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FEDERAL VEHICLES

Composition and Management of Agency Fleets

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GAO-16-455T

Chairman Mica, Ranking Member Duckworth, and Members of the Subcommittee:

I am pleased to be here today to discuss our work on the management of the federal fleet. In fiscal year 2014, federal agencies spent over $4.4 billion to acquire, operate, and maintain about 634,000 non-tactical vehicles to help carry out their missions.[1] In recent years, Congress, the Office of Management and Budget (OMB) and the President have raised concerns about the size and cost of federal fleets. For example, implementing instructions for a 2015 Executive Order directed agencies to survey the utilization of their vehicles at least once every 5 years in order to identify vehicles that could be eliminated from agency fleets. My statement today discusses (1) selected characteristics of the federal vehicle fleet in fiscal year 2014—the most recent data available—and (2) some key agency responsibilities for fleet management and how selected agencies have fulfilled those responsibilities. This testimony is based primarily on our January 2016 report, which examined processes at selected federal agencies related to the utilization of leased vehicles. In addition, this statement includes information from our prior work on the composition of the federal fleet and agencies' efforts to manage their vehicle fleets. [2] For these reports, we identified the characteristics of the federal fleet by reviewing data reported by the General Services Administration (GSA) and other federal agencies. We identified the responsibilities of federal agencies and how selected agencies fulfill those responsibilities by reviewing federal statutes, regulations, and policy initiatives and analyzing various vehicle management processes at these agencies. Additional information on our objectives, scope, and methodology is available in these reports. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

[1]General Services Administration, *Fiscal Year 2014 Federal Fleet Report* (March 2015). These data are the most currently available.

[2]GAO, *Federally Leased Vehicles: Agencies Should Strengthen Assessment Processes to Reduce Underutilized Vehicles*, GAO-16-136, (Washington, D.C.: Jan. 14, 2016); *Federal Vehicle Fleets: GSA Has Opportunities to Further Encourage Cost Savings for Leased Vehicles*, GAO-14-443 (Washington, D.C.: May 7, 2014); and *Federal Vehicle Fleets: Adopting Leading Practices Could Improve Management,* GAO-13-659 (Washington, D.C.: July 31, 2013).

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Characteristics and Composition of the Federal Fleet

Federal agencies have diverse missions—ranging from managing natural resources to hauling explosive materials to providing services to veterans. As a result, the vehicles agencies use to carry out these missions also vary and include passenger cars and trucks and special purpose vehicles (e.g., ambulances and buses.) As a result, the “federal fleet” refers to dozens of fleets that range in size from just a few vehicles to more than 200,000. In fiscal year 2014, seven agencies owned or leased approximately 78 percent of non-tactical federal vehicles. Approximately one-third of these vehicles belonged to the U.S. Postal Service, and approximately 45 percent were owned or leased by six other agencies—the U.S. Air Force, U.S. Army, Department of Homeland Security (DHS), the Department of Justice, the U.S. Navy, and the Department of Agriculture. Including postal vehicles, approximately 70 percent of federal vehicles were owned by the agencies, and about 30 percent were leased.

As we reported in January 2016, fleet management is generally decentralized, as agencies are responsible for managing their vehicles in a manner that allows them to fulfill their missions and meet various federal requirements. For example, agencies determine the number and type of vehicles they need and whether they want to lease or purchase them. In both cases, they work through the General Services Administration (GSA). Through its leasing program, GSA provides vehicles and services to over 75 federal agencies. Through the leasing arrangement, GSA provides various services, including: vehicle maintenance and accident management; support from fleet service representatives; provision of fleet cards to purchase fuel; access to and analysis of data on agencies’ leased fleets, such as data on mileage, inventory, and fuel consumption; and identification and management of fraud, waste and abuse associated with leased vehicles.[3] GSA also provides vehicle-purchasing services for agencies, but is not involved in an agency’s administration of its owned fleet.

