within 90 days of contract award, that the task force found the private sector viewed as unrealistic.

In addition, all agencies must certify that their subcontractors meet wage standards in the U.S. Department of Labor Service Contract Act of 1965 that tie wages to prevailing local wage rates.¹¹

The task force concluded that these requirements would have to be changed to promote private sector participation in federal fleets. Accordingly, the task force recommended a comprehensive feasibility study to determine how these restrictive solicitations could be eliminated

¹⁰Revolving funds are accounts that allow a continuous cycle of operations generally without further congressional action. These funds are intended to be self-sustaining through reimbursements or advances from users, in this case, of vehicle fleet services. To establish revolving funds, federal agencies must have authorization from Congress.

¹¹41 United States Code Section 351.

to encourage private sector participation and improve cost-efficiency. Specifically, this feasibility study would address whether future agency solicitations for meeting fleet needs could omit the agency requirements that contractors be responsible for all fleet management functions and for the entire country. At the time of our review, the proposed feasibility study had not been conducted. The task force did not make any specific recommendations to change the requirements for delivery time frames.

Also, the task force further recommended that OMB explore having the Department of Labor waive the statutory requirement that the private sector fleet firms certify that their subcontractors pay prevailing local wage rates. At the time of our review, OMB and Department of Labor officials had not begun to discuss the possibility of waiving the wage standard certifications.

Management Practices Are Considered Essential to Cost-Efficient Fleet Management

Eight years after the passage of COBRA, most agencies still did not have the needed cost-comparison studies, sound information, and proper accounting of costs in place to identify the least costly method to operate their fleets as required by the act. In our view, given the significant budgetary expenditure for federal fleets, the agencies' failure to conduct required cost-comparison studies and the lack of sound information and proper accounting of costs to better enable agencies to manage their fleets in an efficient and effective way are management weaknesses.

To help correct these weaknesses, we looked to the private sector and state governments to identify recognized management principles for effective fleet management. A common theme of the managers of public and private sector fleets we visited was their statement that fleet managers needed to adopt a cost-conscious culture throughout their organizations and, as part of this culture, to apply recognized practices to improve fleet management.

Experts Said Improving Fleet Management Requires a Cost-Conscious Culture

Budget constraints, competition, and the need to cut costs have led managers from the state governments and private sector firms we visited to reexamine the role of fleet management within their organizations. These managers told us they recognized the need to have a cost-conscious culture in which they shifted the emphasis of their fleet management role from simply purchasing vehicles, parts, and services to one of making continuous improvements that would lead to reduced costs and improved overall efficiency of the fleet.

As part of this cost-conscious culture, fleet management experts told us that top management made fleet managers accountable for identifying improvement opportunities, such as determining the right size of a fleet, and for putting these improvements into effect. In this culture, the experts noted that fleet managers served as in-house consultants to advise their customers in the rest of the organization on ways to reduce their vehicle costs and to use their vehicles more efficiently. Accordingly, fleet managers and their customers applied what they deemed to be essential management practices to accomplish these goals.

For example, increasing budget constraints caused one private sector firm to adopt a more cost-conscious culture. Introducing a cost-conscious culture enabled this firm's fleet manager to centralize fleet management and reduce fleet costs by contracting out for fleet maintenance and information systems support. In another example, a state government fleet

manager said that an increased emphasis on cost-consciousness in his state had enabled him to improve vehicle usage, better collect and analyze data on vehicle cost and performance, and identify better ways to fund vehicle replacement.

The views of these fleet managers reinforced the findings in our February 1992 report on the cultural changes introduced by nine companies that were concerned about inventory management.¹² These companies used a combination of techniques to introduce cultural changes, including training employees and allowing them to participate in making management decisions. Also, their cultural changes typically included a greater awareness of the needs of customers and a recognition of the need for innovation.

Management Practices Believed Essential to Cost-Efficient Fleet Management

Fleet industry officials identified five management practices that they believed were essential to cost-efficient fleet management. These practices were

- conducting utilization assessments to determine the right size of the fleet and to establish a baseline for fleet operations;
- having information and supporting management information systems to enable managers to make sound decisions and assess performance;
- comparing, or benchmarking, the cost and performance of a fleet with those of the best fleets;
- funding the fleet through a revolving fund; and
- centralizing fleet management responsibilities to (1) establish written policies, procedures, and other guidance; and (2) identify opportunities for improving fleet cost-efficiency.

