Audit of the Management of Motor Vehicles at the University of Hawaii

A Report to the Governor and the Legislature of the State of Hawaii

Report No. 97-16
December 1997

THE AUDITOR
STATE OF HAWAII

Audit of the Management of Motor Vehicles at the University of Hawaii

A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 97-16
December 1997

Foreword

This is a report of our audit of the management of motor vehicles at the University of Hawaii. The audit was conducted pursant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We wish to express our appreciation for the cooperation and assistance extended by the administration and staff of the University of Hawaii.

Marion M. Higa
State Auditor

Table of Contents

Chapter 1

Introduction

This is a report of the audit of the management of motor vehicles at the University of Hawaii. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the State Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

Background

The University of Hawaii was founded in 1907 as a land-grant college. The university has grown to a statewide system of ten campuses with multiple missions including instruction, research, and service. To support its multiple missions, the university uses motor vehicles. Currently the university owns more than 600 vehicles including pickup trucks, sedans, vans, tractors, ambulances, and others. Vehicle use depends on the function of the organizational unit to which the vehicle is assigned. Colleges, departments, offices, or other entities with specific functions or missions are considered organizational units. In some cases, vehicles help to facilitate the day-to-day administrative operations of the university. In other instances, vehicles support research and/or instructional activities. Exhibit 1.1 shows vehicles by type at the University of Hawaii. Exhibit 1.2 shows number and percentage of vehicles by functional units.

Exhibit 1.1
Number of Vehicles by Type

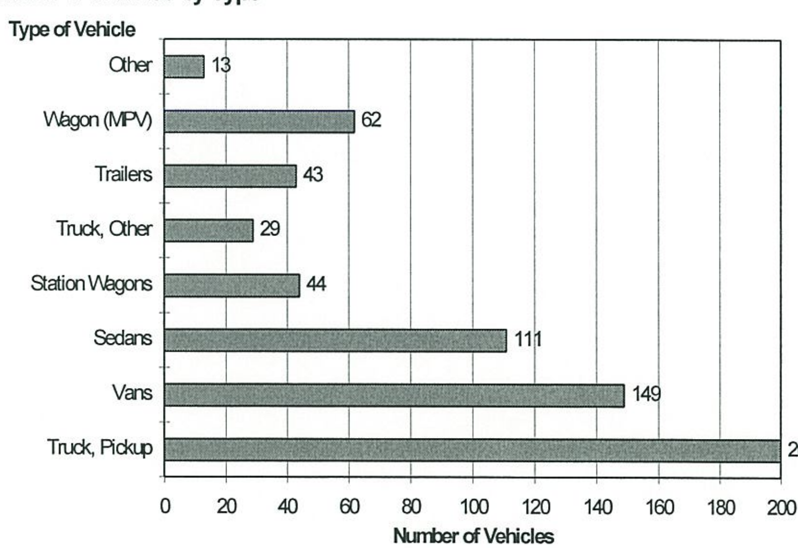


Exhibit 1.2
Vehicles at the University by Major Functional Units

Major Units	Number	Percentage
Community Colleges	90	13.8
UH Hilo & West Oahu	60	9.2
Transportation Services' Rental Fleet	53	8.1
Athletics	13	2.0
Manoa Campus Operations & Facilities	127	19.5
Manoa Colleges & Schools	255	39.2
Support Services - Manoa	53	8.2
Total	651	100.0

University vehicle management

Management responsibility for the university's motor vehicles rests with its various organizational units. Each unit is responsible for the lease or purchase and the maintenance of its motor vehicles. Each unit decides on the number and types of vehicles needed. Each is responsible for payment, annual upkeep and operation of the vehicles. Each unit is responsible for proper vehicle maintenance and restriction of vehicle use only to official university business. When units decide to acquire vehicles, the University Transportation Services Division reviews vehicle specifications before the Office of Procurement and Property Management advertises for bids. The procurement office is responsible for ensuring that vehicles are acquired in accordance with the Public Procurement Code.

