



# Memorandum

**TO:** Making Government Work Better  
Committee

**FROM:** Gerald A. Silva,  
City Auditor

**SUBJECT:** *Status Report On The Implementation Of  
The Auditor's Recommendations In The Three  
Audits Of The Utilization And Replacement Of  
The City's Transport Vehicles And Metered  
Equipment*

**DATE:** June 7, 2006

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During 2003 and 2004, the City Auditor's Office issued three audit reports (03-03, 03-11, 04-04) and made 39 recommendations (see Appendix A) to improve the economy, efficiency, and effectiveness of the City's vehicle and equipment fleet. We estimated that these 39 recommendations would potentially save the City \$43,863,500. Our recommendation follow-up process shows that the City has made significant progress towards implementing our recommendations and has realized savings of \$34,142,853. In addition, the General Services Department (GSD) has applied the recommendations in our audit reports to other metered and heavy equipment that we did not include in the scope of our audits and will realize an additional savings of \$10,161,682.

As of December 2005, the GSD had not fully implemented all of our recommendations in audit reports 03-03, 03-11, and 04-04. Specifically, of the 39 recommendations in these three audit reports, 23 were "implemented," and the remaining 16 were "partly implemented" as of December 2005. According to the GSD, as of May 31, 2006, it had implemented the remaining 16 recommendations and has institutionalized a continuous improvement process to pursue opportunities to further reduce the City's vehicle and metered equipment fleet size, improve vehicle and equipment utilization, and reduce vehicle and equipment costs. We will verify the implementation status of these 16 recommendations during our next Semi-Annual Audit Recommendation Follow-Up process.

## **Audit Statement**

We conducted this audit in accordance with generally accepted government auditing standards. The objective of the audit was to determine the implementation status of the 39 audit recommendations in our audit reports 03-03, 03-11, and 04-04. We also determined the actual and estimated cost savings associated with the implementation of those 39 recommendations. The scope of our audit included analyzing updated vehicle and equipment fleet data for 2005-06 and meeting with staff from the GSD, the City Manager's Office, and the City's Budget Office.

## Background

Our first audit report focused on the City's vehicle replacement program. The two audits that followed focused on the utilization and replacement practices for the City's vehicle and equipment fleets. In our reports, we identified an oversized fleet, significant underutilization, outdated or non-existent policies and procedures, and database inaccuracies. In total, we identified over \$43 million in potential savings to the City of San Jose.

### Vehicle Replacement Audit (03-03)

Our audit report 03-03 included 15 recommendations and identified over \$30 million in potential savings from 2001-02 to 2004-05 for the City of San Jose. As of December 2005, the GSD had successfully implemented 11 of these recommendations and was in the process of implementing the remaining 4 recommendations. Table 1 summarizes the potential savings we identified and the savings the GSD confirms were achieved.

**Table 1**

| Source Of Savings                | Auditor Identified Savings | GSD Reported Actual Savings |
|----------------------------------|----------------------------|-----------------------------|
| Vehicle Replacements             | \$ 16,578,772              | \$ 12,835,286               |
| Vehicle Additions                | 2,092,960                  | 2,092,960                   |
| Police Replacements              | 7,109,841                  | 8,104,971                   |
| Staff/NPE Reductions             | 255,000                    | 1,407,364                   |
| Transfers from 552 to GF         | 1,275,000                  | 2,525,000                   |
| Vehicle Replacement Acceleration | 1,400,000                  | 1,400,000                   |
| Fund Balance Reduction           | 2,138,780                  | -                           |
| <b>TOTAL SAVINGS</b>             | <b>\$ 30,850,353</b>       | <b>\$ 28,365,581</b>        |

As shown in the table above, the GSD successfully realized 92 percent of the \$30,850,353 in potential savings we identified.

### Metered Equipment Audit (03-11)

Our audit report 03-11 included 10 recommendations and identified over \$3.5 million in potential savings for the City of San Jose. As of December 2005, the GSD had implemented 5 of the 10 recommendations and was in the process of implementing the remaining 5 recommendations. In order to achieve the savings identified in our report, we assumed that the GSD would remove and sell 107 pieces of equipment we identified as being underutilized and costly. To date, the GSD has removed 27 of the 107 pieces of equipment we identified in our audit report. Table 2 summarizes the potential metered equipment savings we identified and the savings the GSD confirms it achieved.