Many Experts Said Utilization Assessments Established a Snapshot and a Starting Point for Fleet Improvements

Typically, a vehicle utilization assessment to determine the appropriate fleet size is the crucial first step in reforming a vehicle fleet operation, according to the fleet management experts. As one of the experts put it, a utilization assessment is the quickest way for a fleet to become more cost-efficient. When performed properly, a utilization assessment creates an accurate snapshot of the state of the fleet. In addition, the experts explained that a utilization assessment will identify opportunities to streamline the size and composition of fleets through vehicle reduction, reassignments, and increased sharing of vehicles. A fleet consulting firm

¹²Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

estimated that utilization assessments can result in savings of more than \$1 million per year for large fleets of 5,000 or more vehicles.

One of the fleet management experts said there are two steps to doing a utilization assessment. First, establish parameters, plans, and guidelines for the right sizing efforts; and second, conduct the utilization assessment, which should address

- the frequency and purpose of use, vehicle age, and condition of the existing fleet; and
- possible alternatives to current vehicle assignments, such as shared use of vehicles, use of privately owned vehicles, and rentals.

A consultant for a local government provided an example of how a utilization assessment can reduce costs. The consultant examined the composition of the fleet of about 340 vehicles, its size, and the way its vehicles were being used. On the basis of this assessment, the consultant made recommendations to (1) refine and enforce citywide standard vehicle utilization tracking procedures (e.g., purpose, miles, hours); (2) reduce the fleet size through pooling and use of personal vehicles for low-mileage users; and (3) enforce the guidelines on the purchase of lower cost vehicles. The consultant reported having identified \$1.2 million in potential savings over a 5-year period if these actions were taken.

In another example, a state government reported that a team of its fleet officials conducted a utilization assessment that concentrated on fleet size and type. Through this assessment, the team identified considerable cost savings while the fleet still met the state's needs. They did so by (1) replacing 41 full-size vehicles with mid-size vehicles; (2) reducing the size of the fleet for 4 state-level departments by 42 vehicles; (3) replacing high-mileage, high-maintenance vehicles in other state departments with the 42 vehicles; and (4) disposing of the replaced vehicles. The state reduced its cost per vehicle by \$700 when it replaced full-size vehicles with mid-size vehicles and achieved a one-time savings of \$796,000 when it reduced fleet size and replaced high-mileage vehicles. In addition, as a result of this assessment, the state's fleet management planned to replace its full-size vans and station wagons with minivans, which, according to the assessment team's calculations, had a lower purchase price and operational cost per mile.

The fleet management experts explained that after a completed utilization assessment, fleet utilization should be tracked as an ongoing practice through the organization's management information systems.

The Needed Information and Supporting Management Information Systems Reported to Have Helped Fleet Managers Make Sound Decisions and Assess Performance

All of the fleet experts with whom we met said that having the needed information supported by good management information systems is essential for cost-efficient fleet management. They said that to operate an efficient, low-cost fleet, a manager must have an information system that captures all direct and indirect costs associated with operating a vehicle. They added that accurate and instantly available data are essential for the management of virtually every fleet activity, including vehicle acquisition, operations, maintenance, and disposal. Specifically, these experts said that to make informed management decisions managers needed information on (1) the profile of the fleet and its life-cycle history (i.e., acquisition through disposal) on each vehicle; and (2) sufficient information to compare fleet costs and benefits between the organization's fleet and those of other organizations.

They also said that an organization's management information systems needed to have the capacity to not only provide this basic information but to permit the fleet manager to identify trends and patterns and to conduct ad hoc analyses of different scenarios of fleet mixes—i.e., types of vehicles—and costs. Thus, they said that it was not enough to simply maintain this information; it was also necessary to use it to make key decisions in planning and managing the fleet.

