Report To

#307

The Mississippi Legislature

A Performance Audit of State-Owned Vehicle Management

December 14, 1993

The general public continues to complain about misuse of and a seemingly large number of state-owned vehicles. However, Mississippi has no statewide system to control its vehicle fleet, which consisted on July 21, 1993, of 4,622 passenger vehicles (1,249 automobiles; 2,784 pick-up trucks; and 589 vans/carryalls) and 2,114 non-passenger vehicles. Seventy-six agencies manage vehicles independently with no uniform standards for buying, use and control, maintenance, disposal, and inventory.

Mississippi should establish a new Motor Vehicle Management Division within the Department of Transportation (MDOT) to run a Statewide Vehicle Management System. The division could either administer the system using public employees or contract with the private sector. A Task Force for Better Vehicle Management and a State Fleet Manager would oversee a two-year transition period prior to starting the system on July 1, 1996. Agencies would pay rent into MDOT's special revolving fund for motor pool and permanently assigned vehicles.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

A Performance Audit of State-Owned Vehicle Management

December 14, 1993

The PEER Committee

Mississippi Legislature

The Mississippi Legislature
Joint Committee on Performance Evaluation and Expenditure Review
PEER Committee

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December 14, 1993

Honorable Kirk Fordice, Governor
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At its meeting of December 14, 1993, the PEER Committee authorized release of the report entitled **A Performance Audit of State-Owned Vehicle Management**.

Cecil McCrory

Representative Cecil McCrory, Chairman

This report does not recommend increased funding or additional staff.

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Executive Summary

December 14, 1993

Introduction

As of July 21, 1993, the State of Mississippi owned a fleet of 6,736 motor vehicles with a total initial state investment of $86,905,250. Seventy-six different state agencies manage the vehicles under their control with no underlying standards or guidelines required by a central vehicle management system.

Profile of Mississippi's Vehicle Fleet July 1993

Type	Number	Initial Investment
Automobiles	1,249	$14,888,021
Pick-up trucks	2,784	23,378,192
Vans/carryalls	589	7,898,733
Total passenger	4,622	$46,164,946
Total non-passenger	2,114	40,740,304
Grand Total	*6,736*	*$86,905,250*

Through the years this *de facto* policy of decentralization has led to concerns about whether agencies acquire vehicles only in response to legitimate need, whether vehicle inventories are properly controlled, whether vehicles are effectively and properly used for official business only, whether they are operated and maintained in a cost-efficient manner for the optimum number of useful years, and whether they are disposed of in ways that minimize cost to the state.

The overall objective of this performance audit was to compare state agencies' methods of vehicle management with a model vehicle management system developed from a study of public and private sector vehicle management systems, then to propose a system of vehicle management designed to help the state make the best use of its vehicle resources.

Overview

Mississippi has no statewide system to manage state-owned vehicles. At the organizational level, agencies differ significantly in the manner in which they have developed and implemented systems to fulfill five primary vehicle management responsibilities: acquisition, inventory, use and control, maintenance, and disposal. Most state vehicle managers have not developed a management system with the necessary components with which to manage successfully their vehicle resources.

PEER compared individual agencies' methods of vehicle management to a model system containing those components which would enable an agency to manage its vehicle resources successfully. None of the seventy-six agencies with state-owned vehicles utilized more than fifty percent of the model elements proposed by PEER in all five categories of vehicle management responsibility. Agencies varied greatly in the number of management components they had implemented, from a low of one of five components found in twenty-nine agencies to a high of four of five components found in seven agencies.

The present decentralized and fragmented system for managing the state's vehicles has contributed to significant problems with resource management. The state's passenger vehicle inventory has grown from an authorized level of 1,203 passenger automobiles [per MISS. CODE ANN. Section 25-1-85 (1972)] to a current inventory of 4,622 passenger vehicles, a 284% difference in the number of vehicles actually in service versus the number authorized by statute. Agencies have no assurance that their vehicles will yield maximum cost efficiency for the optimum number of useful years.

Several factors compound the problems presented by the lack of a statewide vehicle management system. State agency managers, with a compliance-oriented management philosophy, believe that they need only follow the statutory provisions that specifically address fleet management to ensure prudent use of vehicle resources. During the survey of agencies with state-owned vehicles, many managers stated that they did not implement other policies and procedures concerning vehicle management because "the law does not require it." Existing laws do not address responsibility for developing a sound vehicle management system within each state agency, nor do they assign enforcement authority for provisions regarding vehicles. For those statutes which address vehicles specifically, agencies have varying interpretations of the law.

Proposal for a Statewide Vehicle Management System

PEER proposes a new Motor Vehicle Management Division within the Mississippi Department of Transportation (MDOT), which would administer a statewide vehicle management system, implemented through either state employees working for the new Motor Vehicle Management Division (with possibly some functions contracted out), or a contract with a private sector entity for statewide vehicle management. The state should conduct a cost/benefit analysis to determine which option is most efficient and effective.

The four major objectives of the proposed system are to:

- ensure that state government operates its vehicle fleet with the minimum input of public resources (efficiency);
- deliver the necessary transportation services successfully at the required performance levels with the most appropriate method (effectiveness);
- achieve prudent management goals in the five management practices; and,
- ensure an annual independent performance audit of the statutory vehicle management system in order to measure its effectiveness and efficiency.

The report contains draft legislation for establishing this new system (see Appendix E, page 37) and suggestions for a two-year transition period for implementation.

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A Performance Audit of State-Owned Vehicle Management

Introduction

As of July 21, 1993, the State of Mississippi owned a fleet of 6,736 motor vehicles with a total initial state investment of $86,905,250. Seventy-six different state agencies manage the vehicles under their control with no underlying standards or guidelines required by a central vehicle management system.

Through the years this *de facto* policy of decentralization has led to concerns about whether agencies acquire vehicles only in response to legitimate need, whether vehicle inventories are properly controlled, whether vehicles are effectively and properly used for official business only, whether they are operated and maintained in a cost-efficient manner for the optimum number of useful years, and whether they are disposed of in ways that minimize cost to the state.

Authority

The PEER Committee conducted a performance audit of state agencies' use of state-owned vehicles in response to legislative and citizen concerns about use and control of vehicles. MISS. CODE ANN. Section 5-3-57 (1972) authorizes the PEER Committee to perform such performance audits.

Scope

The scope of this performance audit was guided primarily by the results of PEER's 1987 study *An Overview of State-Owned Vehicles* (see Appendix A, page 25, for a copy of the executive summary of that report). The findings of the 1987 report illustrated statewide problems in vehicle management, establishing the need to approach the issue from a broad, system perspective. The primary issue of the 1993 review was whether the existing state policy of decentralized management adequately accomplishes necessary management goals and reduces abuse potential.

In determining state agencies' compliance with legislative intent concerning limited ownership and operation of passenger automobiles, as specified in MISS. CODE ANN. Section 25-1-85 (1972), PEER classified all state-owned vehicles in one of two categories:

- *passenger vehicles*--automobiles, station wagons, pickup trucks (3/4 tons or less), various types of vans (1 ton or less), and carryalls.

- *non-passenger vehicles*--all other motor vehicles.

These definitions correspond with those used in PEER's 1987 review.

The overall objective of this performance audit was to compare state agencies' methods of vehicle management with a model vehicle management system developed from a study of public and private sector vehicle management systems. PEER's model system includes management tools to help insure proper acquisition, inventory, use and control, maintenance, and disposal of a vehicle fleet.

Method

PEER identified the elements of an effective fleet management system and conducted a broad-based survey of state agencies to compare the current decentralized system, including actions dictated by state statute, with the elements identified. (See Appendix B, page 27, for details of the survey methods used.)

Other methods used in the review included the following:

- extensive research of vehicle management system literature of the public and private sectors;
- a search of MISS. CODE ANN. (1972) and FY 1993 and FY 1994 appropriations bills to determine statutory authority for ownership and fleet size, vehicle assignment policies and commuting privileges, management policies and requirements, required agency practices, and those agencies with granted exceptions; and,
- development and field testing of a model management system through analysis of the existing management systems in eleven other states.

