

DOCUMENT RESUME

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[Costs of Repairing Government Vehicles Damaged in Accidents].
LCD-77-217; B-158712. June 21, 1977. 7 pp.

Report to Secretary, Department of Defense; by Robert G. Rothwell (for Fred J. Shafer, Director, Logistics and Communications Div.).

Issue Area: Facilities and Material Management (700).

Contact: Logistics and Communications Div.

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Transportation (404).

Congressional Relevance: House Committee on Armed Services.

The repair and claim settlement procedures used by several civil and defense agencies when Government vehicles are damaged in accidents were studied, and audit work was carried out at three military installations. Findings/Conclusions: Department of Defense (DOD) procedures for handling repair of damaged vehicles and processing related claims appeared adequate to protect the Government's interest, but several practices required administrative attention. Some in-house repair estimates were unrealistic and did not give management a basis for evaluating repair work and costs. Vehicle repair costs might have been increased by restricting repair work to major dealers. Improvements were needed in claims-processing procedures at the Great Lakes Naval Training Center. Loss of vehicle use had not been included as a recoverable cost when establishing claims against third parties. Recommendations: DOD should direct that each command examine its practices and procedures to determine whether similar situations exist at its installations, and take whatever action is appropriate to correct observed deficiencies. DOD should also issue a departmental instruction to alert claims-processing officials about the need to consider a charge for loss of vehicle use in claims against responsible parties. The Defense Audit Service should include in the scope of its periodic studies of military activities inquiries as to whether vehicle accident repairs and claims are handled according to established procedures. (DJM)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS DIVISION

B-158712

JUN 21 1977

The Honorable
The Secretary of Defense

Dear Mr. Secretary:

As requested by Senator Sam Nunn, we have completed a study of the repair and claim settlement procedures used by several civil and defense agencies when Government vehicles are involved in accidents. Among other matters, we (1) accumulated statistics on the number of accidents and related repair costs, (2) checked to see whether reports disclosing the number of accidents and their significance were being made, and (3) determined whether appropriate steps were being taken to recover the cost of repairing vehicles when third parties were at fault.

Although we obtained overall statistics on vehicle accidents and repair costs for your Department, our audit work was limited to the following installations: Great Lakes Naval Training Center, Great Lakes, Illinois; Fort McPherson Army Post, Atlanta, Georgia; and Robins Air Force Base, Warner Robins, Georgia.

DOD's policies and procedures for handling repairs of damaged vehicles and processing related claims appear adequate to protect the Government's interest. However, we observed several practices requiring administrative attention. We bring them to your attention not only to inform you of the weaknesses we found at the installations audited, but more importantly because such weaknesses may exist at other installations within the Department.

During fiscal year 1975, some 9,060 commercial design vehicles owned by the Department were involved in accidents. The cost to repair these vehicles was \$5,813,400. As of June 30, 1976, vehicle accidents and damage costs for fiscal year 1976 at the installations we visited were:

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<u>Installation</u>	<u>Number of vehicles</u>		<u>Repair cost</u>
	<u>On hand</u>	<u>Involved in accident</u>	
Great Lakes Naval Training Center	389	69	\$19,700
Fort McPherson Army Post	209	35	4,766
Robins Air Force Base	1,555	126	8,080

Our review disclosed that:

- Some in-house repair estimates were unrealistic and did not give management a basis for evaluating repair work and costs.
- Vehicle repair costs might have been increased by restricting contracts for repair work to major dealers.
- Improvements are needed in claims-processing procedures at Great Lakes.
- Loss of vehicle use has not been included as a recoverable cost when establishing claims against third parties.

Installation officials agreed with our findings, were receptive to our suggestions for improvement, and have promised corrective action.

NEED FOR ACCURATE IN-HOUSE REPAIR ESTIMATES

Accurate and complete in-house repair estimates are essential to DOD's vehicle repair program. The estimates are used initially to determine if it is economically feasible to repair a vehicle and to evaluate the repair cost estimates of commercial repair shops. The estimates also provide a basis for evaluating the reasonableness of costs of the repair work actually done.

The in-house repair estimates prepared at Great Lakes training center were of limited value to the management evaluation process because the public works center inspectors used hourly labor rates that resulted in unrealistic cost estimates. In preparing their estimates, the inspectors used a standard estimator's manual to arrive at the

material costs and labor hours that would be required to repair the vehicles. However, the inspectors used the public works center hourly labor billing rate, which was at least 50 percent and in some cases 90 percent higher than prevailing commercial rates.

The following examples illustrate how repair estimates prepared at the center were distorted because inflated hourly labor rates were used.

--The inspector's repair estimate included labor repair costs of \$196--10 hours at \$19.60. The repair shop billed Great Lakes \$265--26.5 hours at \$10. Apparently the \$69 cost differential did not alert management to challenge the 150-percent overrun on estimated labor hours. When questioned, public works officials could not explain the reason for the difference in labor hours.

--A public works inspector estimated a repair price of \$1,950, but the repair shop charged only \$980. In this case, the inspector's estimate and the vendors billing invoice for labor costs were each based on about 62 direct labor hours. However, the inspector used the \$19.60 hourly rate while the repair shop charged \$11.50 an hour.

Public works officials agreed that labor cost estimates should be based on the prevailing hourly rate and said they would periodically review their estimates to be sure they were prepared and used properly.

COMMERCIAL REPAIR WORK SHOULD NOT
BE RESTRICTED TO FRANCHISED DEALERS

To meet their commercial repair needs, the Great Lakes Naval Training Center solicited bids and awarded annual repair contracts to franchised commercial dealers who sold and serviced vehicles of the make owned by the center. The center had ignored independent repair shops and restricted competition to major automobile dealers because they believed that franchised dealers would provide better service since they had

--factory-trained mechanics who were more knowledgeable about new improvements,

- the tools needed for specialized repairs, and
- a large stock of readily available repair parts.