[3]According to GSA officials, an agency that lacks specific statutory authority to purchase or hire passenger motor vehicles—as required by section 1343(b) of title 31 of the United States Code, or has not been delegated leasing authority—is required to participate in GSA’s leasing program. Less than 1 percent of vehicles were commercially leased in 2014.

In general, the number of federal vehicles decreased slightly over the past several years from approximately 650,000 vehicles in fiscal year 2012 to approximately 634,000 in fiscal year 2014, while costs have slightly increased. The trends for the leased and owned fleets differ somewhat. The number of leased vehicles has decreased slightly since 2012, and costs have also decreased. For example, in fiscal year 2012, federal agencies leased 190,689 vehicles at a cost of approximately $1.12 billion. In fiscal year 2014, federal agencies leased slightly fewer vehicles—186,214—and the costs dropped to $1.03 billion. We reported in January 2016 that GSA officials attributed this cost reduction in part to agencies' decisions to lease smaller, less expensive vehicles. Regarding owned vehicles, the number has decreased slightly, though costs have increased. For example, in fiscal year 2012, federal agencies owned 453,361 vehicles at a cost of approximately $3.2 billion. In fiscal year 2014, federal agencies owned 444,011 vehicles and reported costs of approximately $3.4 billion.

Federal Agencies Are Responsible for Fulfilling Fleet Requirements and Regulations, With Assistance from GSA

Federal fleet management is characterized by agency flexibility in how each agency manages its fleet. As we reported in January 2016, a variety of statutes, regulations, executive orders, and policy initiatives govern and direct federal agencies' fleet management efforts. For example, agencies are required to (1) collect and analyze data on their vehicle fleets, (2) determine the appropriate size of their vehicle fleets, and (3) eliminate non-essential vehicles from their fleets, among other responsibilities. Fleet management is decentralized, since agencies have a great deal of flexibility in how they manage their fleets. We reported in January 2016 that GSA plays an advisory role in helping agencies manage their fleets. Specifically, GSA's Office of Government-wide Policy (OGP) issues guidance on these topics, but agencies are not legally required to follow this guidance, and according to GSA officials, GSA has no oversight responsibility over agency fleet management. In January 2016, we found instances where the agencies we reviewed did not consistently implement required or recommended practices. When agencies follow sound practices and collect reliable data, they can make sound decisions about their fleets and provide better assurance that the fleets are meeting missions in the most cost-effective manner possible.

Collecting Vehicle Data

Each agency is responsible for collecting and reporting data on its vehicle fleet. Those agencies that lease vehicles from GSA can utilize the services provided by GSA's Fleet Leasing Program (GSA Fleet) to collect data on these vehicles. GSA Fleet obtains data on leased vehicles to assist with billing as well as to help agencies manage their leased-vehicle fleets. GSA stores hundreds of data elements on each leased vehicle, including manufacturer-provided information such as make, model, and fuel efficiency; agency-reported data such as monthly mileage; and data obtained through fleet cards (charge cards) such as quantity and type of fuel purchased. Agencies can import this information into their own internal fleet-management systems. We reported in January 2016 that the GSA Fleet's leased-vehicle data we reviewed were generally reliable.

Less information, in general, is available about vehicles in owned fleets. Each agency collects data on its own fleet, can store the data within its own data system, and reports limited information annually.

To facilitate accurate reporting and to help agencies manage their fleets, GSA's Bulletin B-15 and the implementation instructions for a March 2015 Executive Order direct agencies to acquire and maintain a fleet management information system (known as an FMIS) to store vehicle-related data. GSA's guidance informs agencies what data, specifically, an FMIS should capture, such as data on a vehicle's acquisition, utilization, repairs and servicing, accident reporting and disposal. Agencies are not required to adhere to this guidance, and we found in 2013 that for 10 selected agencies, while most of their FMISs captured the majority of the types of fleet data recommended by GSA, none had all of the recommended data.[4] Several of the agencies lacked good direct cost data (such as fuel and repair costs) needed to help them track life-cycle costs and make decisions such as when to replace vehicles. With regard to indirect costs (such as personnel and office space), most of the agencies we reviewed reported to us that their FMISs do not capture all indirect fleet costs or that the indirect costs cannot be readily discerned from other non-fleet costs. We recommended that GSA provide agencies with guidance on how to calculate indirect costs to improve reporting accuracy. GSA agreed and subsequently provided guidance to agencies. Complete and accurate data, particularly data on costs and utilization, can facilitate analyses of agencies' fleets and decisions about whether to buy, lease, or eliminate vehicles.