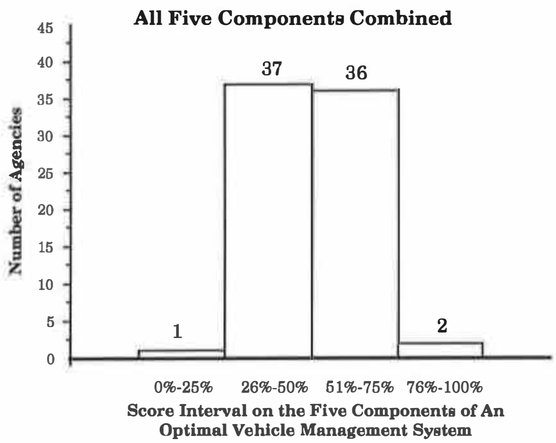
Overview

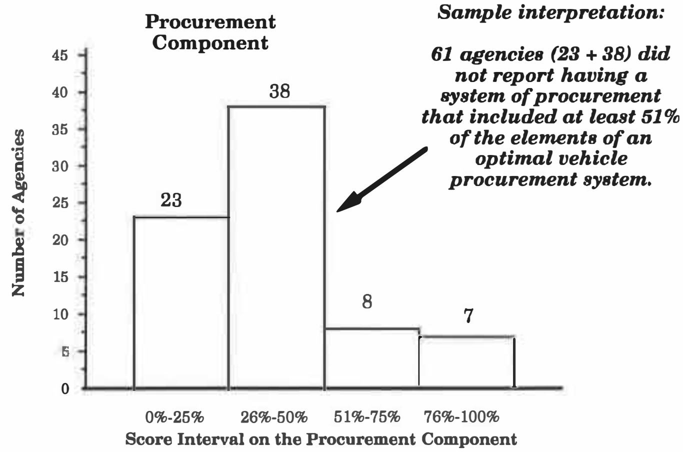
Mississippi has no statewide system to manage state-owned vehicles. At the organizational level, agencies differ significantly in the manner in which they have developed and implemented systems to fulfill five primary vehicle management responsibilities: acquisition, inventory, use and control, maintenance, and disposal. Most state vehicle managers have not developed a management system with the necessary components with which to manage successfully their vehicle resources. (See Exhibit 1, page 3, for a compilation of agencies' vehicle management systems' survey scores related to these primary vehicle management responsibilities.)

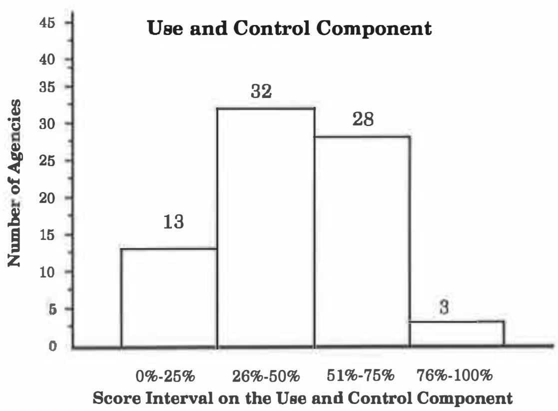
PEER compared individual agencies' methods of vehicle management to a model system containing those components which would enable an agency to manage its vehicle resources successfully. None of the seventy-six agencies with state-owned vehicles utilized more than fifty percent of the model elements proposed by PEER in all five categories of vehicle management responsibility.

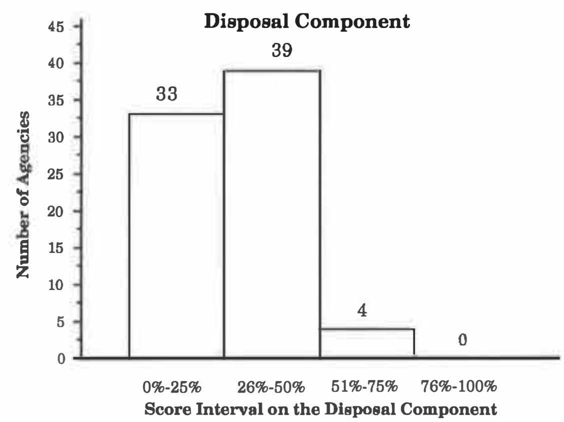
Exhibit 1

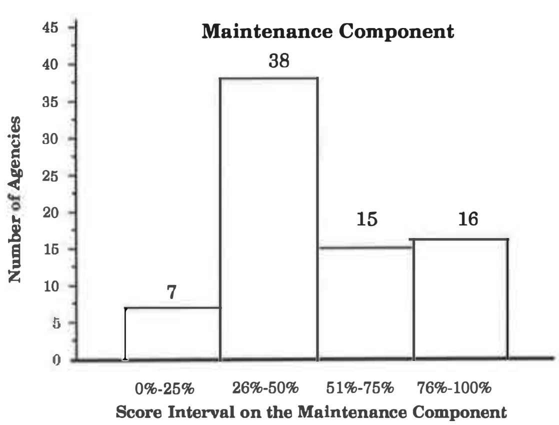
Number of Agencies in Each Score Interval on the Five Components of an Optimal Vehicle Management System

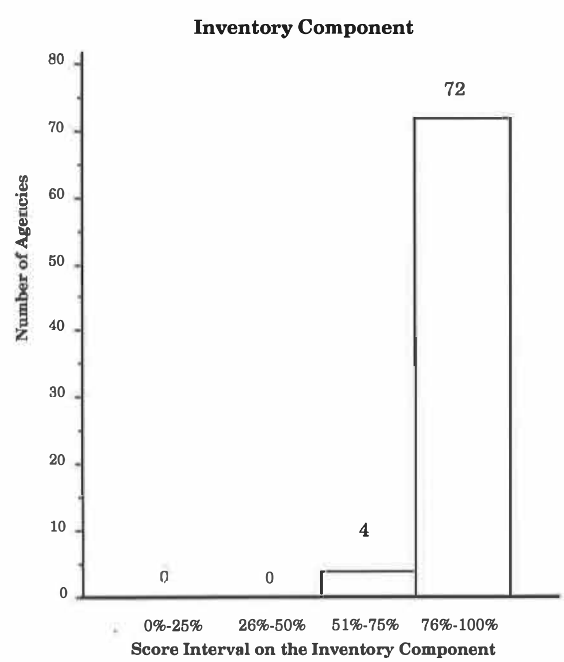












With the exception of the Inventory Component, the majority of state agencies have not implemented the systems they need for proper management of their vehicle fleets.

SOURCE: PEER Survey of seventy-six agencies with state-owned vehicles.

Agencies varied greatly in the number of management components they had implemented, from a low of one of five components found in twenty-nine agencies to a high of four of five components found in seven agencies. (See Appendix C, page 29, for agency-specific information on survey scores, the number of state vehicles, and initial vehicle costs, and Appendix D, page 35, for a ranking of state agencies' vehicle management methods based on the survey .)

The present decentralized and fragmented system for managing the state's vehicles has contributed to significant problems with resource management. The state's passenger vehicle inventory has grown from an authorized level of 1,203 passenger automobiles [per MISS. CODE ANN. Section 25-1-85 (1972)] to a current inventory of 4,622 passenger vehicles, a 284% difference in the number of vehicles actually in service versus the number authorized by statute. Agencies have no assurance that their vehicles will yield maximum cost efficiency for the optimum number of useful years.

Profile of Mississippi's Vehicle Fleet July 1993

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Several factors compound the problems presented by the lack of a statewide vehicle management system. State agency managers, with a compliance-oriented management philosophy, believe that they need only follow the statutory provisions that specifically address fleet management to ensure prudent use of vehicle resources. During the survey of agencies with state-owned vehicles, many managers stated that they did not implement other policies and procedures concerning vehicle management because "the law does not require it." Existing laws do not address responsibility for developing a sound vehicle management system within each state agency, nor do they assign enforcement authority for provisions regarding vehicles. For those statutes which address vehicles specifically, agencies have varying interpretations of the law.

PEER proposes a new Motor Vehicle Management Division within the Mississippi Department of Transportation (MDOT), which would administer the statewide vehicle management system, implemented through either:

- state employees working for the new Motor Vehicle Management Division; or,
- a contract with a private sector entity for statewide vehicle management.

The state should conduct a cost/benefit analysis to determine which option is most efficient and effective.

Background

Previous PEER Study of State-Owned Vehicles

In 1987, the PEER Committee reviewed selected vehicle management issues and issued a report entitled *An Overview of State-Owned Vehicles.* In that study, PEER's approach was to inspect a random sample of vehicles used primarily for personal transportation (special use vehicles were excluded from the sample). From those inspections, PEER concluded that approximately one half of the sample vehicles did not pass the break-even point for efficient operation and use and that a reallocation of the state's passenger vehicles could have saved $1.4 million in FY 1986. Additional findings from the 1987 review pointed to an incomplete master property inventory, inadequate enforcement of marking requirements, and the use of unmarked investigatory vehicles that were not properly authorized.

PEER found generally adequate acquisition and disposal procedures for the vehicles reviewed, a general compliance with provisions mandated by law, and several agency-specific control practices/procedures which were particularly effective and would warrant consideration by other agencies. However, overall, agencies allocated and used vehicles inefficiently across the sample reviewed. Based on the observation of inefficiency in vehicle management, PEER recommended creation of a statewide vehicle control system to provide for more economical assignment of vehicles among state agencies. This recommendation has not been acted upon, the state remains under a system of decentralized vehicle management, and public concerns regarding the use of state vehicles continue to emerge.

Statutory Requirements for Vehicle Management

PEER reviewed MISS. CODE ANN. (1972) and appropriations bills for fiscal years 1993 and 1994 to identify statutory authority and directives regarding management of state-owned vehicles and to determine whether current statutory requirements include critical components of a comprehensive vehicle management system.

The State of Mississippi has chosen to approach vehicle management as a decentralized responsibility of those agencies granted authority to own vehicles. MISS. CODE ANN. Section 29-9-1 et seq. does require the establishment of a comprehensive inventory control system, as discussed in this chapter, page 14. However, no specific language sets forth the requirements for vehicle maintenance and laws are vague regarding use and control, acquisition, and disposal. Exhibit 2, page 6, summarizes provisions of the CODE regarding state-owned vehicles.