By restricting commercial repair work to franchised dealers, the center may have incurred higher than necessary repair costs. For example, the center was paying two of its contract repair dealers \$11 and \$12.50 an hour to repair their vehicles. At the same time, the General Services Administration was paying local independent repair shops in the Great Lakes area about \$10 per hour to repair its motor pool vehicles. We also noted that occasionally the center had sent Fords and Chevrolets to a Chrysler-Dodge dealer for repairs, an action which was not in keeping with restrictive contracting philosophy.

We discussed our observations with officials at the center, and they agreed that restricting repairs to selected dealers was unnecessary and may have resulted in higher repair costs. The officials told us that they would invite independent repair shops to bid on future contracts.

IMPROVEMENT NEEDED IN CLAIMS- PROCESSING PROCEDURES

Except for the Great Lakes Naval Training Center, at each activity we visited vehicle damage claims for and against the Government were properly processed in a timely manner.

Review at Great Lakes disclosed that damage claims against responsible parties were seldom made because the legal office had not been provided with data and information needed to establish claims for many accidents. For example, during fiscal year 1976, the center reported 65 accidents which resulted in vehicle damage of more than \$100. Although accident reports indicated that the Government driver had not been negligent in 23 of these accidents, only three claims to recover damage costs from responsible parties had been processed by the center legal office.

Breakdown in procedures for reporting vehicle accidents

According to regulations, each of the seven tenant commands at the training center are to submit an accident report--Driver's Report of Motor Vehicle Accident--to the

base security office to inform them that an investigation must be made into the facts and circumstances of the accident. Information copies of the investigation report prepared by the security office should then be forwarded to the cognizant tenant command and to the Great Lakes Naval Legal Services Office. The legal office is authorized to settle vehicle accident claims up to \$20,000; consequently, it needs information about all accidents to adjudicate claims against the Government and establish claims to recover damages when private parties caused or contributed to the accident.

Because regulations were not clear as to exactly who should forward information to the legal office, neither base security nor the tenant commands had assumed this responsibility and apparently each thought the other was forwarding the information. As a result of this misunderstanding, during fiscal year 1976 the legal office had received information and processed claims against private parties on only three accidents. We could not determine, and center officials could not explain, how the legal office had received information about these accidents.

Accident files should be reviewed
and submitted to legal office

As mentioned earlier, the Government driver had not been cited for negligence in 23 of the 65 vehicle accidents reported by the center. We reviewed the accident files for several of these accidents and believe that the legal office would have established claims to recover damage costs from the responsible private parties had they received both the driver's accident report and the investigative report prepared by the base security office. On just five of these cases, the damage to Navy vehicles was estimated at about \$1,500.

Our analysis of these cases disclosed another problem in accident reporting procedures. In several instances the tenant commands had not provided the base security office with the driver's accident report and accordingly the security office had not investigated and reported on the circumstances surrounding or causing the accident. Further inquiry disclosed that tenant commands had not provided the base security office with a driver's accident report for 19 of the 65 accidents the center had in fiscal year 1976.

We discussed our observations with center officials and were told that controls would be developed to insure that:

--Tenant commands report all accidents to the base security office for investigation.

--The legal office received all accident and investigation reports on a routine basis.

In addition, the base security office would be asked to review all accidents that had occurred during the last 2 years and furnish investigative reports to the legal office for claims processing.

LOSS OF VEHICLE USE SHOULD BE INCLUDED
AS A RECOVERABLE COST IN DAMAGE CLAIMS

It appears that DOD activities are not including loss of vehicle use as recoverable cost in damage claims processed against responsible private parties. We could find no regulation or instruction which addressed this subject, and our review did not disclose any instance in which loss of vehicle use had been included in claims filed against private parties. On the other hand, some claims against the Government included costs incurred by the claimant to lease a vehicle while his car was undergoing repairs.

We believe that, when the Government incurs costs to secure transportation while damaged vehicles are being repaired, such costs should be included in claims filed against responsible parties. We noted that the Postal Service routinely includes a charge for loss of use of a vehicle in its claims and had consistently recovered such costs.

We discussed this matter with installation officials. They agreed that such costs should be considered when claims are being developed against responsible parties. We believe that the Department needs a policy instruction covering this subject.

RECOMMENDATIONS

We believe that the matters discussed in this letter should be called to the attention of all commands within the Department that are managing vehicle fleets. We recommend that you direct that each command

- examine its practices and procedures to determine whether similar situations exist at its installations and
- take whatever action is appropriate to correct observed deficiencies.

We recommend also that you issue a departmental instruction to alert claims-processing officials about the need to consider a charge for loss of vehicle use in claims against responsible parties.

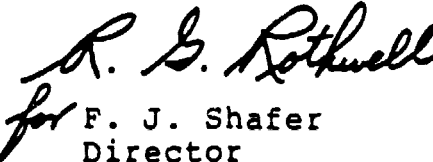
In addition, we recommend that you have the Defense Audit Service include in the scope of its periodic studies of military activities inquiries into whether vehicle accident repairs and claims are handled according to established procedures.

We would appreciate your comments on these matters and actions taken or planned on our recommendations. Also, as you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to Senator Nunn and to the Chairmen, Senate and House Committees on Appropriations, House Armed Services Committee, House Committee on Government Operations, and Senate Committee on Governmental Affairs.

We appreciate the cooperation and courtesy extended by Department officials during our review and would be pleased to furnish additional details regarding our study should you have a need for them.

Sincerely yours,


for F. J. Shafer
Director