**Table 2**

| Metered Equipment Source Of Savings | Auditor Identified Savings | GSD Reported Actual Savings |
|-------------------------------------|----------------------------|-----------------------------|
| Avoided Annual Maintenance Cost     | \$ 222,330                 | \$ 46,832                   |
| Estimated Avoided Replacement Cost  | 3,039,231                  | 767,000                     |
| Auction Revenue                     | 254,616                    | 25,371                      |
| <b>TOTAL SAVINGS</b>                | <b>\$ 3,516,177</b>        | <b>\$ 839,203</b>           |

As shown in Table 2, the GSD has realized 24 percent of the savings we identified in our audit report. According to the GSD, it is committed to a continuous process of reviewing the City's metered equipment fleet for opportunities to further reduce the metered equipment fleet size, improve utilization, and reduce costs. In addition, the GSD has applied the recommendations from our audit report to metered and heavy equipment that we did not include within the scope of our audit. By so doing, the GSD will realize savings we had not included in our audit report. Tables 3 and 4 summarize the additional savings the GSD will realize as a direct result of the fleet management improvements we recommended in our audit report.

**Table 3**

| Other Savings Metered              | GSD Reported Actual Savings |
|------------------------------------|-----------------------------|
| Avoided Annual Maintenance Cost    | \$ 60,890                   |
| Estimated Avoided Replacement Cost | 1,371,162                   |
| Auction Revenue                    | 61,643                      |
| <b>TOTAL SAVINGS</b>               | <b>\$ 1,493,695</b>         |

**Table 4**

| Other Savings Heavy & Towed Equipment | GSD Reported Actual Savings |
|---------------------------------------|-----------------------------|
| Avoided Annual Maintenance Cost       | \$ 500,396                  |
| Estimated Avoided Replacement Cost    | 3,343,500                   |
| Auction Revenue                       | 164,296                     |
| <b>TOTAL SAVINGS</b>                  | <b>\$ 4,008,192</b>         |

Therefore, the combined savings and avoided costs in Tables 2, 3, and 4 that are attributable to our audit report 03-11 are \$6,341,090.

### Transport Vehicles Utilization and Replacement Audit (04-04)

Our audit report 04-04 included 14 recommendations and identified over \$9 million in potential savings for the City of San Jose. As of December 2005, the GSD had implemented 7 recommendations and was in the process of implementing the remaining 7 recommendations. In our first Finding, we identified 306 sedans and light trucks that were severely underutilized and costly. We estimated that if the City removed these vehicles, it would produce potential savings to the City of about \$5,967,000 from 2004-05 to 2014-15. As of April 2006, the GSD had removed only 34 of the 306 vehicles and light trucks we identified in our report. Therefore, the City had not realized \$5,532,451 of the \$5,967,000 in potential savings we identified in our audit as shown in the Table 5 below.

**Table 5**

| Transport Vehicles Source of Savings | Auditor Identified Savings Over 10 Years | GSD Reported Actual Savings |
|--------------------------------------|--|-----------------------------|
| Auction Revenues                     | \$ 1,273,000                             | \$ 18,969                   |
| Avoided Replacement                  | 5,321,000                                | 612,000                     |
| Avoided M&O                          | 4,458,000                                | 672,193                     |
| Mileage Reimbursement                | (5,085,000)                              | (868,613)                   |
| <b>TOTAL SAVINGS</b>                 | <b>\$ 5,967,000</b>                      | <b>\$ 434,549</b>           |

Although the GSD had realized only 7 percent of the savings we identified in our audit report, it has applied the recommendations from our audit report to other transport vehicles that we did not include within the scope of our audit. By so doing, the GSD will realize \$4,659,795 in savings we had not included in our audit report. Table 6 summarizes the additional savings the GSD will realize as a direct result of the fleet management improvements we recommended in our audit report.

**Table 6**

| Other Transport Savings | GSD Reported Actual Savings Over 10 Years |
|-------------------------|---|
| Auction Revenues        | \$ 63,005                                 |
| Avoided Replacement     | 1,713,000                                 |
| Avoided M&O             | 2,976,448                                 |
| Mileage Reimbursement   | (92,658)                                  |
| <b>TOTAL SAVINGS</b>    | <b>\$ 4,659,795</b>                       |

The combined savings and avoided costs in Tables 5 and 6 that are attributable to the first Finding in our audit report 04-04 are \$5,094,344.