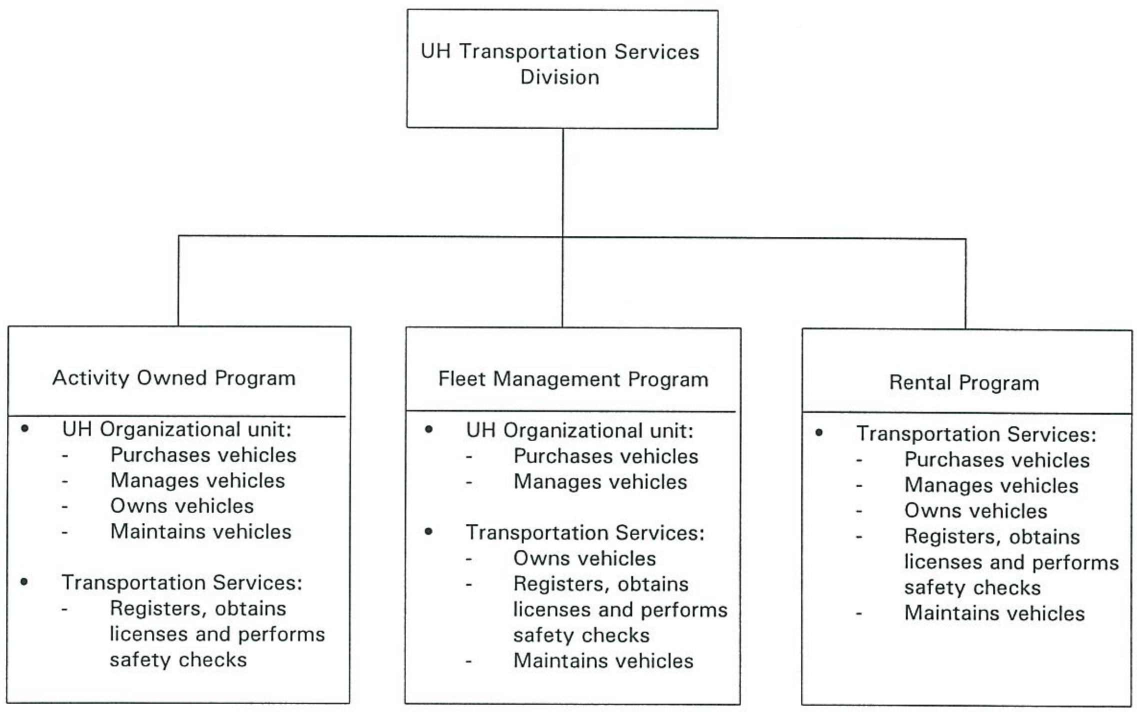
Transportation Services Division

The Transportation Services Division provides a number of services and vehicle support programs for the university. Some services and programs are provided to the entire university system, while others are provided only to Oahu campuses. The division reviews bid specifications and assists in the development of bid proposals. It is responsible for licensing and registering all university vehicles with the City and County of Honolulu's Motor Vehicle and Licensing Division. It is also responsible for insuring all university vehicles by reporting them to the Department of Accounting and General Services Risk Management Division. The division is situated at the Manoa Campus on Oahu and functions also as a service station. It sells fuel and provides routine maintenance, safety inspections, and minor repairs to university vehicles. In addition, the division maintains a small fleet of rental vehicles at the Manoa Campus.

Vehicle support programs

The Transportation Services Division offers three different vehicle support programs: 1) activity-owned, 2) fleet management, and 3) rentals. Exhibit 1.3 presents the different characteristics of the three programs.

Exhibit 1.3
Description of Vehicle Support Programs of the UH Transportation Services Division



Activity owned vehicles are owned and operated by individual units. The division's support for activity owned vehicles is much like that of a traditional service station. It charges the various university units for fuel and maintenance services.

The *fleet management program* assigns vehicles to an organizational unit for its exclusive use. The organizational unit originally buys the vehicles and then pays the division an annual fee to cover the cost of repair and maintenance and the eventual replacement of the vehicle. These annual fees range from $3,840 to $6,900, depending on vehicle weight. The division estimates that it will cost approximately $1.7 million over the next ten years to replace vehicles in the program.

The *rental program* rents vehicles from the division on a daily, weekly, or monthly basis. The division is responsible for the upkeep and management of these vehicles.

Transportation Services Special Fund

Operations of the Transportation Services Division are financed through the Transportation Services Special Fund. Moneys received for rentals, fuel, maintenance and repair services, and the fleet management program are deposited into this fund and used by the division. Revenues in this fund were $988,000 and $862,000 in 1996 and 1997, respectively. The fund has two separate accounts: an operations account to pay for current operations, and a reserve account to pay for replacement vehicles in the fleet management program.

Objectives of the Audit

1. Determine the roles and responsibilities of the University of Hawaii's management of motor vehicles.

2. Assess the adequacy of management controls over the university's motor vehicles to ensure that vehicles are properly acquired, used, maintained, and disposed of.

3. Make recommendations as appropriate.

Scope and Methodology

Our audit encompassed the purchase, use and control, repair and maintenance, fueling, and disposal of university vehicles. Our focus was mainly on passenger cars and trucks.

We interviewed personnel who manage the motor vehicle program and personnel who rent, own, or lease vehicles. We made site visits to all ten campuses. We contacted other state agencies to determine how other departments manage their motor vehicle programs. We reviewed university documents, records, forms, and files. We also reviewed financial and operational information about the university's Transportation Services Division.

In addition, we tested for compliance with two key statutes. The first, Chapter 105, Hawaii Revised Statutes (HRS), prohibits the use of state vehicles for personal pleasure or personal use. The second, Chapter 103D, HRS, governs the procurement, management, control, and disposal of any and all goods and services.

Our work was performed from December 1996 through September 1997 in accordance with generally accepted government auditing standards.

Chapter 2

Vehicle Management Practices Are Inappropriate and Costly

This chapter presents the findings and recommendations of our audit of the management of motor vehicles at the University of Hawaii. As long as 30 years ago, the university recognized the need to improve the economy and efficiency of its use of motor vehicles. A 1967 university study stated:

> For many years, each department has budgeted separately for the purchase and maintenance of vehicles, operating and maintaining them on an individual basis as they preferred. However, with the rapid expansion of the University, coupled with the ever increasing maintenance costs and demands for additional transportation, has provided the incentive to make a study of the best way to provide the service.[sic] In addition to the factors of economy and efficiency, the inequitable distribution of units and lack of uniform maintenance policies have been of concern to the administration.[1]

Concerns of economy and efficiency, inequitable distribution, and lack of uniform maintenance still apply today, thirty years later.