Exhibit 2

Statutes Regarding State-Owned Vehicles
MISSISSIPPI CODE ANNOTATED (1972)

Definition

"Passenger automobile":

> *"...a passenger vehicle of not less than ninety (90) inch nor more than one hundred sixteen (116) inch wheel base with not to exceed three hundred seven (307) cubic inch displacement engine. Exceptions to the wheel base, miles per gallon and cubic inch displacement engine may be granted with approval in writing by the Department of Finance and Administration..."*; (§25-1-85)

Agencies Authorized to Own Vehicles

Sixty-four state organizations and sub-units are authorized to own a total of 1,203 passenger automobiles. Exception:

> *"...Nothing in Sections 25-1-77 through 25-1-93 shall be construed to prohibit agencies, departments, or institutions from purchasing and operating passenger vehicles when used exclusively (PEER emphasis) to transport patients, prisoners, students, faculty or staff of state institutions, blind and sighted employees essential to operate blind training programs or material, products and client-trainees in the sheltered workshop program, or bookmobiles. The superintendents of the Columbia Training School and Oakley Training School, or staff members designated by them, may use such passenger vehicles for other official functions and operations of those institutions at their discretion. Passenger vehicles or similar vehicles used for any other purposes shall be considered as automobiles and subject to the restrictions set forth in the aforesaid sections..."*; (§25-1-85)

Purchases

Department of Finance and Administration must approve all automobile purchases regardless of the source of funds (§25-1-77)

A governing authority may purchase a vehicle of less than 26,000 pounds gross weight on a statutory bid basis from an automobile dealer domiciled within the county of its residence, provided the price does not exceed three percent of the dealer's cost from the manufacturer or the state contract price of the authorized state contract dealer within the same county. (§31-7-18) [§31-7-1 et seq. addresses other policies and processes governing procurement .]

Use

Any individual is restricted from using or approving the use of state-owned vehicles for any other purpose than the official business of the State of Mississippi, though the term "official business" is not defined (§25-1-79)

Exhibit 2 (continued)

Commuting Privileges

The following may commute in state-owned vehicles (§25-1-85):

- four administrative staff members of the State Tax Commission whose principal duties are performed at the commission's offices in Hinds County;
- twenty-one administrative staff members of the Department of Public Safety whose principal duties are performed at the Highway Safety Patrol Headquarters Building and the Drivers Licensing Examining Station in Hinds County;
- five administrative staff members of the Department of Transportation between their home and the principal offices where they regularly perform their duties;
- the Executive Director of the Mississippi Department of Transportation may allow additional department personnel to commute in department vehicles due to the nature of their jobs and for the safety of the traveling public.

Penalty for Misuse

Any state officer, employee, or board member has pecuniary liability for violating the provisions of MISS. CODE ANN. Sections 25-1-77 through 25-1-85. Their liability is the total amount of the vehicle purchase price plus the total operating costs of such vehicle. (§25-1-85)

Disposal

State organizations may sell, trade, or exchange obsolete vehicles with the prior approval of the State Auditor and Department of Finance and Administration. The methods of disposal are public auctions, a negotiated sale to another state organization, or the Office of Federal Surplus Property. (§29-9-9) *[This section also addresses disposition of funds received from vehicle disposal, criminal and pecuniary liability for heads of state organizations and their sub-units for violating its provisions, and empowers the Department of Finance and Administration to make any reasonable rules and to require any necessary information to carry out the purposes and provisions of the statute.]*

By failing to address the following issues, these statutes contribute to inadequate management of state-owned vehicles:

- *The law does not address certain critical elements of effective vehicle management.* The statutes do not define "official business" for purposes of vehicle use, nor do they set standards or make specific provisions for:
  - designated vehicle managers and centralized vehicle management systems within state agencies;
  - vehicle maintenance;
  - periodic program needs analysis or break-even analysis for determining fleet size and vehicle acquisition;
  - independent performance audits of effectiveness; or,
  - verification of authority for passenger automobiles purchased under the "exclusive use" clause of MISS. CODE ANN. Section 25-1-85.

- *The law does not empower an independent state agent to accomplish critical control functions.* For example, the law does not designate any organization or individual to insure that an agency authorized to own vehicles does not exceed its number of authorized passenger vehicles or that an agency not authorized to own vehicles does not acquire them. Likewise, no enforcement agent or approval process limits the number of state officials and employees commuting in state-owned vehicles at state expense.

- *The law does not address critical elements of effective vehicle property control.* No state law requires an authorization element code in the state property inventory record or vehicle use codes which accurately distinguish between the distinctive uses of passenger and non-passenger vehicles.

- *The law does not specifically establish statewide goals and objectives for effective and efficient management and operation of state vehicle resources.* Without these specific goals and objectives, the state has no standards by which to guide the managers and to measure effectiveness and efficiency of vehicle management.

PEER's Survey of State Agencies' Use of Vehicle Resources

PEER surveyed seventy-six state agencies (agencies and their sub-units) regarding their acquisition, inventory, use and control, maintenance, and disposal of state-owned vehicles. PEER derived the elements of the survey questionnaire from a literature search of public and private vehicle management systems and two field tests.

PEER used a 100-point system to score the seventy-six returned surveys from the state government agencies (with a 100% return rate). The scoring system assigned a point value to each critical element question in a major survey component which would produce a maximum total of twenty points for each major component, with a "yes" response earning the assigned point value per question in each of the major survey components.

After scoring the self-reported survey questionnaires, PEER conducted a field survey of fourteen agencies, including the eleven agencies with the highest survey scores, to review their vehicle management methods. By comparing the self-reported responses and the field survey results for these agencies, PEER determined the reliability of the self-reported management system information and its implications for the reliability of the other sixty-two survey scores.

PEER incorporated the results of the survey into a proposal for a statewide vehicle management program (see page 16).

Assessment of State Agencies' Management of Vehicles

Overall Conclusion Regarding State Vehicle Management

Mississippi's fleet of passenger vehicles contains nearly three times the number of passenger vehicles authorized by statute. MISS. CODE ANN. Section 25-1-85 authorizes 1,203 passenger vehicles, but the current inventory of passenger vehicles stands at 4,622. This fleet size represents a 284% difference in the number of passenger vehicles in service from the authorized number.

Based on analysis of survey data from the seventy-six state agencies that currently own passenger vehicles, the agency-specific methods of vehicle management which have evolved do not incorporate major components of a comprehensive vehicle management system. In particular, weaknesses surfaced in the areas of needs analysis, effective and proper operation of vehicles, maintenance, disposal, and inventory control. Such weaknesses create potential for resource abuse and acquisition of unnecessary vehicle inventory. (See Appendix C, page 29, for the summary of self-reported agency survey responses regarding vehicle management.)

The survey results showed highly diverse environments with significant differences in vehicle management. Specifically, the survey demonstrated that none of the seventy-six agencies with state-owned vehicles had fifty percent or more of the model elements proposed by PEER in each of the five categories of management responsibility (use and control, maintenance, procurement, disposal, and inventory).

The manner in which state agencies manage their vehicles does not ensure that these resources will be used in a cost-efficient manner for the optimum number of useful years. Also, there is no assurance that state officials or employees will not utilize these vehicles for personal business under the appearance of official state business.

Specific Problems with the State's Management of Its Vehicles

As noted above, the most significant and recurring problems with agencies' management of state-owned vehicles occur in the areas of needs analysis, effective and proper operation of vehicles, maintenance, disposal, and inventory control.

Failure to Perform Needs Analysis

State agencies should periodically determine the optimal size of their vehicle fleet, since their organizational mission and resource support requirements change occasionally. This requires agencies to determine their vehicle needs and the most cost-effective methods to achieve optimum fleet size. Therefore, state managers should routinely use vehicle needs analysis and operational break-even cost analysis to:

- determine whether the agency has surplus vehicles for disposal;
- justify any additional or replacement vehicle acquisitions; and,
- determine the most cost-efficient method to meet a vehicle need.

According to PEER's survey, at least fifty-eight state agencies (76%) do not, as a rule, perform and document formal needs analyses to determine the optimal size of their vehicle fleets and the most cost-effective method to meet their needs. This situation exists because the law does not specifically require vehicle needs analysis. Most agencies comply with the stated requirements of CODE Sections 31-7-1 et seq. for acquisition, but neither statutory provisions nor the legislative budgeting and appropriation processes require organizations to develop and justify their vehicle needs with a program analysis or an operational break-even analysis. Thus most agency managers have not established internal policies to govern the process.

Lack of needs analysis has contributed significantly to the growth rate in the state fleet of passenger vehicles mentioned earlier. Most of the vehicles which exceed the authorization in CODE Section 25-1-85 are vehicles not specifically approved for state use unless they are substitutes for passenger automobiles: 2,784 pickup trucks (60% of all state-owned passenger vehicles) and 589 vans/carryalls (13% of all state-owned passenger vehicles), with an initial investment cost of $23,378,192 and $7,898,733, respectively. Further, the state's automobile inventory contains 276 automobiles with an estimated initial cost of $3,002,340 which have no specific ownership authority or were bought under the "exception provisions" in CODE Section 25-1-85.

