



**Office of the City Auditor**

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**Report to the City Council  
City of San José**

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**AN AUDIT OF THE UTILIZATION  
AND REPLACEMENT OF THE  
CITY'S TRANSPORT VEHICLES**

**By Reducing Its Significantly Oversized And  
Underutilized Transport Vehicle Fleet The  
City Can Realize An Economic Benefit Of As  
Much As \$1.7 Million In 2004-05 And \$4.2  
Million Over The Next 2 To 10 Years**

**Recently Enacted San José Police  
Department And San José Fire Department  
Vehicle Practices Saved The General Fund  
About \$2.4 Million In 2003-04 And Will Save  
Almost \$1.1 Million In 2004-05**

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**Report 04-04  
June 2004**



## **PREFACE**

Presented herein are the City Auditor's Executive Summary of and the City Administration's response to *An Audit of the Utilization and Replacement of the City's Transport Vehicles*. This summary is intended to reduce the City's cost of printing and distributing audit reports. If you would like a copy of the full report, please call the City Auditor's Office at (408) 277-4601; we will be happy to send you a complete report.



## Executive Summary

In accordance with the City Auditor's 2003-04 Audit Workplan, we have audited the utilization of the transport vehicle fleet of the City of San José (City). We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

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### Finding I

### **By Reducing Its Significantly Oversized And Underutilized Transport Vehicle Fleet The City Can Realize An Economic Benefit Of As Much As \$1.7 Million In 2004-05 And \$4.2 Million Over The Next 2 To 10 Years**

City Policy Manual Section 142 establishes the policy and procedures for use of City or privately-owned vehicles to perform City business. City Policy Manual Section 142.5 establishes the "Standards for Assignment" and states that employees who require a vehicle for the greater part of a workday will receive either mileage reimbursement or be assigned a City-owned vehicle. Section 142.5 also includes a 9,000 mile per year criteria for assigning eight-hour sedans to City employees. We identified 332 non-emergency sedans and light trucks in the City's vehicle inventory that City employees use for transport purposes. We found that City employees are driving 88 percent of these 332 vehicles less than the 9,000 mile criteria in Section 142.5. In addition, City Policy Manual Section 142.5 includes other use of City vehicle criteria besides mileage, such as special purpose vehicles or when an employee using a City vehicle is in the best interest of the City. However, we found that these criteria are not well defined and City departments have not documented that they met these criteria when they authorized employees to use City vehicles. In addition, the FMD does not currently have the authority to actively manage the City's transport vehicle fleet.

We also found that:

- City employees are driving City transport vehicles over 170,000 miles per year to commute from remote parking locations to their assigned work area;
- City employees parked City transport vehicles in unauthorized remote locations;
- City departments and the Administration need to better manage the use of take-home vehicles and mileage reimbursement; and
- Our break-even analysis for City-owned sedans and light trucks 1) essentially validated the 9,000 mile a year criteria that is in City Policy Manual Section 142 and 2) showed that it is cost beneficial for the City to assign light trucks to those employees who drive at least 11,000 miles per year.

We estimate that the City can save as much as \$1.7 million in 2004-05 and \$4.2 million over the next 2 to 10 years by limiting the use of City sedans and light trucks to employees who drive more than 9,000 miles per year and 11,000 miles per year respectively.

In our opinion, the City Manager should 1) direct City departments to assign sedans and light trucks to employees that consistently drive more than 9,000 miles per year and 11,000 miles per year, respectively; 2) amend City Policy Manual Section 142 to better define special purpose vehicles and other possible exceptions to the mileage standard; 3) designate the Fleet Management Division (FMD) of the General Services Department (GSD) as the City entity that has the authority and responsibility to administer the City's transport vehicle fleet; 4) implement the City's policy regarding 24-hour vehicle assignments; and 5) improve controls over the mileage reimbursement program. In addition, City departments should assign employees to park at remote locations that are nearest to the employee's primary work area and ensure that employees park assigned vehicles at authorized locations. Further, the Finance Department should better monitor mileage reimbursements. Finally the FMD should 1) periodically conduct a transport vehicle break-even analysis; 2) review the City's fleet of specialized vehicles; and 3) sell at auction those transport vehicles that do not meet the mileage criteria or are otherwise exempt.

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**RECOMMENDATIONS**

We recommend that the City Manager:

**Recommendation #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)**

**Recommendation #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)**

We recommend that the City Departments:

**Recommendation #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)**

We recommend that the City Manager’s Office:

**Recommendation #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)**

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

We also recommend that the Finance Department:

**Recommendation #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)**

We recommend that the Fleet Management Division:

**Recommendation #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)**

We also recommend that the City Manager's Office:

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

We recommend that the Fleet Management Division:

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

**Recommendation #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)**

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**Finding II      Recently Enacted San José Police Department And San José Fire Department Vehicle Practices Saved The General Fund About \$2.4 Million In 2003-04 And Will Save Almost \$1.1 Million In 2004-05**

In cooperation with the City Auditor's Office, the San José Police Department (SJPD) has recently implemented a cost-savings program to rotate marked and unmarked vehicles in an effort to balance their usage and reduce replacement costs. The SJPD has also agreed to realign the replacement cycles for unmarked vehicles and patrol motorcycles. These changes will save the General Fund about \$2.4 million in 2003-04 and over \$800,000 in 2004-05. In addition, as a result of our audit, the San José Fire Department (SJFD) recently worked with the General Services Department's Fleet Management Division

(FMD) to remove 16 vehicles from its fleet. As a result, the City will realize auction revenue and avoided costs of \$250,000 in 2004-05.

In our opinion, the SJPD and the SJFD should formalize the SJPD's new vehicle rotation program into a policy that applies to all public safety transport vehicles to optimize and balance vehicle usage. The SJPD and the FMD should also formalize the replacement policy for unmarked vehicles to align with the replacement of the City's General Fleet and implement a 4.5-year and 60,000-mile replacement policy for patrol motorcycles.

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## RECOMMENDATIONS

We recommend that the San José Police Department:

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

We also recommend that the San José Fire Department:

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

We recommend that the Fleet Management Division:

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

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

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