Summary of Findings

The university's management of motor vehicles is weak in several areas. These weaknesses need to be addressed to prevent waste and abuse or misuse of financial and vehicular resources. Specifically, we found that:

1. Lack of clear guidelines for vehicle purchases has led to questionable practices. Vehicles are purchased without sufficient justification. It is questionable whether so many passenger vehicles are needed.

2. The university's fleet management program enables the university to avoid the budget process and obscures the true costs of its vehicle program. It allows university units to "bank" operating funds in a special fund to finance the future purchase of vehicles. The banked funds are disproportionate to replacement and maintenance costs, and the program's participants are subsidizing the Transportation Services Division.

3. The university lacks statewide policies and procedures to ensure that management of motor vehicles is handled in a consistent manner. Vehicle maintenance is uneven and documentation supporting official use of vehicles varies widely.

Lack of Clear Guidelines Has Led to Questionable Practices

The University of Hawaii has about 500 sedans, pickup trucks, station wagons, and vans that can be used for passenger use. Many vehicles are used for duplicative delivery and messenger services, and it is questionable whether the university needs so many vehicles. In addition, a number of university administrators have been granted the expensive perquisite of a state-owned vehicle.

Vehicle purchases lack sufficient justification

In its efforts to decentralize, the university has allowed departments and other organizational units to purchase vehicles, but has failed to establish procedures to ensure that such purchase decisions are based on a careful analysis of need and available alternatives. As a result, there is no assurance that vehicle purchase is the most cost-effective alternative to meet organizational unit needs.

Sound management practice should include an assessment of transportation and vehicle needs and a careful examination and evaluation of alternatives to select the best solution to meet those needs. Different options available to meet those needs could include: rentals; purchase or long-term lease of vehicles; shared use of vehicles; and public transportation. Another alternative is to pay employees for mileage on personal vehicles used for business.

A careful analysis should be done on the type of need, the amount of funding, and the projected usage. As part of the analysis, the cost of various alternatives should be explored. This would include the current and future costs of vehicle maintenance, insurance, and other recurring expenses. The university has no requirement for such analysis. We found a pronounced lack of this kind of analysis to support the justification for new vehicle purchases.

Justification for purchases varies widely

The lack of clear procedures has resulted in inconsistent justification for vehicles purchased. At the one extreme, Hawaii Community College provides detailed documentation on how the acquisition of vehicles ties into its organizational mission, the intended use of the vehicle, and the operational impact of not purchasing the vehicle. The college, however, did not include a thorough analysis of alternatives. The example at Hawaii Community College is the exception to the general practice.

Most university units fail to develop thorough justifications of need and, instead, prepare only spare justifications for new vehicle purchases. For some, the justification for purchase simply stated "research"; in many other cases, "transport equipment and personnel" was stated. There was no other evidence to show how these stated activities were essential and supported the units' missions. There was no evidence of assessing alternatives to purchasing of new vehicles.

The need for so many vehicles is questionable

A large number of university units have one or two vehicles that are used periodically for activities and oftentimes can be serviced through other options. Most of these units are located on the Manoa campus and use the vehicles primarily for deliveries and attending meetings primarily on campus. Exhibit 2.1 lists some of the offices on the Manoa campus that have vehicles.

Exhibit 2.1
Sample of Manoa Campus Offices with State Vehicles

Office	No. of Vehicles	Location
Disbursing*	2	1402 Lower Campus Road
Faculty Housing Development*	1	1951 East West Center Road
Financial Management*	1	1406 Lower Campus Road
General Accounting*	1	1404 Lower Campus Road
Information Technology Services*	2	Building 37
Internal Audit*	1	Makai Campus
Library Services	1	Hamilton & Sinclair Libraries
Management Systems	1	Sinclair Library
Office of Human & Material Resources*	1	1400 Lower Campus Road
Summer Session	1	Krauss Hall
Treasury Support Services*	1	Bachman Annex
Procurement, Property, & Risk Management*	1	1400 Lower Campus Road
Human Resources*	1	240 Campus Road
School of Law	1	2515 Dole Street
Board of Regents	1	Bachman Hall
Budget Office*	1	Bachman Hall
College of Continuing Education & Community Service	3	Sakamaki Hall
Office of Policy and Planning	1	Bachman Hall
Senior Vice President for Administration*	1	Bachman Hall
Facilities Planning & Management-Administration*	3	2002 East West Center Road
Facilities Planning & Management-Planning*	3	2002 East West Center Road
Facilities Planning & Management-Design*	3	2002 East West Center Road

* Offices Under the Senior Vice President for Administration

Number of vehicles in administration appears excessive

As shown above, twenty-three of the vehicles sampled are under the Office of the Senior Vice President for Administration. This appears to be excessive. Some of these offices have complimentary operations. Some are in the same building or in adjoining offices. Alternatives such as using campus mail, sharing vehicles, or even walking should be explored and evaluated.