Insufficient Policies and Procedures to Assure Effective and Proper Operation

Most state agencies do not have a vehicle management system which assures effective and proper operation of their vehicle fleets. Of the seventy-six agencies with state-owned vehicles:

- thirty-four do not assign management responsibility for their fleets to single managers within those individual agencies;
- twenty-nine do not have policies and regulations to track permanently assigned or pooled vehicles, and thirty-three do not track individual or program assignments;

- forty-one do not have policies or regulations to monitor permanent assignment needs; and,

- fifty-two have no policies to control commuting privileges or employee reimbursement liabilities for this privilege.

State law contains few specific requirements concerning agency operations of authorized vehicles, and the legislative budgeting and appropriations processes do not adequately address vehicle operation. Also, at least sixty-six percent of the agencies which have state-owned vehicles do not use an independent performance audit to identify and/or correct cost, management or operation problems related to vehicles. Of those agencies which have authorized commuting privileges, ninety-five percent (21 of 22) reported in PEER's survey that they do not comply with commuting authorizations in MISS. CODE ANN. Section 25-1-85.

The lack of a unified, statewide system of vehicle management which establishes specific policies and procedures for the efficient and proper operation of vehicles has far-reaching effects. The proliferation of vehicles alone demonstrates the probability that state agencies fail to operate the state's vehicle fleet in the most effective and most cost-efficient manner. Most state agencies cannot provide data which demonstrates that they operate their fleets at minimum cost, for the optimum number of useful years, and for official state business only. The lack of sufficient policies and procedures regarding commuting in state-owned vehicles creates the potential for resource abuse by state officials and employees and could allow violations of Internal Revenue Service regulations for some commuting individuals. Although agencies reported to PEER that they allow 1,257 individuals to commute in state-owned vehicles, CODE Section 25-1-85 specifically authorizes only 128 to commute. PEER could not locate any other legal authority for commuting privileges of these additional 1,129 personnel, including law enforcement officers who travel from their home to an assigned patrol location.

No Assurance of Timely Maintenance

Of the seventy-six agencies with state-owned vehicles, forty-five (60%) do not have maintenance programs which assure that the vehicles under their control are kept in optimum operating condition. Most do not uniformly assign responsibility for a preventive vehicle maintenance program to either the individual vehicle operator or to a centralized manager. Many do not have policies and procedures in place with which to manage vehicle maintenance, nor do they use maintenance cost allocation, cost reporting, or monitoring for timely completion of preventive maintenance. Specifically:

- thirty-five agencies have incomplete or no written policies governing vehicle maintenance;

- forty-three agencies have no cumulative repair cost record for individual vehicles;

- forty-one agencies produce no internal maintenance management and analysis reports; and,

- thirty-two agencies do not document preventive maintenance and emergency repair costs on historical data records for individual vehicles.

Since state law does not set up specific maintenance requirements for agencies with state-owned vehicles, they use varying approaches to handling maintenance, as they do for most other aspects of vehicle management. Inadequate vehicle maintenance could increase both operating costs and long-term maintenance and repair costs. Agencies could inadvertently shorten the operational years and increase the life cycle costs of their vehicles.

Lack of Guidelines for Disposal Decisions

Seventy-two of the seventy-six agencies with state-owned vehicles (95%) use only the processes specified in CODE Section 25-9-9 to guide the vehicle disposal process. They do not require periodic review of fleet size for possible disposal actions or justification for replacement of a disposed vehicle. They also have no disposal criteria of a specified operational life or mileage.

The current legislative process does not require that agencies use needs analysis and disposal criteria in vehicle management. The only agencies which routinely use needs analysis or break-even cost analysis in vehicle management decisions are those with statutorily designated funds for vehicle purchases, such as the Department of Wildlife, Fisheries and Parks. Legislative budget and appropriations processes have generally depended on the vehicle acquisition budget recommendations of the Joint Legislative Budget Committee instead of on any organizationally developed standards. This transforms what would normally be ordinary management decisions into legislative decisions, which are made without critical relevant information.

The lack of a formal vehicle disposal method contributes to growth of the state fleet. If vehicles are not disposed of at the appropriate time, agencies might operate them beyond the point of maximum useful operational life, thus incurring unnecessary maintenance and operational costs.

Weaknesses in Inventory Control

Since the 1987 PEER report on state-owned vehicles, the Office of the State Auditor and the seventy-six agencies surveyed have developed and implemented statewide inventory control for vehicles. The Office of the State Auditor now includes vehicle resources in its computerized master inventory of state property. State agencies have complied with the processes in *The Property Officer's Manual of the State Auditor* which implement the inventory control requirements of CODE

Sections 29-9-1 through 29-9-21. Most property officers have written inventory policies and procedures and conduct an annual internal vehicle inventory.

However, the following weaknesses remain in the state's inventory control of vehicles. These should be corrected in order to strengthen control over the state vehicle fleet.

- The use codes of the state inventory system do not differentiate between the purposes of passenger vehicles and non-passenger vehicles. The codes do not contain unique designations which identify the primary purpose of a passenger vehicle as transporting individuals and their equipment from one work location to another. Conversely, no unique codes exist to identify the primary purpose of non-passenger vehicles as vehicles used in performing various types of work while incidentally transporting individuals and their equipment from one location to another.

- The current inventory record of the Office of State Auditor does not have designations denoting the authorization for the vehicle, such as appropriations bill number, enabling statute, or the "exclusive use exceptions" in CODE Section 25-1-85.

- The Office of the State Auditor does not verify the validity of the use codes assigned at the organizational level through computerized analysis of the master inventory data base or the biennial field inventory process. As a result, the data base for the state property inventory, dated July 21, 1993, contains unknown codes for 533 vehicles (8% of the 6736 vehicles on the master inventory).

- Although the current property inventory system contains vehicle identification numbers, the Office of the State Auditor still requires state agencies to assign local property numbers to the vehicles instead of using the vehicle identification number as a standardized property inventory number.

- Some agencies still have no written internal inventory policies and procedures (25%); no inventory accountability records with employee names for permanently assigned vehicles (48%); and no management policy for an annual internal vehicle inventory (12%).

Some of the above-noted problems have occurred because the Office of the State Auditor did not identify the need for a set of unique vehicle use codes and chose use codes from the *Mississippi Agency Accounting Policies and Procedures Manual* and some agencies' existing internal codes. Also, the Office of the State Auditor has no statutory authority over vehicle purchases or administrative authority over the use of vehicles. Although the State Auditor has recommended that state agencies conduct periodic inventories independent of the State Auditor's inventories, many agencies have not acted on the recommendation.

Over the past three years, the Office of the State Auditor and state agencies have significantly improved accountability for and control of state vehicle inventory. However, correction of the weaknesses identified above would identify unauthorized and/or improperly used vehicles, provide a more accurate database for the state property inventory, and give agencies better control over vehicles.

The Proposed Mississippi Vehicle Management Program

This PEER performance audit shows that the state philosophy of decentralized management has not produced effective and efficient vehicle management systems. Therefore, the Legislature should establish a standardized system which accomplishes the objectives set forth in this chapter. This system should apply to all state-owned and -leased vehicles except for elementary and secondary school buses and possibly law enforcement vehicles, if the state chooses the privatization option.

Origin and Summary of the Vehicle Management System

The proposed statewide vehicle management system combines concepts PEER developed with elements from the vehicle management systems of other states (Arizona, Colorado, Connecticut, Florida, Michigan, Minnesota, Nevada, North Carolina, South Carolina, Utah, and Virginia). PEER also used information from *The Fleet Management Study* (June 1991), a study conducted by a consultant for the Mississippi Department of Economic and Community Development.

The four major objectives of the proposed system are to:

- ensure that state government operates its vehicle fleet with the minimum input of public resources (efficiency);
- deliver the necessary transportation services successfully at the required performance levels with the most appropriate method (effectiveness);
- achieve prudent management goals in the five management practices; and,
- ensure an annual independent performance audit of the statutory vehicle management system in order to measure its effectiveness and efficiency.

Appendix E, page 37, contains proposed legislation for this new system, which could be implemented by either of the options discussed below.

Options for Implementing a Statewide Vehicle Management System

PEER proposes a new Motor Vehicle Management Division within the Mississippi Department of Transportation (MDOT). This division would administer the statewide vehicle management system, implemented through either:

- state employees working for the new Motor Vehicle Management Division; or,

- a contract with a private sector entity for statewide vehicle management.

As discussed on page 23 of this report, the state should conduct a cost/benefit analysis to determine which option is most efficient and effective. Selection of an option should be the first major accomplishment of the system planning phase. A Task Force for Better State Vehicle Management (see "The Planning Process," page 23), chaired by the MDOT Executive Director, should conduct the cost/benefits analysis which should use the minimum system requirements discussed in Option One. (See page 19.) PEER recommends that the task force follow the process recommended in the 1992 PEER Report entitled *"The Privatization Potential of Mississippi's State Programs and Services"*, for making the decision on whether to retain vehicle management as a state government function or to contract with the private sector (see Appendix F, page 46, for an excerpt from that report which contains the recommended process).

The option chosen should incorporate the required systems for acquisition, use and control, maintenance, disposal, and inventory control, hereafter referred to as the "management components." Through using this system, the state could accomplish effective vehicle planning, programming, budgeting, directing, and controlling, hereafter called the five "management practices." Exhibit 3, page 18, contains a proposed sequential outline of a two-year transition period for moving from existing methods of vehicle management to the new statewide system (July 1, 1994 to June 30, 1996). The state should designate a State Fleet Manager to be responsible for developing and achieving the phased-in management plan.