Exception Process

The City’s exception process has allowed for exceptions to be submitted for the majority of the vehicles and light trucks that did not meet the City’s utilization standard of 9,000 miles per year for sedans and 11,000 miles per year for light trucks. The City addresses vehicle exceptions in the “Use of City and Personal Vehicles” section of the City Policy Manual. The City Policy Manual Section 1.8.1 states that:

“Departments may request an exception to the minimum utilization standard for vehicles that will be used on a work shift basis. All requests for exceptions must be made in writing to the City Manager’s Office and must document the extenuating circumstances for requesting the exception...Exceptions are subject to annual review by the City Manager’s Office.”

However, unlike the City policy which identifies an exception process for only transportation vehicles, the GSD has applied an exception process for all vehicles and equipment in the City fleet. This process begins with the GSD distributing utilization packets to all City departments in October. Departments review the utilization reports and submit vehicle request forms (VRF) for those vehicles and equipment that do not meet the GSD’s minimum utilization standards. The GSD considers on road vehicles underutilized if they accrue less than 4,800 miles per year and metered equipment underutilized if they accrue less than 240 hours of use per year. All VRF’s are reviewed by the Vehicle Review Committee and a determination is made as to whether to retain or remove the vehicle or equipment. This process is performed annually, with utilization updates being provided quarterly. During the first two months of 2005-06, the GSD received over 400 VRF’s and expects to receive over 600 VRF’s before concluding the process. As a result of this process, the GSD successfully reduced the City’s transport vehicle and equipment fleet by 20 units.

Our second Finding in report 04-04 included recommendations to improve the San Jose Police (SJPD) and Fire Department (SJFD) vehicle usage practices that we estimated would save \$3,530,000 for the City from 2003 through 2007. Furthermore, our continuous collaborative efforts with the SJPD, the SJFD, and the GSD have produced additional savings. The GSD estimates that the recommendations in audit report 04-04 will generate \$4,503,519 in savings as shown in Table 7 below.

**Table 7**

| Police And Fire Source Of Savings | Auditor Identified Savings 2003-2007 | GSD Reported Actual Savings |
|-----------------------------------|--------------------------------------|-----------------------------|
| Unmarked Police                   | \$ 1,779,000                         | \$ 1,878,953                |
| Patrol Motorcycles                | 396,000                              | 439,110                     |
| Marked Patrol Vehicles            | 1,000,000                            | 2,185,456                   |
| Remove 16 Fire Vehicles           | 355,000                              |                             |
| <b>TOTAL SAVINGS</b>              | <b>\$ 3,530,000</b>                  | <b>\$ 4,503,519</b>         |

## Major Accomplishments

As previously mentioned, the City has made significant progress towards implementing our recommendations. Some of the most recent notable accomplishments are listed below:

**Break-Even Analysis** - The City Policy Manual Section 1.8.1 also states that “The General Services Department will periodically conduct a break-even analysis to identify the annual mileage at which it is cost beneficial for the City to provide a vehicle instead of mileage reimbursement.” Our own preliminary break-even analysis indicates that the mileage reimbursement rate change from \$0.365 to \$0.445 per mile, as well as increases in other critical costs, will shift the break-even point for sedans and light trucks from 9,000 and 11,000 miles per year to 8,000 and 9,000 miles per year, respectively. In March 2006, the GSD revised its break-even analysis to account for these changes and calculated break-even points for sedans and light trucks of 9,000 and 10,000 miles per year, respectively.

**Authorized Remote Parking Locations** – According to the GSD, they have completed the process of working with City departments to determine appropriate and authorized parking locations for all City vehicles. City department heads have provided to the City Manager’s Office a list of each City vehicle and the vehicle’s designated parking area.

**Authorized Take Home Vehicles** – The City Manager’s Office has received and approved a list of authorized 24 hour vehicles.

**Upgrade of the GSD Database** – According to the GSD, they have updated the Peregrine FA database to Maximus Fleet Focus. Along with this upgrade, the GSD is incorporating the Federal GAO guidelines for database management and system auditing. The GSD has developed a full set of audit procedures to ensure data integrity.