An official from one private sector firm described how the firm's management information system was the cornerstone of its fleet management. By having a system with access to detailed cost information on vehicle maintenance, safety, and resale value, the fleet manager was able to achieve significant cost savings by changing the corporation's fleet mix. He determined, on the basis of his analysis of these fleet costs, that converting the entire fleet to minivans, at a total savings of \$62 million, would be more cost-effective. In addition, the firm's system operated 24 hours a day as an emergency hotline in the event that vehicle users need information or guidance to handle after-hours questions and problems.

An official from another firm discussed how the firm used its system to identify a systemic problem with a particular part that was previously treated as an unrelated series of isolated incidents. The corporate fleet manager used his information system to determine the frequency of seat

bolt breakages on a particular model. These breakages increased the firm's exposure to car repairs, personal injury, and lawsuits. As a result of the manager's analysis, the firm was able to get the manufacturer to make the necessary safety changes and reimburse the firm for the costs of bolt repairs and related liabilities.

At the firms we visited, the fleet managers were responsible for their firms' fleet information. However, most of these firms contracted out for fleet information systems and services. The contractors used were the fleet management services companies that had the largest databases on motor vehicle fleet management in the country.¹³ By using existing service company systems, the firms avoided the costs of operating their own systems, had readily available information on their fleets, and could obtain information on other firms that enabled them to compare their present and projected costs and performance with those of other similar fleets.

Many Experts Said
Benchmarking Identified
Potential Cost Savings

In our view, once agencies have conducted utilization assessments and are collecting the right information to make sound decisions, they are in the position to benchmark the costs and performance of their fleets. At that point, agencies would be able to make cost comparisons between their costs and those of other public and private sector fleets. Many of the fleet experts with whom we visited agreed that fleet managers must be aware of how their fleets compared to others and how units within their fleets compared to each other. According to the fleet management experts, benchmarking is a learning process that begins when one organization looks at the best practices of other firms for a point of reference. An organization benchmarks by comparing its processes with those in other firms and developing data about cost and performance. Through benchmarking, the experts found that organizations have been able to identify the best practices and methods of operating their fleets.

For example, one firm told us that by using its fleet management service company's extensive database of fleet cost information on different firms, it was able to successfully benchmark its fleet costs. Numerous categories of the firm's fleet costs, such as administrative expenses, maintenance, depreciation, and original acquisition, were compared with the costs of other firms in the fleet industry. Through this benchmarking, the contractor reported having identified potential annual savings of

¹³Fleet management service companies lease vehicles, provide information management services, and serve as consultants for every aspect of fleet management.

Chapter 3
Management Practices Are Considered
Essential to Cost-Efficient Fleet
Management

\$19.8 million—\$6.4 million in cost reductions and \$13.4 million in productivity enhancements.

Another firm told us it used the database of its fleet management service company to benchmark its motor vehicle accident rates and associated costs with those of other companies' fleets. After determining that its accident rate and costs were higher than those in the benchmarked firms, the firm initiated a driver's safety program in 1993 and added safety features, such as air bags and antilock brakes, to its vehicles.

Fleet managers for the state governments that we visited said they did not formally benchmark their fleet costs and performance. However, the state government officials emphasized the importance of generally knowing how their states compared with the rest of the fleet industry. They said they got information for these comparisons through informal conversations with other public and private sector fleet managers and reviews of industry norms from fleet industry periodicals.

In 1993, a fleet management expert for the National Association of Fleet Administrators (NAFA) reported the results of its benchmarking project to establish a database on the cost and performance of public sector fleets.¹⁴ The project report identified four sources for benchmarking data: internal trends, peer comparisons, industry norms, and best of class.¹⁵ The best of class data were based on the performance of the fleets that NAFA considered to be among the best managed fleets in the industry. Through this project, NAFA developed a benchmarking database that its officials said can be customized to meet the specific needs of public sector fleets. For example, the database contained data for fuel and maintenance costs per mile, vehicle age, and miles between breakdown. According to the project report, government agencies can use the benchmarked data from this database to identify opportunities to improve the quality and reduce the costs of their fleets.

¹⁴Eighteen percent of the respondents were from state governments and Canadian provinces, and 45 percent were from city/county governments. Only 1 percent of the respondents were from the federal sector.

¹⁵The Benchmarking for Quality and Public Service Fleets, a project for NAFA and its NAFA Foundation, conducted by David M. Griffith and Associates, LTD., 1993.