Differences in vehicle usage also raise question of need

University usage of vehicles varies significantly. The average university vehicle is driven about 3,600 miles a year. However, the actual mileage per year ranged from a low of 356 miles for a Manoa Campus Operation vehicle to a high of 13,870 miles for a vehicle used by the College of Tropical Agriculture and Human Resources. Those vehicles with lower mileage were normally driven primarily on campus. Using all vehicles at Transportation Services as a base, we randomly sampled 117 vehicles' odometer readings noted on service records maintained by the Transportation Services Division. All vehicles in our sample that were driven less than 1,400 miles per year were assigned to the Manoa campus. At an initial purchase cost of about $12,000, a vehicle driven only 356 miles per year could hardly be cost effective no matter how many years it is kept in service. Lacking the supporting analysis of need and alternatives, such low mileage raises such questions as "does the Manoa Campus really need all of these vehicles?"

Perquisite of having state-owned vehicles for personal use is not well supported

Personal use of a state-owned vehicle is a perquisite that has generally been provided to members of the governor's cabinet and other high ranking state officials. University officials may be granted the personal use of state-owned vehicles upon submission of justification requests from the president of the university to the state comptroller, who has final approval.

The university still refers to conditions prescribed in Administrative Directive No. 7, dated October 7, 1963, as authority for this perquisite. The directive states the following:

> The Government of the State of Hawaii provides some of its employees with such items as living quarters, utilities, meals, laundry services, and the use of State-owned motor vehicles. These allowances are called perquisites. *It is in the best interest of the State Government to keep these allowances to a minimum.*[2] (emphasis supplied)

The directive also states the conditions under which employees may be allowed the personal use of state-owned vehicles. These are:

a. When an employee is required to respond to emergencies at any hour of the day or night, *and* when the use of a government vehicle is essential to meet these contingencies; or

b. When government parking facilities are inadequate, or so located in an area exposed to vandalism or abuses; or

c. When the nature of an employee's work requires a government vehicle after normal working hours on a regular and sustained basis; or

d. When it is impractical to require an employee, who resides in the district in which he or she works, to travel daily to a central garage to pick up a vehicle and return to his district.[3]

Further, the request and authorization form that is used to justify the personal use of a state-owned vehicle states:

> Use of government vehicles for after hour meetings or for travel between employee residences and central base yards should be compared with mileage reimbursement computations and travel distances and actual mileage logs. *Being on-call or attending night meetings should not be considered as valid reasons in themselves, as it is generally less costly for the State to reimburse employees for mileage when responding to emergencies or meetings.*[4] (emphasis supplied)

At the university, nine administrative personnel in addition to the president are provided the perquisite of a state vehicle. Part of the perquisite is considered compensation taxable on the value of the personal use. Exhibit 2.2 presents the position and amount (in 1996) considered taxable to the employee for personal use.

All personnel submitted requests for personal use of state-owned vehicles in 1996, and the requests were approved by the state comptroller. Some of these staff have been provided vehicles without clearly meeting the above criteria. For example, the justification provided by the senior vice president and executive vice chancellor states:

> "The employee frequently attends meetings off campus, attends State and University functions, and legislative hearings both during and after office hours. The employee frequently attends meetings and official functions during weekends and holidays."

In another example, the senior vice president for research and graduate education justified personal use of a vehicle in this way:

> "I must use the vehicle on a regular and sustained basis to attend job-related functions after normal working hours. Moreover, it is impractical to travel to and from a central garage to pick up a car for this purpose. Personal use of a state-owned vehicle was also promised verbally and in writing by the President as an essential component of the job offer."

Exhibit 2.2
Positions Granted Personal Use of a State-Owned Vehicle and Taxable Value for 1996

Position	Compensated taxable value to employee of state vehicle for 1996
Oahu County Administrator Cooperative Extension Service	$678
Senior Vice President and Executive Vice Chancellor	$678
Director of Athletics	$678
Dean of Engineering	$678
Director, Hawaii Institute of Geophysics and Planetology	$452
Senior Vice President for Research and Graduate Education	$678
Chancellor and Senior Vice President U.H. Hilo	$339
Provost Kauai Community College	$678
Senior Vice President and Chancellor for Community Colleges	$678
President and Chancellor	$306

In addition to the weak justification for personal use of vehicles, there are inconsistencies among those administrators who are granted the perquisite. The dean of engineering is the only college dean with a state-owned vehicle. Prior to returning to the position of dean of engineering, this person was the senior vice president and executive chancellor and had the personal use of a state-owned vehicle while in that position. Upon return to the College of Engineering, this person was allowed to keep the state-owned vehicle. The records of Transportation Services Division still show this vehicle as being assigned to university administration, not the College of Engineering. Justification for personal use of the car includes general administrative responsibilities such as testifying before the Legislature and attending meetings.

The provost of Kauai Community College has personal use of a state-owned vehicle. Other community college provosts do not have this perquisite. Justification for the personal use includes attending various public meetings, participating in off-campus school activities, and being on call to deal with emergencies during non-work hours. No other community college seemed sufficiently unique to warrant this perquisite given to only Kauai Community College.