**City Inspector Vehicles Direction** – The City Manager’s memorandum to the City Auditor written May 16, 2006 states, “In order to ensure an optimum level of service delivery to our residents, to enhance employee safety and to provide a City presence and identity in the community, the Administration has determined to categorically exempt certain City vehicles from minimum utilization standards. These vehicles are primarily those that are utilized by City staff for inspection purposes.” The memorandum further states, “Departments with these “categorically exempted” transport vehicles will still be required to work with General Services to ensure that utilization of these vehicles is optimized, which will be through a rotation program, sharing of vehicles or other methods.”

## Conclusion

Although there still remain opportunities to further reduce the City's vehicle and equipment fleets, the City has made significant progress towards developing an efficient and well-managed fleet. In total, our three audit reports identified \$43,863,530 in savings and the GSD has confirmed realized and potential savings of \$44,304,535 that are attributable to these audit report recommendations as shown in Table 8 below.

**Table 8**

| Total Savings              | Auditor Identified Savings | GSD Reported Actual Savings |
|----------------------------|----------------------------|-----------------------------|
| Auditor Identified Savings | \$ 43,863,530              | \$ 34,142,853               |
| Other GSD Realized Savings |                            | \$ 10,161,682               |
| <b>GRAND TOTAL SAVINGS</b> | <b>\$ 43,863,530</b>       | <b>\$ 44,304,535</b>        |

Further, as of December 2005, of the 39 recommendations we made, the GSD has implemented 23 of the most critical recommendations and was in the process of implementing the remaining 16 recommendations. According to the GSD, as of May 31, 2006, it had implemented the remaining 16 recommendations and has institutionalized a continuous improvement process to pursue opportunities to further reduce the City's vehicle and metered equipment fleet size, improve vehicle and equipment utilization, and reduce vehicle and equipment costs. We will verify the implementation status of these 16 recommendations during our next Semi-Annual Audit Recommendation Follow-Up process.



Gerald A. Silva  
City Auditor

## **Appendix A**

### **Complete List of Recommendations and Status**

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According to the GSD, as of May 31, 2006, it had implemented the remaining 16 recommendations and has institutionalized a continuous improvement process to pursue opportunities to further reduce the City's vehicle and metered equipment fleet size, improve vehicle and equipment utilization, and reduce vehicle and equipment costs. We will verify the implementation status of these 16 recommendations during our next Semi-Annual Audit Recommendation Follow-Up Report.

#### **Report 03-03**

**#1 Consistently implement their replacement policy as well as all of the MOA's requirements into its replacement process for police patrol sedans. (Priority 1)**

Implemented. The FMD has finalized their replacement policy and procedures. Their procedures now incorporate the use of mechanical assessments and use 5 years and 100,000 mile replacement criterion.

**#2 Determine an appropriate "operational contingency" of police patrol sedans that can meet operational and unexpected replacement needs. (Priority 2)**

Implemented. Our work with the San Jose Police Department and the Fleet Management Division of General Services has resulted in many changes to the marked patrol sedan fleet. These changes have resulted in efficiencies which allowed for a significant reduction of the marked patrol sedan fleet. Due to these changes, the marked patrol sedan fleet has been reduced from 363 marked patrol sedans to 338 (a 25 sedan reduction).

**#3 Review Fund 552 to identify opportunities to transfer any excess balances to the General Fund. (Priority 2)**

Implemented. The Auditor's Office reviewed Fund 552's Source and Use Statement and confirmed the transfers of excess balances from Fund 552 to the General Fund.

**#4 Formalize the current freeze on all vehicle and equipment purchases. (Priority 1)**

Implemented. The Mayor's June Budget Message recommended to "Freeze all vehicle purchasing for FY 2003-04. This freeze should include all vehicles, regardless of type, including heavy vehicles and equipment scheduled to be purchased in the FY 2003-04 Operating and Capital budgets. The freeze on specialized heavy utility vehicles should continue until the Auditor completes and audit of this department.

**#5 Form a committee to review department requests for exemptions from the vehicle and equipment purchasing freeze. (Priority 2)**

Implemented. The Vehicle Committee has been established and has been reviewing all exemption to the vehicles purchasing freeze.