Option One: Implement the Statewide Vehicle Management System through State Employees Working for the Division of Motor Vehicle Management

Option One would centralize ownership, management, and maintenance of state motor vehicles and their support services under the control of a state fleet manager in a new MDOT State Division of Motor Vehicle Management. The system should utilize the most effective and efficient public or private sector management systems available (e.g., possibly contracting some aspect(s) such as vehicle management software). The statewide vehicle management system should be a self-supporting operation through payment of an appropriate vehicle rental fee into a special fund for all vehicles. The Institutions of Higher Learning would either voluntarily participate in the statewide system or establish an equivalent system.

This proposed system should accomplish the five management practices to give the state fleet manager and division staff management control over functions

Exhibit 3

Sequential Outline for Transition Period for Statewide Vehicle Management System

PRE-PLANNING PERIOD (January 1, 1994- June 30, 1994)

Tasks	Responsible Agent
1. Legislate system	Legislature/Governor
2. Appoint members of the state task force	Member agencies
3. Plan, organize, and activate the state task force	MDOT Executive Director
4. Appoint members of state vehicle user group	State agencies
5. Establish MDOT staff support function	MDOT Executive Director

PLANNING PERIOD (July 1, 1994 - December 31, 1995)

6. Plan and organize the cost/benefit analysis process Develop a model process and administer a statewide vehicle needs assessment	The state task force and state agencies
7. Hire State Fleet Manager	MDOT Executive Director
8. Conduct the cost/benefits analysis, and select the most effective and cost efficient method of operation	State task force, State Fleet Manager, and state agencies
9. Prepare a comprehensive development and implementation plan	State task force, State Fleet Manager, and state vehicle user group
10. Activate the MDOT Motor Vehicle Management Division	State Fleet Manager, and MDOT Executive Director
11. Submit the required dissolution report to the Legislature and Governor	The state task force

IMPLEMENTATION PERIOD (January 1, 1996- June 30, 1996)

12. Complete any unresolved development tasks from planning period	State Fleet Manager, and MDOT Executive Director
13. Complete all implementation tasks	State Fleet Manager, MDOT Executive Director, and state agencies
14. Activate new system	State Fleet Manager, MDOT Executive Director, and state agencies

SOURCE: PEER Staff

and resources which state agencies currently have under their control. Organizationally, the state fleet manager and the management division should be under the direct supervision of the MDOT Executive Director and the oversight responsibility of the State Transportation Commission. Responsibility for this function and funding from existing MDOT resources naturally fall within the mission of this department, since it controls the largest motor vehicle fleet on a statewide basis (1,898 vehicles, or 28% of the state fleet). Its support network of maintenance centers and county headquarters could be used to help implement the proposed state vehicle management system. Exhibit 4, page 20, shows the locations of MDOT's support facilities.

Under Option One, MDOT should also develop and implement control systems for the management components which include cost allocation, fuel access, motor pool operations, program needs analysis, quality assurance program, and a statewide system for vehicle maintenance. The department should also consider and address:

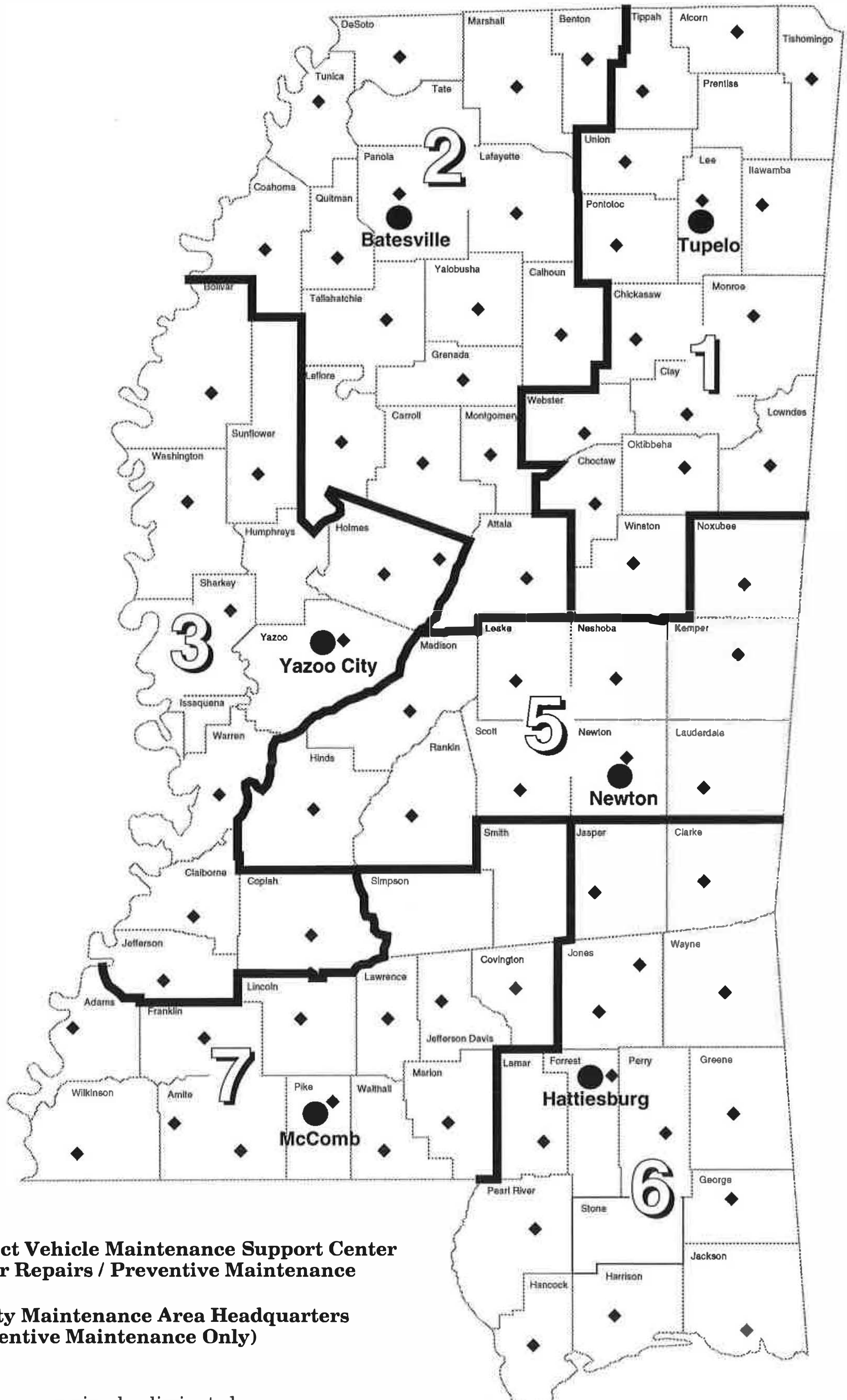
- the development, distribution, and enforcement of necessary policies and procedures;
- individual vehicle assignments to state agencies;
- compliance with applicable state laws;
- permanent assignment of vehicles to an organization or its employees in accordance with specific written criteria;
- approval authority for commuting privileges in accordance with specific written criteria; and,
- vehicle reassignment authority between state agencies in accordance with specific written criteria.

State agencies must play an integral role in the success of this proposed vehicle management system. Their primary responsibilities should include total compliance with the new system's requirements for their vehicles and the following specific responsibilities:

- fully cooperate with MDOT in all aspects of system development, implementation, and operation;
- appoint a transportation liaison officer (an individual employee) to be responsible for their agency's compliance with the proposed management system policies and for maintaining continued surveillance of agency transportation needs. This employee should also serve as representative to a proposed State Vehicle Systems User Group;

Exhibit 4

MDOT District Vehicle Maintenance Support Centers and County Maintenance Headquarters



● **District Vehicle Maintenance Support Center (Major Repairs / Preventive Maintenance**

◆ **County Maintenance Area Headquarters (Preventive Maintenance Only)**

NOTE: District 4 was previously eliminated.

SOURCE: MDOT Support Services Division Information As Of March 1992

- transfer ownership, custody and control of all state vehicles, support facilities and equipment, parts and supply inventories, and full-time vehicle administrative and support staff to MDOT in accordance with a schedule developed in the transition phase;

- request the necessary annual funding through the state budgeting and appropriation processes to pay the operating costs of their assigned vehicle fleets;

- verify annually the efficient utilization of their assigned vehicle mileage capacity and their compliance with motor vehicle assignment and use criteria;

- use available motor pool vehicles when such use is the most economical to the state instead of requesting permanently assigned vehicles; and,

- prepare a plan to reduce their private vehicle reimbursement costs at least twenty percent by the end of the first operational year of the proposed system (FY 1996).

The Legislature should also create a State Vehicle Systems User Group tailored after the Mississippi Information Systems User Group of the Central Data Processing Authority. This group should provide the necessary communication instrument for the vehicle users in the rulemaking and decision making of this new regulatory management system. Without this avenue for input, agencies would have little direct access to the rulemaking and decision making actions of the State Fleet Manager and Mississippi Department of Transportation. Permitting and encouraging input from the regulated organizations prior to the implementation of policy should impose an appropriate degree of accountability on the vehicle system regulators.