Most Experts Said Use of a Revolving Fund Permits Predictable Funding for Vehicle Replacement

Nearly all of the fleet experts with whom we met recommended a revolving fund for governmental vehicle fleets. Under this funding approach, a fleet management program functions much like an in-house leasing company, acquiring vehicles and equipment and passing their costs on to fleet users by means of a charge-back system. The proceeds of user charges are to be accumulated in a revolving fund and used to defray costs, including vehicle replacements.

If revolving funds are properly designed and implemented, they can provide sufficient funds to consistently replace fleet assets in a timely manner, according to the fleet experts. They said that a properly designed revolving fund would enable managers to charge users for full cost recovery, which also requires the support of an effective management information system to help properly account for costs. In addition, the fleet experts explained that using a revolving fund makes costs more visible to vehicle users, thereby creating powerful incentives for users to be more cost-conscious in their use of vehicles and even to dispose of vehicles that they do not really need. Finally, these experts said that a properly structured revolving fund would enable managers to more fully identify costs associated with operating a fleet, thus helping an organization to select the most cost-efficient alternative to meet its fleet needs.

The state governments we visited all used revolving funds, which they referred to as internal service funds, to fund their fleet operations. The fleet managers in these states said it would be extremely difficult to operate a cost-efficient fleet without the ability to charge customers to fund operations and replace vehicles. These officials said that using a revolving fund to pay for the purchase of replacement vehicles provided stable and timely funding to replace vehicles. They also said that by using revolving funds, agencies can avoid the underfunding of fleet replacement, which can increase the age of the fleet and ultimately the cost of it.

The firms we visited applied a concept that is similar to a revolving fund by charging their operating units for the actual cost of acquiring, operating, maintaining, and disposing of their vehicles. The firms' fleet officials said that charging actual costs, including indirect costs,¹⁶ made fleet costs more visible to the business units and provided users with the incentive to be more judicious in their vehicle use.

¹⁶Indirect costs are costs that are not attributed to the production of a specified good or service but to an activity generally associated with production.

**Centralized Fleet
Management Reported to
Have Provided a Uniform
Fleetwide Focus**

A motor vehicle fleet represents a sizable capital investment and a substantial operating expense. Fleet management experts and consultants told us this major financial investment deserves professional management. In discussions with these experts, it became clear that the role of a fleet manager was, in their view, not simply to acquire vehicles.

They said that to be effective, the organization's fleet manager should carry out the following responsibilities:

- establish and monitor written policies and procedures to be used by vehicle users throughout the organization;
- collect and analyze fleetwide data, including fleet costs and performance;
- look for opportunities, using the previously mentioned management practices, to improve fleet operations and service to users; and
- serve as the organization's in-house consultant in promoting a corporate culture that focuses the users on reducing their vehicle costs.

Thus, according to the fleet management experts of the organizations visited, it is a fleet manager's responsibility to ensure that there are written policies and procedures for (1) fleet administration, acquisition, operations, maintenance, and disposal; and (2) the comparison of the organization's fleet costs and benefits with those of other organizations. The experts also said that fleet management should use an effective management information system to ensure that appropriate information is collected and analyzed to monitor vehicle costs, utilization, and mix. In addition, they said that fleet managers should ensure that the organization's funding is predictable and apply benchmarking.

Finally, these experts made two other key points about the placement and role of the fleet manager in the organization. First, they said that fleet management responsibilities needed to be centralized so that the fleet manager would have a broader perspective on the organization's fleet. The manager could then better compare the work units of the fleet and compare those work units with similar work units of other fleets. They also considered centralization important to avoid duplication of effort and to achieve economies of scale.¹⁷

Second, they pointed out that these responsibilities must be carried out by the organization even when vehicles or fleet services are obtained from

¹⁷Economies of scale are a reduction in the average costs of the production of goods that result from the size of the producing entity and the share of the total market for the good. For example, the largest producer of automobiles may be able to produce a given car for a lower cost than can any of its competitors.

alternate sources. The organization must carry out such responsibilities even if the alternate vehicle source provides administrative services, such as system support, recordkeeping, or maintenance.