Employees pay no out-of-pocket costs for personal use

Employees granted the perquisite of personal use of state-owned vehicles reduce their personal expense on vehicle cost. However, they must pay taxes on the value of that use — either $56.50 per month or $3 per day of personal use. Employees may choose either method by which the value is to be computed. For the calendar year ended December 31, 1996, the compensations of three of the ten individuals included $3 per day of personal use of a state vehicle. The amounts included in their compensation for the year were $306, $339, and $452. The other seven individuals' compensation for the year included $678 each ($56.50 x 12 months) for personal use of the vehicles.

Taxes paid are a mere fraction of the cost of maintaining the vehicle provided. The cost of providing and maintaining these cars is borne entirely by the public. Gasoline, routine maintenance and repairs, and liability and property damages arising from accidents are all paid by students and taxpayers. The American Automobile Association estimates that the total cost of operating an automobile is more than $4,000 annually.[5] The State can ill afford expensive perquisites in this period of fiscal austerity. The practice of providing personal-use vehicles to so many administrators should be examined by the university.

An automobile allowance is an alternative

The university could consider alternative approaches to meet the transportation needs appropriate to its mission. Government employees covered under collective bargaining contracts who use their own vehicles for work purposes are generally provided mileage reimbursement at the current rate of 37 cents per mile. When reimbursement is impractical, the State can provide a monthly automobile allowance. The current authorized allowance is $326 per month for a department head ($3,912 per year) and $276 per month ($3,312 per year) for deputies. Employees receiving this allowance are responsible for all care, insurance, and maintenance of their personal vehicles.

University could follow executive branch example

The practice of providing state-owned vehicles has been curtailed in the executive branch. Only those demonstrating that their jobs entail emergency work are allowed the personal use of state-owned vehicles. Key civil defense and highways division personnel who must respond to emergency situations are examples. Department heads, deputies, and other officials who must attend public meetings and legislative hearings and use their personal vehicles for other, non-emergency work-related business are now reimbursed at the rate of 37 cents per mile or are paid the monthly allowance.

In this period of state revenue shortfalls, budgetary restrictions, and reductions of government staff and services, providing university administrators with the perquisite of state-owned vehicles should be allowed only under the best justified circumstances. The university should rethink its practice of providing so many state-owned vehicles to its administrators.

The Fleet Management Program Enables the University to Avoid the Budget Process and Obscures True Costs

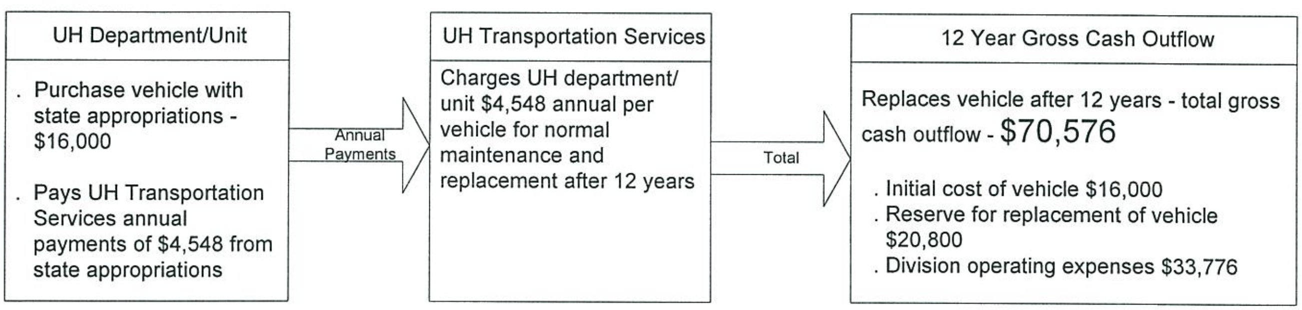
The university's fleet management program enables its organizational units to avoid the budget process by which vehicle purchases should be made. The program also obscures the true costs of the university's vehicle program. University units initially purchase a vehicle and then place it in the program, paying an annual fee. These annual fees are paid from the units' annual operating appropriations for as long as the Transportation Services Division determines. The fees are deposited into the Transportation Services Special Fund. Special funds are not subject to ordinary lapsing or given the budget scrutiny of general fund appropriation requests and expenditures. However, the fund's purpose does not include the "banking" of operating moneys for agencies' future use.

The fleet management program is a costly proposition

The organizational units' annual fees range from $3,840 to $6,900, depending on vehicle weight, and can amount to as much as $82,000 over the life of the vehicle. The Transportation Services Division now replaces vehicles in the program after 12 years; until recently the interval was 10 years.

For example, a $16,000 vehicle placed in the program for 12 years would result in a unit's cash outflow of about $70,576 over that period (the original purchase price plus the annual fees). The fees cover all normal maintenance (after the manufacturer's warranty period) and eventual replacement. But the program's total cost per vehicle far exceeds what normal maintenance and replacement should cost. A very generous balance, after maintenance and future replacement cost, remains for program operations. Exhibit 2.3 presents the flow of funds through this program.

Exhibit 2.3
Gross Cash Outflow of State Funds for the Purchase and Replacement of One State Vehicle



* Assumes original purchase price of $16,000, $4,548 annual fee, and an estimated replacement cost of $20,800.