The proposed MDOT State Fleet Manager and Motor Vehicle Management Division should accomplish a quality assurance program under the direct supervision of its executive director and the oversight responsibility of the State Transportation Commission. This program should be funded with existing department resources, and these costs should be considered as an indirect cost to contract the state operation in the cost/benefits analysis.

Option Two: Contract with the Private Sector for the Statewide Vehicle Management System, under Direction of the Motor Vehicle Management Division

The option of contracting with the private sector should employ the delegation method of privatization, which contracts the fleet vehicle management and operations through a mutually signed written agreement to a profit or nonprofit private organization. The state should pay this contractor to provide management, resources, and support services for its vehicle fleet. The state should retain the responsibility for overseeing the production and delivery of this service operation through a statewide quality assurance program, with established quantitative and qualitative performance standards in the contract.

The state agencies and the State Vehicle Systems User Group should also play an integral role in the success of this option. Their primary responsibilities should remain the same as under the state government option. The transportation liaison officers of the state agencies should also serve as quality assurance evaluators.

Transition Period for Implementing the Statewide Vehicle Management System

PEER proposes a two-year period of transition from decentralized vehicle management to a centralized vehicle management system, to be completed July 1, 1996. During the period from July 1, 1994, to June 30, 1996, the state should complete the legislative action, planning, and implementation phases. Support from public officials and the state agency managers will be critical, since a centralized system could create short-term management challenges concerning the use of pooled vehicles, reduction in the number of permanently assigned vehicles, or restriction or prohibition of commuting.

The Legislative Process

The legislation proposed in Appendix E, page 37, sets forth the goal of using the state vehicle fleet for the optimum number of operational years for official state business only at minimum cost to the taxpayer. The Legislature should establish a clear state vehicle management policy and cost study process to determine and use the most effective and most efficient centralized management system through either a state government or private sector operation. Also, any legislation passed should establish critical definitions, policies, and responsibilities for the:

- vehicle management system;
- system participants;
- legislative reporting requirements;
- any excluded state functions or employee positions; and,
- the two-year transition period.

The Planning Process

The second phase of the transition period should be a comprehensive planning phase to develop and implement the selected management method (Option One or Option Two). The group responsible for planning should be the proposed Task Force for Better State Vehicle Management, chaired by the MDOT Executive Director. Members of the task force should include representatives from the Departments of Transportation, Finance and Administration, Public Safety, and Wildlife, Fisheries, and Parks; the Central Data Processing Authority; the Governor's Office; the Institutions of Higher Learning; the State Auditor; and the State Personnel Board. MDOT should provide the necessary staff support and funding from its existing resources, but the task force could contract from existing funds with private sector consultants on a limited basis.

This task force should conduct the cost/benefits analysis to select the most effective and efficient vehicle management method (Option One or Option Two). PEER recommends that the task force follow the analysis process recommended the 1992 PEER Report entitled *"The Privatization Potential of Mississippi's State Programs and Services"*, for making the decision on whether to retain vehicle management as a state agency function or to contract with the private sector (see Appendix F, page 46.)

The task force should develop and implement the selected vehicle management option through a comprehensive management plan. The plan's contents, at a minimum, should include essential tasks, responsible individuals, required methodology, expected costs, expected cost savings, and reasonable completion dates. This plan should address, but would not be limited to, the following management actions:

- any required donations, sales, or transfers of necessary equipment, consumable supplies, personnel, and service facilities between state agencies and either the MDOT Motor Vehicle Management Division or a private sector contractor;

- any necessary vehicle resource reallocations among state agencies;

- development and implementation of standardized management system components, needs analysis processes, policies, procedures, programs, recordkeeping systems, and reports;

- a statewide vehicle maintenance system using the most effective and efficient combination of public and private sector resources;

- an FY 1996 disposal action plan with estimated budget savings for excess vehicles; and,

- an FY 1996 budget for the new vehicle management entity.

This task force should dissolve after submitting a final report to the Governor and the Legislature by December 31, 1995. This report should discuss:

- specific accomplishments for each legislated task;
- status of any unresolved system tasks;
- operational costs for the task force;
- cost savings and disposal revenue resulting from proposed FY 1996 vehicle disposal actions; and,
- anticipated long-term savings from the new system.

The task force should also attach a copy of its plans with task completion dates to the report.

The Implementation Process

This final phase in the transition should include actions necessary to achieve an operational system effective July 1, 1996. To assist the state task force in this complex action, MDOT should designate a State Fleet Manager, effective October 1, 1994, to be responsible for developing and achieving a phased-in management plan for an activated MDOT Division of Motor Vehicle Management, effective July 1, 1995, or for administering the contract with the private sector.

Other action agents active in this phase should be the Office of State Auditor, the Central Data Processing Authority, the Department of Finance and Administration, State Personnel Board, and the State Vehicle Systems User Group. The user group would provide the necessary communication link with the vehicle users to ensure their review, input, and comment throughout the MDOT rulemaking and decision making process.

Appendix A

Executive Summary of PEER Report #192:
Overview of State-Owned Vehicles
(December 10, 1987)

State Ownership of Vehicles

This report consists of a review of only those state-owned vehicles suitable for transporting passengers on the roadways. (Passenger vehicles operated by community colleges and state universities were not included in this review.) The statewide inventory as of August 31, 1987, showed a total of 3,119 state-owned passenger-type vehicles with a total purchase cost of $24,035,811.49. These vehicles have been in service a mean average of forty-three months with a mean average mileage of 54,797.

Cost Efficiency of State Ownership of Passenger-Type Vehicles

PEER physically inspected 180 sample vehicles. Of these, PEER determined that 100 were used for special purposes, such as law enforcement, or carried special equipment, such as firefighting equipment. The remaining eighty vehicles were used primarily for personal transportation. Ownership of these vehicles is economically efficient if the vehicle is driven beyond the break-even point (the number of miles beyond which it is cheaper to operate a state-owned vehicle than to pay the driver twenty cents per mile to drive a personal vehicle.)

PEER calculated the break-even point for trucks and automobiles to be 17,628 and 13,030 miles per year, respectively. Forty of the eighty vehicles did not pass the efficiency test; that is, they were not driven to the break-even point. Therefore, state ownership of these vehicles is not justified on the basis of efficiency. Applying the sample percentage to the state as a whole, 702 state-owned vehicles are not economically justified. Transferring these 702 vehicles to those state employees who have the most extensive travel in private vehicles would have saved $1,418,740 in FY 1986.

Recommendation

The Legislature should create a statewide vehicle control system to provide for the most economical assignment of vehicles among state agencies.

State Oversight

MISS. CODE ANN. Sections 25-1-77 through 25-1-91 gives authorizations and creates requirements regarding state vehicles: authority to own; use prohibitions; establishment of expense accounts; definition of number and type of vehicles an agency can own; and required vehicle markings. State laws authorize the Governor's Office of General Services to supervise state agency procurement and to develop and oversee purchasing regulations to assure compliance with law. The Bureau of Purchasing exercises oversight over purchase and disposal of state-owned or leased vehicles.

PEER Concludes the State's Procurement and Disposal Procedures are Adequate

In a test of the bureau's procurement oversight process, PEER inspected purchase documents for the sample vehicles. Of the 160 vehicles for which PEER reviewed purchase documents, every one was properly authorized. Agency records for the remaining thirty-seven vehicles were not maintained in an active file because some agency personnel were confused by the state's current records retention requirements.

The State Auditor Has Failed to Compile a Unified Master Property Inventory

MISS. CODE ANN. 29-9-7 (1972) requires that the State Auditor "shall compile...one master inventory for the state as a whole." In September 1987

PEER requested a master inventory of state-owned vehicles from the Division of Property Control (a unit within the Department of Audit). The division was unable to provide a master list. Although the basic information was on file in the division, this information had never been compiled into a master inventory. The director of the division could not provide PEER with a specific date when a master inventory would be completed.

The State Auditor Has Not Enforced State Vehicle Marking Requirements

MISS. CODE ANN. Section 25-1-87 requires that state-owned or leased vehicles be marked, in letters three inches high on each side and one and one-half inches high on the back, with the name of the using agency, department or institution. PEER found sixty-four of 180 vehicles in technical violation of one or more of the marking requirements. The Division of Property Control also did not meet its requirements under this section in that when it found violations, the division did not notify the State Auditor or the Chairman of the PEER Committee.

Some Unmarked Investigatory Vehicles Are Not Properly Authorized

MISS. CODE ANN. 25-1-87 empowers the Governor to authorize certain agencies to operate unmarked investigatory vehicles and requires the Governor to file this authorization with the State Department of Audit. Ten of twelve unmarked investigatory vehicles did not have Governor's authorizations on file with the Auditor.

Recommendations for Improving State Oversight

1. Records personnel of all agencies should carefully review state records retention regulations and contact the Department of Archives and History if they have any questions.

2. The State Property Officer should immediately compile and maintain a consolidated, master inventory of all state-owned property.

3. The Legislature should consider amending Section 25-1-87 to permit the use of recognizable symbols rather than agency names for vehicle identification and to allow a reasonable time for compliance with state marking requirements.