In order for agencies to gather vehicle utilization and other data on their fleets, they can use telematics. "Telematic" devices installed in fleet vehicles can provide managers of those fleets with a variety of information—including aspects of driver behavior, how well vehicles are

[4] GAO-13-659.

running, their past and present locations, and miles travelled—that managers can use to manage their fleets. In 2014, we reported on many of the financial benefits telematics can provide, such as enhancing vehicle utilization, reducing fuel use, combatting misuse of vehicles, and better managing vehicle maintenance.[5] For example, we reported that since fiscal year 2011, telematics data had helped officials at the Department of Energy's Idaho National Laboratory eliminate 65 leased vehicles for an estimated annual savings of approximately $390,000. However, in that report, we also discussed critical factors that needed to be considered in order to make good decisions about telematics. Key among those factors were (1) the cost of the technology selected, (2) fleet characteristics, and (3) information technology systems to evaluate the data. Experts we interviewed at the time noted that the potential return on investment from the adoption of any telematic technology will vary based on these factors and that telematics will not achieve cost savings for every fleet.

In March 2015, an Executive Order instructed agencies to install telematics in newly acquired light and medium duty vehicles where appropriate. It is too early to tell how this requirement will be implemented or what challenges and opportunities it may bring.

Determining Optimal Vehicle Fleet's Size

A 2011 presidential memorandum directed agencies to conduct a survey to identify which of their existing vehicles they needed to carry out their missions and to project their optimal fleet size and set goals for achieving this size. This utilization survey is called the Vehicle Allocation Methodology (VAM). The memorandum also directed GSA to evaluate agencies' progress in meeting their optimal fleet size goals. We reported in January 2016 that while GSA issued guidance in 2011 on how to conduct a VAM, agencies did not necessarily follow this guidance when conducting their VAMs, as there was no requirement for them to do so.[6] According to GSA officials, several agencies used existing processes at that time to review their vehicle fleets; however, we have not evaluated the costs and benefits of using these previously existing processes. In 2013, we found many VAMs lacked supporting documentation to explain how agencies produced their optimal fleet-size targets.[7] We

[5]GAO-14-443.

[6]GAO-16-136.

[7]GAO-13-659.

recommended that GSA request agencies to provide information on their methodology to assist GSA in providing agencies with feedback, which GSA did in fiscal year 2014. Implementing instructions for a 2015 Executive Order directed that the VAM should take place at least once every 5 years, or more frequently if the agency's mission or resource requirements change. In January 2016, we reported that GSA officials continue to provide agencies with feedback on each agency's VAM. GSA officials also noted that GSA has no oversight of agency practices.

As noted in our January 2016 report, while GSA provides feedback on agency VAMs, agencies can define their vehicles' utilization and can justify vehicles' retention using any criteria that they find appropriate. GSA's Federal Property Management Regulations (FPMR) provide instructions on what agencies must do to ensure vehicles are "utilized". The FPMR recommend—but do not require—that the annual mileage minimum for passenger vehicles be 12,000 miles, and 10,000 miles for light trucks. However, agencies are allowed to define their own utilization criteria, which may include adopting the miles-traveled guidelines from the FPMR, using mileage minimums above or below the FPMR, or employing other metrics such as the number of vehicle trips per month.

