

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Washington Department of General Administration State Motor Pool (2/28/2007)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on March 26, 2007

The performance audit being discussed at this hearing was conducted solely and independently by the office of the State Auditor, under the authority of legislation approved by the voters in Initiative 900. The State Auditor is elected directly by the people of the State of Washington and operates independently of the Legislature and the Joint Legislative Audit and Review Committee. Staff to the Joint Legislative Audit and Review Committee prepare a summary of public testimony on State Auditor reports. These summaries are for informational purposes only, and do not serve as an assessment by committee staff of the findings and recommendations issued by the State Auditor nor do they reflect a staff opinion on legislative intent.

Title:

**Washington Department of General Administration
State Motor Pool**

Audit Scope and Objective(s):

The audit focused on two areas: identification of cost savings, and identification of best practices. It was conducted from September 2006 through January 2007, using data from fiscal year 2006. The audit was designed to answer the following questions:

- Is the Motor Pool giving priority to the purchase and use of gas-electric hybrid vehicles and other fuel-efficient and low-emission vehicles?
- Does the Motor Pool know to whom it has assigned all vehicles and maintain an accurate inventory of vehicles?
- Do vehicle rental rates cover the costs of operating the Motor Pool?
- Are vehicles acquired using the most cost-effective method?
- Are assigned vehicles used in a way that economically justifies long-term assignment?

SAO Finding(s):

1. The Motor Pool has 113 underused vehicles that should be sold or reassigned.
2. The Motor Pool's daily vehicle rental rates do not cover its operating expenses.
3. The Motor Pool's current method of purchasing

vehicles results in excess interest costs.

SAO Recommendation(s):

1. The Motor Pool should reassign the underused vehicles. Those vehicles that are more than six years old should be sold.
2. State employees who travel less than 10,000 miles per year should drive their own vehicles and submit for mileage reimbursement or use alternative transportation.
3. The Motor Pool should raise its rental rates to cover its operating expenses.
4. The Motor Pool should revise its method of purchasing new vehicles to reduce interest paid on vehicle loans. The SAO recommends a combination of cash purchases and financed purchases.

Agency Response in Audit Report?	Yes
Legislative Action Requested?	No

Staff Summary of Testimony from Audited Agencies:

The audit validates many current practices. The audit is a tool for examining efficiency and effectiveness along with the Governor’s Priorities of Government and GMAP. We are now evaluating the costs and benefits of implementing the recommendations. We have developed a plan with specific timelines to:

- Work with agencies to understand their requirements and consider selling and/or reassigning underused vehicles;
 - Analyze “breakeven points” for underused vehicles (e.g. 10,000 miles);
 - Review state employee transportation policies;
 - Review collective bargaining agreements regarding language pertaining to the use of personal vehicles;
 - Consider all factors involved in changing the way new vehicles are purchased, including ensuring that practices for purchasing new vehicles are in compliance with federal requirements; and
 - Evaluate the cost impact of changing the rental rates. (The Motor Pool is self-supporting and has a multi-year business plan in place to recover all costs. The history behind the vehicle rental rates relates to federal requirements that do not allow accumulation of over 60 days of working capital. The discounted rental rates are temporary and were designed to resolve conflicts between state and federal laws and to give agencies more funds to deliver essential services during budget deficits. There is a concern that raising rates might result in agencies having to shift spending away from core services.)
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Staff Summary of Testimony from Other Parties:

It was wise to start with this simple relatively non-controversial topic and focus on how to save money quickly. This audit covers just a portion of one motor pool and it managed to save a reasonable amount of money without cutting jobs. The constructive nature and readability of the report is appreciated. It should be used as a management tool, with the findings applied statewide and to local governments.

The auditor has picked good targets with 30 reports scheduled by the end of the year, with the costliest, largest programs listed first. It is a good idea for the state auditor to contract out most of the audits and tap into expertise and infrastructure already available from private consulting firms. The audit only addressed two of the nine elements required under I-900. Future audits should address all nine elements of I-900, and be taken seriously by both the House and Senate. It is nice to have these types of audits available with opportunity for public comment.

Agencies Testifying:

The Department of General Administration (Linda Villegas Bremer, Director)
The Office of Financial Management (Victor Moore, Director)

Other Parties Testifying:

Jason Mercier, Evergreen Freedom Foundation
Mike Dunmire, Taxpayer Protection Initiative
Tim Eyman, Taxpayer Protection Initiative