4. The Division of Property Control should notify the Chairman of the PEER Committee of violations of the vehicle identification law, as required by law.

5. Heads of agencies which are eligible to operate unmarked investigatory vehicles should request the Governor's authorization to operate necessary unmarked vehicles before putting these vehicles into operation.

Agency Oversight and Control Practices/Procedures

These sections of the report describe agency oversight and practices in implementing vehicle control requirements. With regard to agency oversight, PEER found that state agencies generally complied with provisions mandated by law. PEER did note isolated instances of non- compliance; for example, only two of twelve unmarked vehicles had received proper authorization from the Governor. Also, PEER observed several agency control practices/procedures which were particularly effective and which other agencies might find beneficial to adapt to their own particular needs.

These sections contain specific recommendations to assist agencies in complying with légal requirements and in developing better control practices.

For More Information or Clarification, Contact:

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Appendix B

PEER Survey Methods

PEER compared decentralized vehicle management in state agencies to a model system in order to identify any significant differences. PEER took the following steps in accomplishing this task.

- *Prepared and field tested two drafts of a field survey instrument at the Department of Transportation (largest fleet in the state) and the Department of Archives and History (a small fleet).* The questions in the draft instruments contained the components of the model vehicle management system plus general information about the owner and holder of vehicle titles, the individual in charge of vehicle management, and the vehicle fleet in the State Auditor's property inventory as of June 3, 1993. Based on the test agencies' comments and staff's field experience, PEER finalized the survey instrument.

- *Conducted a self-reported survey of the vehicle management systems used in the seventy-six state organizations.* PEER staff asked the state organizations to complete a survey for each State Auditor property account in their organization. Appendix C, page__, summarizes the state agency responses to the PEER vehicle management survey.

- *Used a 100-point system to score the seventy-six returned survey questionnaires from the state agencies and their sub-units (a 100% return rate).* The scoring system assigned a point value to each critical element question in the five major survey components which would produce a maximum total of twenty points for each major component. A "yes" response earned the assigned point value per question in each of the major survey components.

- *Compared the responses in returned survey questionnaires to the seventy-five critical survey elements.* The number of critical element questions was use and control (44), maintenance system (6), procurement system (8), disposal system (7), and inventory control system (10).

- *Conducted a field survey of fourteen state organizations.* The purposes of the field survey were to review policies and procedures of those agencies with "yes" responses to gather information for proposed statutory changes and to correct any apparent erroneous responses. The purposive sample of organizations included the eleven agencies with the highest survey scores (70-87 points), one agency in the 60-70 points range, and two agencies in the 51-60 point range.

- *Compared the self-reported and post-field survey scores of the fourteen entities to determine the reliability of their self-reported management system information and its implications for the reliability of the other sixty-two survey scores.* Twelve survey scores were reduced an average of sixteen points with the reduced points ranging from six to forty-one. The other two survey scores increased an average of three points with the point changes being four tenths of one point and six.

State System Variances from The Model System

The next major task was to determine any significant variances between the state agencies' methods of vehicle management and the PEER model system and the reasons for them. In order to accomplish this task, the PEER performed the following steps:

- *Researched the Mississippi Code (1972) and FY 1993 and 1994 appropriations bills for statutory authorization for practices different from the PEER model system.*
- *Discussed the contents, processes, and recordkeeping requirements for "yes" responses and any questionable or incompatible responses with the survey respondent for each state organization.*
- *Reviewed all supporting documentation with the state entity-submitted surveys.*
- *Reviewed samples of supporting documentation for the "Yes" responses of the fourteen field survey participants for randomly selected vehicles.*
- *Determined the number of state organizations who had and had not met the individual and group components and characteristics of the PEER model system.*
- *Conducted qualitative and quantitative analysis of the statutes and their vehicle fleets to determine the state organizations' statutory authority and their compliance for automobiles.*

SUMMARY OF STATE AGENCIES' RESPONSES TO VEHICLE MANAGEMENT SURVEY	Yes	No	Not Applicable	Other Response
General Information				
1 Do the state entities (SE) own and hold title to their vehicles?	75	1	0	
2 Is a single individual in charge of the SEs' vehicle management systems?	42	34	0	
3 Within the SEs' vehicle management systems, what were the total number of vehicles in the following categories (as of June 3, 1993)?	76	0	0	
A. number of non-passenger vehicles				1,661
B. number of passenger vehicles (3B1+3B2+3B3)				5,072
1. all automobiles (2 doors, 4 doors, & station wagons)				1,212
2. all vans (1 ton or less)				1,082
3. all pickup trucks (3/4 tons or less)				2,684
4. all passenger buses				94
C. total number of vehicles (3A+3B)				6733*
4 Were any of the SEs' vehicles exempted from the vehicle management system? The number for each type was the following as of June 3, 1993.	2	55	19	
A. number of non-passenger vehicles				1
B. number of passenger vehicles (4B1+4B2+4B3)				14
1. all automobiles (2 doors, 4 doors, & station wagons)				1
2. all vans (1 ton or less)				0
3. all pickup trucks (3/4 tons or less)				13
C. total number of vehicles (4A+4B)				15
Use and Control of Passenger Vehicles				
5 Do the SEs have written policies, regulations, or rules for the use and control of passenger vehicles? If so, do the written policies, regulations, or rules address:	62	14	0	
A. a definition of legitimate vehicle use?	56	6	14	
B. a description of any records to be maintained for each vehicle?	48	14	14	
C. which vehicles are to be permanently assigned and which are to be pooled?	33	29	14	
D. monitoring the continued need for any permanent vehicle assignments?	21	41	14	
E. which positions or programs may have vehicles permanently assigned to them?	29	33	14	
F. authorization for commuting, including limits placed on commuting distance?	24	11	41	
G. when applicable, any IRS tax or individual reimbursement liabilities placed on the driver?	19	11	46	
6 For either permanently assigned or pooled vehicles, which of the following elements are reflected in the SEs' records?				
A. name of the person currently using the vehicle?	57	19	0	
B. program to which vehicle costs are assigned?	40	36	0	
C. purpose for which the vehicle is being used?	59	17	0	
D. justification of need for the vehicle's use?	41	35	0	

*Difference in this total and total given in report text is due to difference in reporting dates (June vs. July 1993).

SUMMARY OF STATE AGENCIES' RESPONSES TO VEHICLE MANAGEMENT SURVEY

	Question	Yes	No	Not Applicable	Other Response
7	How many state entities permanently assigned vehicles shown in question 3C to individuals as of June 3, 1993 (PAV)? How many individuals? How many of the employees were authorized commuting privileges (CPE)?	42 22	34 20	0 34	State Government PAV = 4,183 CPE = 1,257 CPE = 30.05%
8	How many state entities permanently assigned vehicles shown in question 4C to individuals as of June 3, 1993 (PAV)? How many individuals? How many of the employees were authorized commuting privileges (CPE)?	1 1	75 0	0 75	State Government PAV = 14 CPE = 9 CPE = 64.29%
9	Are the SEs' remaining vehicles (i.e., those not individually assigned) maintained in a motor pool or pools? If so:	62	14	0	
	A. how many motor pool sites do the SEs have?				158
	B. which of the following methods do the SEs use to check out vehicles from the motor pool?				
	1. checked out by trip	53	9	14	
	2. checked out daily	24	38	14	
	3. checked out by program for a specified period	20	42	14	
	4. checked out by program for an indeterminate period	21	41	14	
	5. other	2	60	14	
	C. if the SEs allow vehicle checkout on any basis other than "by trip," do they have a written policy or procedure stating under what conditions these checkouts are allowed?	15	21	40	
	D. do the SEs assign operational costs of vehicles to program areas or organizational units within the entity? If so, which of the following methods do the SEs use to assign the operational costs of the vehicles?	37	39	0	
	1. standard daily charge by type of vehicle	7	31	38	
	2. actual mileage and maintenance costs	29	9	38	
	3. other	8	30	38	
10	Do the SEs maintain historical data records for each vehicle covered by the vehicle management system?	68	8	0	
11	Do the SEs' historical data records include the following information elements?				
	A. daily trip log	58	18	0	
	1. dates and times of each trip	57	19	0	
	2. origin and destination of each trip	54	22	0	
	3. mileage of each trip	54	22	0	
	4. purpose of the trip	47	29	0	
	B. actual operating costs (fuel, oil, routine maintenance, and emergency repairs)	44	32	0	
12	If the SEs maintain historical data records for each vehicle, are the record maintenance systems:	57	19	0	
	A. totally recorded and maintained on computer records?	2	55	19	
	B. totally recorded and maintained on handwritten records?	25	32	19	
	C. recorded and maintained partially on computer and partially on handwritten records ?	30	27	19	