The FPMR's flexibility reflects that agencies use vehicles in many ways, such as ferrying clients, conveying repair equipment, transporting employees, and even hauling explosives, among other tasks. This flexibility also ensures that agencies with very different missions—such as the National Park Service and the U.S. Air Force—can acquire and keep the vehicles that officials believe best meet each agency's mission requirements. This flexibility allows agencies to acquire vehicles that may not drive very many miles—such as emergency responders' vehicles—but are necessary for the agency to complete its mission. In January 2016, we reported on selected agencies' utilization criteria for their leased vehicles and found that 66 percent of the selected vehicles from the five agencies we reviewed did not meet the FPMR mileage recommendations, a percentage that we found to be similar across the federal government.[8] These agencies also used other criteria, such as alternative mileage for all-wheel drive vehicles or days used per month, as utilization criteria. In

[8]For the five agencies we reviewed, "selected vehicles" included sedans, station wagons, and light trucks within the continental United States and excluded law-enforcement and emergency responder vehicles. The five agencies in our review included the Air Force, Bureau of Indian Affairs, National Aeronautics and Space Administration, National Park Service, and Veterans Health Administration.

some cases, their vehicles did not meet their own utilization criteria. Of the five agencies we reviewed, 29 percent of the selected vehicles did not meet the agency's utilization criteria.[9]

Under the FPMR, agencies are allowed to individually justify those vehicles that do not meet stated utilization criteria. In our review, we reported that four of five selected agencies could not readily provide justifications for leased vehicles that did not meet agencies' utilization criteria. Without readily available documentation, the agencies could not determine whether they had justified these vehicles and whether any of these vehicles should be eliminated from agency fleets. Cumulatively, these agencies spent approximately $5.8 million in fiscal year 2014 on these vehicles. We recommended that these agencies ensure that each leased vehicle meets the agency's utilization criteria or has readily available justification documentation. We further recommended that GSA examine the FPMR to determine if these regulations should be amended to require that justifications are clearly documented and readily available.

Removing Unnecessary Vehicles

The FPMR do not require agencies to take corrective action for unjustified vehicles, which are vehicles that neither met the agency's utilization criteria nor pass the justification process. Corrective actions for underutilized vehicles can include placing them in a shared pool, transferring them to a new mission, or removing the vehicle from the agency's fleet. While GSA staff may provide advice to agency staff regarding utilization, each agency is responsible for taking corrective actions to address underutilized vehicles.

In January 2016, we reported that three of the five agencies in our review retained leased vehicles that did not meet the agency's own utilization criteria or have another form of justification.[10] While we found that all five selected agencies had established approaches to address unjustified vehicles, two agencies cumulatively retained over 500 such vehicles and paid GSA $1.7 million for these vehicles in fiscal year 2014.[11] We recommended that these agencies take corrective action to address each

[9] In addition, two agencies could not determine if 384 vehicles—for which they cumulatively paid GSA $1.2 million in fiscal year 2014—had met their utilization criteria.

[10] GAO-16-136.

[11] A third agency retained one vehicle.

leased vehicle that had not met the agency's utilization criteria or passed a justification review.

Inspectors General (IG) have found similar issues at other agencies. For example, in 2015 the Department of Homeland Security's IG reported that the Federal Protective Service had not properly justified administrative vehicles, and had retained vehicles larger than those necessary to meet the mission without justification. The IG's report estimated that these vehicles represented more than $1 million in potentially unnecessary expenditures. In 2013, the Department of Energy's (DOE) IG found one DOE component retained 234 vehicles—21 percent of the component's fleet—that did not meet utilization criteria and users had not submitted justification for their retention.

In conclusion, while agencies need the appropriate number and type of vehicles to meet their missions, it is also critical that agencies are good stewards of federal resources. As a result, it is critical that agencies have procedures and data that provide assurance they are using their fleets to meet missions in the most cost-effective way possible. Our work suggests that some selected agencies could take more action to improve their justification processes and address unnecessary vehicles. Agencies have agreed with our recommendations and have planned efforts to address our recommendations.

Chairman Mica, Ranking Member Duckworth, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Lori Rectanus on (202) 512-2834 or rectanusl@gao.gov. In addition, contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony include John W. Shumann, Assistant Director, and Alison Snyder, Senior Analyst.

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