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**#6 Consistently follow its vehicle replacement policy for all vehicle purchases regardless of the funding source. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly implemented. The FMD has finalized their replacement policy and procedures. However, due to the current freeze on vehicle replacements, the General Services Department has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 6-06.

**#7 Consistently follow its own prescribed procedure to conduct a comprehensive mechanical assessment on all vehicles considered for replacement. (Priority 2)**

Implemented. We have received and reviewed all mechanical assessments performed on vehicles considered for replacement in 2003-04. Performing mechanical assessments has also been incorporated into the FMD's procedures.

**#8 Establish and implement a Citywide replacement policy for transport vehicles that incorporates vehicle mileage, years in service, accurate repair costs, and comprehensive mechanical assessments. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly implemented. The FMD has finalized their replacement policy. However, due to the current vehicle freeze, the FMD has not had an opportunity to demonstrate consistency in its implementation of the replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 6-06.

**#9 Stop loaning vehicles to departments on a long term basis and implement a formal process for loaning vehicles, including the use of the City vehicle pool. (Priority 2)**

Implemented. The FMD has finalized a Citywide vehicle loan policy. The policy provides for the temporary redeployment of vehicles with funding support. The procedures include controls that help insure that loaned vehicles are reevaluated at the conclusion of the original loan term.

**#10 Develop and implement procedures for the retrieval and disposal of replaced vehicles. (Priority 2)**

Implemented. The FMD has finalized and implemented its retrieval and disposal policy and procedures.

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**#11 Work with the Budget Office to develop and implement procedures to ensure all additions to the vehicle fleet receive Budget Office approval. (Priority 2)**

Implemented. The Fleet Management Division has finalized and implemented procedures for the vehicles addition process.

**#12 Review the database information to ensure it is accurate and complete. (Priority 3)**

City Auditor's Office update as of December 31, 2005:

Partly implemented. The Fleet Management Division (FMD) is currently undergoing an additional software upgrade. A full set of audit procedures have been developed to ensure data integrity. The FMD is also incorporating the Federal GAO guidelines for database management and system auditing into their policies and procedures. In order to fully implement this recommendation, we will review the database and test the accuracy of the information. Target date: 6-06.

**#13 Ensure all department requests for vehicle additions identify the funding source and the estimated amount of ongoing operating costs. (Priority 3)**

Implemented. The Budget Office has modified the budget system. When an entry is made to purchase equipment, a flag is triggered and a message box pops up reminding the user to budget for the maintenance and operating cost.

**#14 Develop a process to subject all department requests for vehicles to a standardized review process to ensure that departments are using similar vehicles for similar purposes. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly implemented. The FMD has finalized a Citywide replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will review this recommendation during the next follow-up to ensure the procedures are in place to be implemented as soon as the freeze is lifted. Target date: 6-06.

**#15 Better coordinate the exchange of vehicle information to ensure that additions to the City's vehicle fleet are appropriate. (Priority 2)**

Implemented. The Fleet Management Division has finalized procedures for the vehicle and additions process. Included in the process is the requirement that all vehicle additions be reviewed and approved by the vehicles review committee.

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### Report 03-11

**#1 Officially designate the Fleet Management Division as the City entity that has the authority and responsibility to administer the City's fleet of metered equipment. (Priority 2)**

Implemented. The City Policy manual Section 13.01 <sup>1</sup>states, "The Department of General Services, Fleet Management Division has the responsibility to manage the City's transportation vehicle fleet by working with departments to maximize utilization of vehicles, maintaining the fleet in good working condition, determining which vehicle will be removed from fleet, and managing the acquisition and disposal of vehicles."

**#2 Develop and consistently implement cost-effective utilization standards for the City's fleet of metered equipment. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly Implemented. The FMD has incorporated replacement criteria into their replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. In order to implement this recommendation, would like to review the policy and procedures and verify that they are consistently implemented. Target Date: 6-06.

**#3 Ensure the City has complete and current utilization information for all of the equipment in its inventory. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly implemented. The Fleet Management Division (FMD) is providing utilization data to all departments on a semi-annual basis. According to the FMD, they are also planning to establish an intranet site for all user departments to access utilization reports as needed. However, due to the FMD undergoing an additional software upgrade for their database, we cannot at this time verify the accuracy of the database information. We will re-evaluate the implementation status of this recommendation upon the completion of the software update. Target date: 6-06.