Interagency Forum to Promote Federal Fleet Management Issues Has Been Inactive

In addition to the management practices discussed by the experts, there appear to be benefits from interagency cooperation in discussing governmentwide fleet management issues. The task force provided an excellent forum through monthly meetings for fleet managers from various agencies to exchange ideas on improving federal fleet management. Also, as described in chapter 2, the task force made recommendations in its 1992 report to the President's Council on Management Improvement to address the obstacles to cost-efficient fleet management that it had identified and had made some progress in implementing those recommendations. These task force recommendations were endorsed by the National Performance Review, which was established in 1993 to improve governmentwide operations.

As recommended by the National Performance Review, in October 1993, the President established the President's Management Council (PMC) to ensure that the reforms adopted as the result of the National Performance Review are implemented throughout the executive agencies. The functions of the Council include (1) improving overall executive branch management and ensuring the adoption of new management practices throughout the government; and (2) identifying examples of, and providing mechanisms for, interagency exchange of information about best management practices. The Council is also to consider the management reform experience of corporations, nonprofit organizations, and state and local governments.

The National Performance Review report also said the President should update the Executive Order establishing the PCMI and revise its role in relation to the new President's Management Council. However, an OMB official said that an executive order doing this had not been drafted, and no decision had been made by members of PCMI on what their new role should be in relation to the new President's Management Council. As a consequence, the PCMI's task force on fleet management has not met since October 1993, and no organization is acting as an interagency focal point for federal fleet management issues.

While OMB and GSA have oversight responsibilities for federal fleets under COBRA, we believe that the interagency cooperation and communication

Chapter 3
Management Practices Are Considered
Essential to Cost-Efficient Fleet
Management

provided through an independent body like the task force could be an effective way of identifying and addressing common fleet management concerns. An interagency body, like the task force consisting mainly of agency fleet managers, could provide a forum for discussions on fleet problems and solutions and assist the management expertise of all members. Through its meetings, such an interagency body could encourage and support agencies in adopting more innovative practices to improve their fleet management.

Conclusions, Recommendations, and Agency Comments

Conclusions

Although officials from federal agencies generally agreed that the objective of COBRA was to determine the most cost-efficient fleet alternatives, including using IFMS and private sector firms, most agencies have been unsuccessful in fulfilling this objective. Since COBRA was enacted, most federal agencies have continued to operate their fleets without considering other alternatives. This fact appears to be primarily due to the obstacles reported by the task force—a lack of uniform guidance to perform COBRA cost comparisons, insufficient basic vehicle information, and unpredictable funding processes and restrictive solicitations.

OMB has issued interim guidance to do COBRA cost comparisons, and the task force recommended actions to correct the other obstacles. However, since the PCMI and its task force have not defined their roles in relation to the new President's Management Council and the task force has not met since October 1993, no organization is ensuring that the task force recommendations are being addressed. As a result, the agencies' management weaknesses persist because of their failure to conduct cost comparison studies and the lack of sound information needed to identify the most cost-efficient source of vehicles and fleet services. Without doing a fleet study, agencies have no way of knowing whether they have cost-efficient fleets.

To operate cost-efficient fleets, meet COBRA requirements, and correct the management weakness, federal agencies need to recognize and promote cost-conscious environments to enable fleet managers to operate cost-efficient fleets. On the basis of the experience of the private sector firms and states we visited, it appears federal agencies could make their fleets more cost-efficient by using or expanding their use of the management practices that fleet management experts have stated were critical to improving fleet performance and efficiency. These practices include utilization assessments; sound information systems; benchmarking; and, when authorized by law, the establishment and use of revolving funds. Fleet management experts also emphasized the importance of having centralized fleet management to provide a uniform and cost-conscious fleetwide focus. When used together by a cost-conscious fleet manager, fleet management experts said these practices would provide information for (1) evaluating the fleet's cost and performance; (2) identifying opportunities for improvement; and (3) selecting the most cost-efficient alternative for vehicles and fleet services, as required by COBRA.

As of June 1994, no interagency forum, such as the task force, served as a focal point to identify and address governmentwide fleet management issues and concerns. Such a forum could ensure that the task force recommendations are addressed and the previously mentioned management practices are tested to determine the potential for improving fleet management.