In addition, even after a vehicle is replaced, the organizational unit must still pay an annual fee to remain in the program to eventually replace this new vehicle. What may appear to be "at no cost" to the unit will again cost the unit another 12 years of annual fees. There are more than 100 vehicles in the fleet management program, or about one-sixth of all university vehicles. The fleet management revenues placed into the operating account of the Transportation Services Special Fund in FY1996-97 amounted to $435,101 or 50 percent of its total revenues. The university units to which these 100 plus vehicles "belong" are, in effect, subsidizing the entire vehicle management program at a great cost to each unit.

Use of the special fund thwarts the budget process

The Transportation Services Special Fund is used by the university to operate the Transportation Services Division. Revenues to the fund consist of rents from the rental fleet, sales of gasoline, charges for repairs and maintenance, interest, and fleet management fees. At the end of June 1997, the Transportation Services Special Fund for replacement vehicles had a balance of $981,507. This portion of the fund thus serves as a vehicle savings account for the organizational units of the university.

The special fund also allows the university to distort the true funding sources for the Transportation Services Division by capturing general funds from the participants in the fleet management program. The subsidy of the division's operations by the fleet management program has not been disclosed in the university's budget requests to the Legislature.

Furthermore, it is the division that purchases the replacement vehicles, not the organizational units. The purchases are reflected in the budget and expenditures of the division's special fund, not the budgets of the organizational units that actually "own" and use the vehicles. As a result, the annual operating budgets of the organizational units do not reflect the units' true operating costs because a portion of each budget is being deposited into the special fund for future vehicle replacement. The annual budgets of units participating in the fleet management program are inflated to cover these annual fees.

A needs assessment is not prepared

The fleet management program also enables units to replace their vehicles automatically without a needs assessment. There is no assurance that a unit that purchased a vehicle will automatically need a replacement vehicle twelve years later. Organizational missions, goals and objectives, and priorities can change over time. Budget requests and vehicle purchases should reflect those changes. Vehicle needs of an organizational unit should be weighed against other budget needs near the time of vehicle replacement, not 12 years before.

Making all vehicles "activity owned" is an option

The true cost of the university's vehicle program would be better reflected by making all vehicles activity owned. University units would then have to pay all normal operating costs and include replacement vehicles in their annual budget requests.

Vehicle Maintenance Is Not Uniform and Official Use Is Not Well Documented

The university lacks statewide policies and procedures to ensure that motor vehicles are uniformly maintained and that sufficient records are kept to show that vehicles are used only for official business. The lack of statewide policies has resulted in uneven practices in preventative maintenance and usage. Improperly maintained vehicles can become dangerous to operate. Inadequate controls over vehicle usage can lead to unauthorized or improper use of vehicles. The university may be liable for claims that may result from accidents caused by preventable mechanical problems or from unauthorized use of vehicles.

Maintenance is not uniform

Our review of maintenance files of various Oahu-based university units showed that 43 percent of community college vehicles and 15 percent of UH Manoa vehicles were not serviced on a regular basis. Although the Transportation Services Division reminds organizational units of scheduled maintenance, units still forego maintenance.

We also found that many of the neighbor island campuses also fail to conduct regularly scheduled maintenance. Kauai Community College performs maintenance once a year. Maui Community College does not have a budget for vehicle repairs. Vehicles needing repairs remain parked until sufficient funds are available for repairs, or until the automotive repair program is able to provide the service. Most units at the University of Hawaii at Hilo and Hawaii Community College go through the community college's automotive repair program for repairs or maintenance. In some cases, they must wait for a significant amount of time because of the limitations of the automotive repair program. As a result, needed repairs and maintenance go untended while the vehicle continues to be used.

Preventative maintenance is desirable and needs definition

Preventive maintenance can help reduce future costs and enhance driver safety. The university units fail to perform basic maintenance, such as oil and filter changes, and other periodic maintenance activities. Normally, vehicles should be serviced on a quarterly or other basis as recommended by the manufacturer. Maintenance is necessary to ensure that vehicles remain operable and to avoid future costly repairs.

Regularly scheduled maintenance is necessary to help prevent major breakdowns that could cost more to repair. Other states conducting similar motor vehicle management audits found that performing regularly scheduled maintenance can reduce costs. For example, Oregon found that it could "realize cost savings by performing preventative maintenance at systematic intervals."[6] Alaska noted that "...preventative maintenance results in lower total maintenance expenses, increased warranty recovery, and reduced downtime."[7] Industry experts have stated that regularly scheduled maintenance is necessary to prolong the life of the vehicle.

In addition, accident prevention is a consideration. Alaska notes in its report that "proper maintenance may be the difference between avoiding an accident and incurring a major liability."[8] Industry experts indicate that preventative maintenance is necessary. Preventative maintenance includes inspection for wear or leakage. Finding and repairing minor wear can prevent accidents. The university needs to ensure that all vehicles are maintained on a regularly scheduled basis and develop standards to define minimum maintenance.

Controls over the use of motor vehicles need improvement

Standardized policies and procedures are necessary to ensure that vehicles are operated only for official business by authorized personnel. No such policies and procedures exist and organizational units have established varying practices to monitor and control vehicle use. Many of these practices do not ensure that vehicles are used only for official business by authorized personnel.