**#4 Conduct frequent utilization assessments to identify equipment for retirement, redeployment, or inclusion into an equipment pool. (Priority 2)**

Implemented. According to the FMD, it is providing utilization data to all departments on a semi-annual basis. The FMD is also coordinating discussion with departments to

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<sup>1</sup> Updated policy manual section has been changed to City policy Manual Section 1.8.

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determine equipment needs. The FMD has all ready removed some vehicles and will continue this process to further identify areas where adjustments to the fleet can be made.

**#5 Develop a proposal to establish and operate a City pool of metered equipment. (Priority 2)**

Implemented. The Fleet Management Division (FMD) proposed and subsequently received approval of a metered and heavy equipment pool in 2004-05 Operating Budget. According to the FMD, the pool is currently operational.

**#6 Establish an equipment pool to address the needs of the City's low-use equipment and develop a formal policy for using and maintaining such a pool. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly Implemented. According to the FMD, it has received approval to establish and manage a metered equipment pool. In addition, the FMD has finalized an equipment pool policy and procedures. In order to implement this recommendation, we need to review and verify the consistent implementation of the policy and procedures for the equipment pool. Target Date: 6-06

**#7 In conjunction with the City Manager's Office and City departments, analyze the City's fleet of metered equipment to determine the optimal cost-effective fleet size. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly Implemented. The FMD is currently in the process of consolidating and establishing a metered equipment pool. We will revisit this recommendation after the FMD has concluded their consolidation efforts. Target Date: 6-06

**#8 Review the number of scooters and other vehicles at the Water Pollution Control Plant for possible reductions and consolidation and install hour meters on those pieces of equipment without meters and track utilization. (Priority 2)**

Implemented. The FMD has installed hour meters on pieces of equipment that did not previously have hour meters;. In addition, the FMD and ESD have worked together to reduce ESD's scooter fleet by 11 scooters.

**#9 Include metered equipment, regardless of funding source, in its current efforts to develop and consistently implement a cost-effective replacement policy for transport vehicles, which incorporates repair costs and a minimum useful life. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

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Partly Implemented. The FMD has incorporated replacement standards for metered equipment into its policies and procedures. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. In order to fully implement this recommendation, we would like to review the policies and procedures and verify that they are consistently implemented. Target date: 6-06

**#10 Consistently follow its own prescribed procedure to conduct a written comprehensive mechanical assessment on all equipment considered for replacement. (Priority 2)**

Implemented. The FMD is currently conducting mechanical assessments on all pieces of metered equipment that are exhibiting excessive costs or that the FMD is considering to remove from service.

#### Report 04-04

**#1 Direct departments to assign sedans to employees who consistently drive over 9,000 miles per year and amend City Policy Manual Section 142 to better define special purpose vehicles and other possible exceptions to the mileage standard. (Priority 1)**

Implemented. The City has adopted the revised “use of City and Personal Vehicles” policy which addresses vehicles utilization and defines special purpose vehicles.

**#2 Officially designate the Fleet Management Division as the City entity that has the authority and responsibility to actively manage the City’s transport vehicle fleet. (Priority 2)**

Implemented. The City Policy Manual Section 13.01<sup>2</sup> states, “The Department of General Services, Fleet Management Division has the responsibility to manage the City’s transportation vehicle fleet by working with departments to maximize utilization of vehicles, maintaining the fleet in good working condition, determining which vehicle will be removed from fleet, and managing the acquisition and disposal of vehicles.”

**#3 When appropriate, assign employees to park at the remote parking locations that are nearest to the employees’ primary work areas and ensure that employees are parking assigned City vehicles at authorized remote parking locations. (Priority 1)**

City Auditor’s Office update as of December 31, 2005:

Partly Implemented. The revised City Policy manual, Section 13.01<sup>3</sup> states, “All City provided vehicles must be parked, when not in use, in the City parking lot designated by

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<sup>2</sup> Updated policy manual section has been changed to City policy Manual Section 1.8.

<sup>3</sup> Updated policy manual section has been changed to City policy Manual Section 1.8.