Recommendations

To improve the cost-efficiency of federal fleets and to help them comply with COBRA requirements, we recommend that the Director of OMB, the organization responsible under COBRA for monitoring agency compliance, establish a corrective action plan with goals and milestones to monitor and ensure that agencies are conducting cost comparisons as required by COBRA.

We also recommend that the Director arrange for agency pilot projects to test the potential for improvements and cost savings through the use or expansion of management practices, including utilization assessments; sound information systems; benchmarking; and, when authorized by law, the establishment and use of revolving funds. As part of the pilot projects, we recommend that the Director discuss with task force members the merits of having a central manager for each agency fleet who can

- establish and monitor written policies and procedures to be used by vehicle users throughout the organization;
- collect and analyze fleetwide data, including data on the costs and performance of fleets;
- look for opportunities, using the previously mentioned management practices, to improve fleet operations and service to users; and
- serve as the organization's in-house advocate in promoting a corporate culture that focuses the users on reducing their vehicle costs.

In addition, we recommend that the Director of OMB

- establish a plan with goals and milestones to monitor and ensure that the pilot projects are successfully completed; and
- reaffirm and clarify the role of the PCM's task force, or establish a similar interagency body that has the authority to (1) address the task force's recommendations; (2) serve as an interagency forum for governmentwide fleet management issues; and (3) work with agencies to evaluate, and, if appropriate, eliminate or reduce restrictive agency solicitations that discourage private sector participation in federal fleets.

Agency Comments

We met with OMB's Deputy Director for Management on October 21, 1994, to discuss the information in this report. He generally agreed with the report's findings and said they were consistent with the work of the PCMI task force on federal fleet management, which was endorsed by the National Performance Review. He also generally agreed with the report's recommendations. He said, and we agree, that decisions have to be made on how to address and implement the recommendations, such as establishing the authority and appropriate management level needed by an interagency body to make improvements in fleet management and to reduce fleet costs.

List of Experts in Fleet Management We Visited or Contacted

Fleet Industry Associations

National Association of Fleet Administrators (NAFA), Inc., Iselin, New Jersey

National Council of State Fleet Administrators, Lexington, Kentucky

Consultants

A.T. Kearney Inc., Chicago, Illinois

Alfred J. Cavalli, Fleet Consultant and former NAFA President, Massapequa Park, New York

Booz-Allen & Hamilton Inc., McLean, Virginia

David M. Griffith & Associates, LTD., Rockville, Maryland

Draycott Consulting Inc., Alexandria, Virginia

Ernst & Young, National Transportation Practice, Washington, D.C.

Performance Engineering Corporation, Fairfax, Virginia

Stone & Webster Management Consultants Inc., New York, New York

Fleet Management Service Companies

PHH Fleet America, Hunt Valley, Maryland

Wheels Inc., Garden City, New York

State Governments

Massachusetts

Michigan

Minnesota

Tennessee

Private Sector Firms

Bristol-Myers Squibb Company, New York, New York

Cox Enterprises Inc., Atlanta, Georgia

Appendix I
List of Experts in Fleet Management We
Visited or Contacted

Du Pont, New Castle, Delaware

Eastman Kodak Company, Rochester, New York

Federal Express, Memphis, Tennessee

Frito-Lay, Inc., Dallas, Texas

Georgia-Pacific Corporation, Atlanta, Georgia

Pfizer Inc., New York City, New York

Xerox Corporation, Rochester, New York

Other Organizations

John A. Volpe National Transportation Systems Center, U.S. Department
of Transportation, Research and Special Programs Administration,
Cambridge, Massachusetts

Major Contributors to This Report

**General Government
Division, Washington,
D.C.**

Frances P. Clark, Assistant Director
Marjorie A. Hrouda, Senior Evaluator
Stuart M. Kaufman, Senior Social Scientist
Robert C. Sorgen, Assignment Manager
Vasiliki Theodoropoulos, Communications Analyst

**Boston/New York
Field Office**

Gerald T. Maguire, Regional Assignment Manager
John Ripper, Evaluator-in-Charge
William T. Cronin, Evaluator

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