University units on Oahu generally maintain vehicle usage logs that are similar to the Transportation Services Division's sample log in its Oahu policies and procedures. University units on neighbor islands do not follow the division's sample. Units on Kauai and Hawaii use sign-out logs that do not account for mileage. Maui Community College does not keep any documentation on vehicle use.

Usage logs should be required

Vehicle use can be controlled using logs that note the driver's name, destination, and beginning and ending mileage. Management could review these logs and follow other procedures to ensure that all mileage is accounted for, that only authorized licensed drivers use the vehicles, and that the vehicles are used only for official business. Units should be required to use vehicle usage logs such as the sample provided by Transportation Services Division.

Transportation Services Division is responsible

The Transportation Services Division maintains that it lacks the authority to enforce policies for the university systemwide. Yet the division's functional statement states that it is responsible for preventative maintenance of university vehicles. Another document describing the division's functions states that a major function of the division is to establish policies and procedures to govern all university vehicles statewide. The university should ensure that the Transportation Services Division establishes systemwide maintenance and usage policies and procedures for all vehicles.

Conclusion

In the face of declining university enrollment and reduced funding, the university should be seeking ways to reduce costs. Better management of its motor vehicles could yield cost savings without hampering its ability to provide quality education to its students. The practice of providing the perquisite of personal use of state-owned vehicles should be reviewed with an eye toward improved accountability of its use of resources.

Recommendations

1. The University of Hawaii should develop adequate procedures for the purchase of new vehicles. The procedures should include:

    a. An assessment of need, to include an analysis of how the vehicle would support the organization's mission, goals, and objectives;

    b. An assessment of alternatives; and

    c. An analysis of expected acquisition costs as well as estimated recurring future costs such as repairs, maintenance, and insurance.

2. The university should reevaluate its current vehicle needs. In doing so, it should:

    a. Analyze how vehicles are currently used;

    b. Examine alternatives such as sharing vehicles and using public or other transportation; and

    c. Review the current practice of providing administrators the perquisite of personal use of state-owned vehicles.

3. The university should do away with the fleet management program.

4. The university should require the Transportation Services Division to develop and promulgate systemwide policies and procedures for the maintenance and use of all university vehicles.

Notes

Chapter 2

1. University of Hawaii, *Fleet Transportation Program, Plans for Implementation*, March 29, 1967, page 2.

2. Executive Chambers, *Administrative Directive No. 7*, October 7, 1963, page 5.

3. Ibid.

4. State of Hawaii, Department of Accounting and General Services, *Request For Personal Use of State-Owned Vehicle*, AGS-PU-I, Rev. March 1995, page 5.

5. American Automobile Association, *Your Driving Costs*, 1997 Edition.

6. Oregon Audit Division, *A Review of Vehicle Fleet Management Practices*, Abstract, page 1.

7. Alaska Division of Legislative Audit, *State of Alaska Fleet Management*, March 24, 1995, page 2.

8. Ibid.

Response of the Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the University of Hawaii on November 28, 1997. A copy of the transmittal letter to the university is included as Attachment 1. The response from the university is included as Attachment 2.

The university generally concurs with most of our findings and recommendations. It is in the process of developing a motor vehicle acquisition policy and procedures that establishes standard criteria for vehicle acquisition. The new policy will require an analysis of alternative forms of transportation and justification for the acquisition. The university also will initiate a review of perquisites granted to individuals for the personal use of state vehicles. The university, however, disagrees with our recommendation to do away with the Fleet Management Program, but notes that it would develop alternatives in the management of motor vehicles. Finally, the university stated that it would be revising the Transportation Services Policy and Procedures Manual to apply to all campuses. The university also provided some clarification that we incorporated in our final report.

Attachments that accompanied the university's letter of response are on file at our office.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

November 28, 1997

COPY

The Honorable Kenneth P. Mortimer
President and Chancellor
University of Hawaii
2444 Dole Street
Honolulu, Hawaii 96822

Dear Dr. Mortimer:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Audit of the Management of Motor Vehicles at the University of Hawaii*. We ask that you telephone us by Tuesday, December 2, 1997, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, December 8, 1997.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa

Marion M. Higa
State Auditor

Enclosures

UNIVERSITY OF HAWAI'I

PRESIDENT, UNIVERSITY OF HAWAI'I
AND CHANCELLOR, UNIVERSITY OF HAWAI'I AT MĀNOA

December 8, 1997

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, HI 96813-2917

RECEIVED
DEC 9 9 02 AM '97
OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for the opportunity to review the draft report on the audit of the management of motor vehicles at the University of Hawai'i. We appreciate the professionalism demonstrated by your staff in their review and appreciate the findings reported in your draft.

We have prepared a brief response to address the recommendations presented in the draft report for your review as well as a clarification to an exhibit in the report.

Please do not hesitate to contact me or Eugene Imai, Senior Vice President for Administration if there are questions or concerns.