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the Department...Departments may authorize remote parking locations, however, employees must use the remote parking location nearest their primary work area. Employees are prohibited from parking a City vehicle in other than the Department's approved location in order to park closer to the employee's home...Departments will be required to maintain a list of each vehicles and the vehicle's designated parking area. This list will be made available to the Fleet Management Division." We will review this recommendation during the next follow-up to ensure the policy is consistently implemented. Target Date: 6-06

**#4 Implement the City's policy to track 24-hour vehicle assignments and provide a complete list of authorized vehicles and employees to appropriate departments. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly Implemented. According to the City Managers Office, information on 24-hour assignments has been provided, but the City Manager's Office has not yet completed its determinations regarding approval of these vehicles. Target Date: 6-06

**#5 Improve controls over the mileage reimbursement program to help ensure that mileage reimbursement forms are properly completed and contain accurate mileage. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly implemented. The updated City Policy Manual Section 1.8.3 addresses mileage reimbursement issues. We will sample mileage reimbursement requests during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

**#6 Implement the City's policy to monitor the use of mileage reimbursement and ensure employees are not exceeding 750 miles per month. (Priority 2)**

Implemented. The Finance Department has designed and implemented a report from the payroll system that summarizes payments for mileage reimbursement exceeding 750 miles per year on a monthly basis. They provide these reports to the Manager's Office.

**#7 Periodically conduct a transport vehicle break-even analysis to identify the annual mileage at which the City should provide a vehicle instead of mileage reimbursement. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Implemented. Fleet Management has revised its break-even formula and will conduct a break-even analysis at lease once per year, or if there are significant changes to the variables that go into the break even formula.

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**#8 Establish 11,000 miles as the annual mileage criteria for assigning a light truck to a City employee. (Priority 2)**

Implemented. Recently-approved City Policy Manual Section 13.01<sup>4</sup> establishes 11,000 miles per year as the minimum utilization standard for light trucks.

**#9 Review the City's fleet of specialized vehicles to determine the most cost-effective complement of vehicles. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly Implemented. The updated City policy Manual Section 1.8 addresses specialized vehicles. We will review this recommendation during the next follow-up to ensure the policy is consistently implemented. Target Date: 6-06.

**#10 Remove from the City's fleet and sell at auction those transport vehicles that do not meet the City's annual mileage criteria and do not serve a special purpose or are otherwise not exempt. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

Partly Implemented. The FMD is in the process of identifying underutilized vehicles as defined by the updated vehicle policy. According to the FMD, vehicles that are not candidates for redeployment, will be removed from the City's fleet and sold at auction. We will revisit this recommendation upon completion of the auction process. Target Date: 6-06

**#11 Continue its new vehicle rotation program and formalize it into a policy that applies to all SJPD vehicles. (Priority 2)**

Implemented. The SJPD is using a computer tracking system developed by the Research and Development unit to monitor the utilization of their vehicles and rotating these vehicles where necessary to meet utilization targets. The targets are as follows:

Unmarked/Detective – 10,000 Miles Per Year  
Patrol Vehicles – 20,000 Miles Per Year, and  
Motorcycles – 13,334 Miles Per Year.

**#12 Implement a transport vehicle rotation program to balance usage and reduce the number of vehicles with low mileage. (Priority 2)**

City Auditor's Office update as of December 31, 2005:

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<sup>4</sup> Updated policy manual section has been changed to City policy Manual Section 1.8.

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Partly Implemented. In February 2005, the Fire Department began Phase I of a Vehicle Mileage Balancing program that will utilize vehicle mileage information to facilitate a “swap” mechanism that will move lower mileage vehicles to higher usage assignments, and rotate higher mileage vehicles into assignments where data indicates lower usage. Every four months the vehicles’ mileage will be evaluated and a rotation process will take place according to the mileage and years of service differential. Target Date: 6-06

**#13 Replace unmarked police vehicles, excluding covert vehicles, using the same replacement schedule as the City’s general fleet. (Priority 2)**

Implemented. The FMD has applied the 10-year and 100,000-mile criteria for the unmarked police vehicles complement to its revised replacement policy.

**#14 Adopt and implement a replacement schedule to replace patrol motorcycles using 4.5 years in service and 60,000 miles. (Priority 2)**

Implemented. The Patrol motorcycle replacement criteria has been updated to 4.5 years in service and 60,000 miles in the FMD’s revised replacement policy.