Sincerely,

Kenneth P. Mortimer

Kenneth P. Mortimer
President, University of Hawai'i and
Chancellor, University of Hawai'i at Mānoa

Enclosures

c: Eugene Imai
Wayne Fujishige

December 8, 1997

1. Audit of the Management of Motor Vehicles at the University of Hawaiʻi
2. Action Plan to the Auditors' Recommendations

Recommendation #1:

The University of Hawaiʻi should develop adequate procedures for the purchase of new vehicles. The procedures should include:

- An assessment of need, to include an analysis of how the vehicle would support the organization's mission, goals, and objectives;
- An assessment of alternatives; and
- An analysis of expected acquisition costs as well as estimated recurring future costs such as repairs, maintenance, and insurance.

Corrective Action #1:

"Motor Vehicle Acquisition Policy and Procedures" (attachment 1) have been developed and will be implemented for the evaluation of a University unit's need to acquire a new and/or replacement motor vehicle. These procedures will provide for an assessment of need and analysis of use of current vehicles in the University's systemwide fleet. Existing forms have been revised to comply with the written policies and procedures that include the "Vehicle Acquisition Request" (attachment 2) form and the "Request for Approval of Vehicle Purchase" (attachment 3). Clear guidelines have been established to identify acquisition eligibility criteria and transportation alternatives.

Corrective Action to be Taken by:

Director of Auxiliary Enterprises, Wayne Fujishige

Corrective Action Completion Date: January 30, 1998

Recommendation #2:

The University should re-evaluate its current vehicle needs. In doing so, it should analyze how vehicles are currently used by examining alternatives such as sharing vehicles and using public or other transportation; and reviewing the current practice of providing administrators the perquisite of personal use of state-owned vehicles.

Corrective Action #2:

The evaluation and reassessment process will also provide for an analysis of the anticipated acquisition and recurring future costs of the vehicle.

The University will initiate a review of the current individuals who have been granted the personal use of State-owned vehicles. However, as stated in the Audit, the ten (10) individuals who currently are allowed to take home State-owned vehicles have complied fully with the requirements of Section 105-2, (4), Hawai'i Revised Statutes, and have been authorized by the State Comptroller. Each State Motor Vehicle Permit that was issued to the ten individuals states that "this permit is recommended by the Comptroller-DAGS and approved by the Governor of the State of Hawai'i for issuance by the Head of a Department or other officer. It constitutes written permission for the personal use of a government motor vehicle..."

In the cases of senior executives, where national searches are conducted, the use of a vehicle is a part of the recruitment package approved by the President of the University for which the aforementioned procedures are followed for approval by the State Comptroller.

Recommendation #3:

The University should do away with the fleet management program.

Corrective Action #3:

The University does not feel that the abolishment of the Fleet Management Program is in the best interest of the University at this time, but will develop alternatives in the management of our motor vehicles.

The University will evaluate the Fleet Management Program users with the "Vehicle Acquisition" policies and procedures (referenced in Corrective Action No. 1). All new members entering the Fleet Management Program as well as existing users will be subject to the evaluation of need in accordance with clear guidelines and established eligibility criteria, the assessment and careful evaluation of identified transportation alternatives, and the analysis of anticipated acquisition and recurring future costs of the vehicle.

In addition, to comply with past audit recommendations from Grant Thornton Accountants and Management Consultants and Nishihama & Kishida, C.P.A.'s, Inc., the University will continue to conduct regular analyses of the adequacy of the fee structure, including future budget projections to maintain the self-sufficiency of the program.

Corrective Action to be Taken by:

Director of Auxiliary Enterprises, Wayne Fujishige

Recommendation #4:

The University should require the Transportation Services Division to develop and promulgate systemwide policies and procedures for the maintenance and use of all University vehicles.

Corrective Action #4:

The existing Transportation Services Policy and Procedures Manual (attachment 4) will be revised to include written policies and procedures that set standardized preventative repair and maintenance schedule for all vehicles (attachment 5) and re-establish the completion of a "Monthly Travel Log" (attachment 6).

The University will distribute systemwide the revised Transportation Services Policy and Procedures Manual, reinstated "Monthly Travel Log", and a uniform preventative repair and maintenance schedule for all motor vehicles.

The current Transportation Services Policy and Procedures Manual already states in Section 12B (on page 11) that "Drivers and user units shall promptly notify Transportation Services of all defective items or mechanical failures found or encountered on assigned vehicles." In addition, in Section 12E (on page 12) the manual states that "user units who have assigned vehicles are **required** to periodically return the vehicle to Transportation Services for scheduled preventative maintenance services and safety checks. Transportation Services will provide prior notice of services appointments."

Transportation Services has provided written notification to all vehicle users on O'ahu of quarterly maintenance (every three months) and safety check (once a year) appointments (attachment 7). The Neighbor Island users are required to provide certified safety check forms on an annual basis to Transportation Services.

Corrective Action to be Taken by:

Director of Auxiliary Enterprises, Wayne Fujishige

Corrective Action Completion Date: January 30, 1998

Correction to Exhibit 2.3

Gross Cash Outflow of State Funds for the Purchase and Replacement of One State Vehicle

The example presented misrepresents the Fleet Management Program Cash Outflow, and we would like to set the record straight on this transaction:

The annual payments on a vehicle with a purchase price of $16,000.00 is $4,548.00 Total Gross Cash Outflow would be $70,576.00 over a 12-year period.