SUMMARY OF STATE AGENCIES' RESPONSES TO VEHICLE MANAGEMENT SURVEY	Yes	No	Not Applicable	Other Response
13 Which of the following types of reports do the SEs' record management systems produce? (In the "Other Response" column, state the frequency of the report.)				Report Frequency
A. exception reports for operational & maintenance problems	11	65	0	9 (M) -1 (D) - 6 (AN)
B. inventory reports	52	24	0	1 (BA) -22 (A) -4 (SA) -3 (Q) -22 (M) -3 (AN)
C. periodic summary reports in the following areas:				
1. costs	33	43	0	9 (A)- 1 (SA)- 3 (Q)- 23 (M)- 1 (W)- 2 (AN)
2. maintenance	35	41	0	5 (A) -2 (Q) -27 (M) -1 (D) -5 (AN)
3. procurement and disposal actions	23	53	0	5 (A) -1 (SA) -13 (M) -12 (AN)
4. assignments	20	56	0	10 (A) -9 (M) -5 (D) -3 (AN)
5. utilization	30	46	0	1 (BA) -9 (A) -1 (Q) -17 (M) - 5 (D)-3 (AN)
14 Who conducts post-audit inspection of the SEs' vehicle management system?				
A. internal auditor	26	50	0	
B. State Auditor	75	1	0	
C. contract auditor	4	72	0	
D. Other individual	10	66	0	
Maintenance of Passenger Vehicles				
15 Do the SEs have written policies, regulations, or rules for the maintenance of passenger vehicles?	41	35	0	
16 Do the SEs maintain cumulative operational and repair cost records for each vehicle?	33	43	0	
17 Do the SEs have a written policy limiting the dollar amount of emergency repairs which may be performed without supervisory approval?	27	49	0	
18 Do the SEs adhere to a preventive vehicle maintenance program based on manufacturers' recommendations?	58	18	0	
19 If so, are the SEs' vehicle maintenance programs centrally managed with one or more designated employee(s) responsible for initiating and scheduling preventive maintenance?	51	3	22	
20 If the SEs do not have a centrally managed maintenance program, are individual users responsible for initiating and scheduling preventive maintenance?	39	2	35	
21 Are the SEs' preventive maintenance tasks performed in entity-operated facilities? If so, what percentage?	49	27	0	State Average 80.00%
22 Are the SEs' preventive maintenance tasks performed in private sector facilities? If so, what percentage?	59	17	0	State Average 63.10%
23 What percentage of the SEs' total vehicle maintenance costs is paid to private sector facilities?	70	0	6	State Average 61.09%

SUMMARY OF STATE AGENCIES' RESPONSES TO VEHICLE MANAGEMENT SURVEY	Yes	No	Not Applicable	Other Response
Procurement of Passenger Vehicles				
24 Do the SEs have written policies, regulations or rules addressing:	16	60	0	
A. the determination of need to increase or decrease the number and types of vehicles in the fleet inventory?	7	13	56	
B. the replacement of vehicles?	16	4	56	
25 Do the SEs' needs assessments for the number and type of vehicles in the fleet inventory include an analysis of the following elements:				
A. the necessity of having a vehicle to carry out program goals?	49	27	0	
B. whether the intended use of the vehicle is appropriate to type requested?	53	23	0	
C. whether there is a break-even analysis of privately owned vehicle reimbursement costs versus the cost of operating a state vehicle?	18	58	0	
26 Do the SEs use a state contract for purchasing all passenger vehicles? If so, what percentage?	75	1	0	State Average 98.96%
27 Do the SEs use the sealed bid method for purchasing all passenger vehicles? If so, what percentage?	8	68	0	State Average 9.75%
28 Do the SEs prepare written specifications for passenger vehicle purchases?	32	44	0	
29 Does someone independent of the specification writers verify that the final written specifications meet but do not exceed the identified vehicle needs?	25	51	0	
Disposal of Passenger Vehicles				
30 Do the SEs have written criteria for the disposal of passenger vehicles?	31	45	0	
31 Which of the following statements best describe the way vehicles are declared surplus by the SEs?				
A. an internal decision based on internally developed written minimum disposal criteria.	10	66	0	
B. an internal decision based on an external state entity developed minimum written disposal criteria.	1	75	0	
C. an internal decision based on statutory minimum disposal criteria.	4	72	0	
D. an internal decision based on state entity staff recommendations considering the age, condition, mileage, cumulative repair costs for the vehicle, and/or available funds.	62	14	0	
32 Have the SEs disposed of any state-owned vehicles due to a break-even analysis of privately owned vehicle reimbursement costs versus the cost of operating a state-owned vehicle? If so, how many?	4	72	0	8

SUMMARY OF STATE AGENCIES' RESPONSES TO VEHICLE MANAGEMENT SURVEY	Yes	No	Not Applicable	Other Response
33 The established disposal criteria currently used for passenger vehicles include which of the following criteria?				
A. A minimum use of __ miles	19	57	0	State Average 98,684 Miles
B. A minimum use of __ years	10	66	0	State Average 5.60 Years
C. A minimum repair cost as a percentage of the original purchase price	3	73	0	
D. Other Criterion	63	13	0	
34 The SEs vehicles are disposed of through which of the following methods?				
A. At a public auction which adheres to the Department of Finance and Administration's policy for state entity auctions (dated October 1992).	51	22	3	
B. The disposal process of the Department of Finance and Administration's surplus property office.	18	55	3	
C. Through a private sector bid process.	21	52	3	
D. Through a negotiated sale between entities.	8	65	3	
35 Do the SEs' established disposal criteria for passenger vehicles include the requirement that the disposal price equal or exceed a specified percentage of the original cost?	2	74	0	
36 The SEs' disposal prices for passenger vehicles have averaged __% of the original acquisition cost for:				
A. Fiscal Years 1988-92.	50	0	26	State Average 15.01%
B. the last twenty-five (25) vehicles disposed of by the entity.	42	0	34	State Average 14.41%
Inventory of Passenger Vehicles				
37 Do the SEs have written policies, regulations or rules governing the inventory of passenger vehicles?	57	19	0	
38 Do the SEs maintain detailed inventory data records for each vehicle by type, serial number, initial cost, and location?	75	1	0	
39 Do the SEs' inventory records reflect permanent assignment of a vehicle to an individual employee?	22	20	34	
40 Which of the following types of property inventory numbers do the SEs use for their vehicles?				
A. a license tag number	30	46	0	
B. vehicle identification number	40	36	0	
C. an internally generated property inventory number	73	3	0	
41 Do the SEs retire the property inventory numbers for vehicles when they are sold?	70	4	2	
42 Do the SEs retire the tags for vehicles when they are sold?	64	9	3	

SUMMARY OF STATE AGENCIES' RESPONSES TO VEHICLE MANAGEMENT SURVEY	Yes	No	Not Applicable	Other Response
43 Do the SEs vehicle inventory systems comply with the following property inventory management system requirements adopted by the State Auditor?				
A. maintenance of a master inventory?	75	1	0	
B. submission of monthly reports for additions, deletions, and changes to vehicle inventory?	76	0	0	
C. Dept. of Finance and Administration and State Auditor approval for the sale of vehicles?	74	2	0	
D. a reconciled State Auditor vehicle inventory?	73	3	0	
44 Has the State Auditor inventoried and reconciled the SEs' vehicles within the past two years?	76	0	0	
45 Do the SEs conduct, reconcile, and document an annual internal inventory of the vehicle fleet?	67	7	2	

Appendix D

Ranking of State Agencies' Vehicle Management Based on Total Rating Score
(As Of July 21, 1993)

Agency Name	Passenger Vehicles Number	Passenger Vehicles Cost	Other Vehicles Number	Other Vehicles Cost	TOTAL VEHICLES Number	TOTAL VEHICLES Cost	ENTITY SCORES* UC	M	P	D	I	TOTAL	RANK 1=Worst
Magnolia State Enterprises	2	$ 11,389	0	$ 0	2	$ 11,389	1	3	0	3	18	25	1
Mississippi State University	232	2,107,732	71	1,193,553	303	3,301,285	2	3	3	3	18	29	2
Delta State University	46	476,648	18	426,953	64	903,601	3	3	0	9	14	29	3
Ole Miss Faculty, Staff, & Students (B)	168	1,753,264	44	1,180,591	212	2,933,855	2	3	3	6	18	32	4
State Department of Archives & History	6	66,363	4	45,278	10	111,641	8	7	0	3	16	34	5
State Department of Mental Health	1	11,851	0	0	1	11,851	6	7	0	3	18	34	6
State Department of Education (Admin)	5	77,919	2	21,717	7	99,636	9	7	3	0	16	35	7
State Department of Human Services	1	8,473	1	11,407	2	19,880	0	0	8	9	18	35	8
Pearl River Valley Water Supply	32	322,033	13	178,881	45	500,914	5	10	0	6	16	37	9
State Veterans' Affairs Board	4	49,036	0	0	4	49,036	5	7	8	3	14	37	10
Employment Security Commission	1	9,706	2	14,703	3	24,409	5	7	8	0	18	38	11
Grand Gulf Military Monument	2	16,996	0	0	2	16,996	0	10	10	0	18	38	12
State Department of Education (Voc Ed)	6	60,733	1	66,456	7	127,189	11	10	0	0	18	39	13
DFA Air Transport Services	1	9,104	0	0	1	9,104	6	7	8	3	16	40	14
Pearl River Basin Development	4	46,503	1	8,571	5	55,074	6	7	8	3	16	40	15
Port Authority at Gulfport	14	146,427	3	44,069	17	190,496	7	10	3	3	18	41	16
DFA Public Safety Planning Division (PSPD)	1	13,500	0	0	1	13,500	5	7	10	3	16	41	17
State Chemical Lab	3	21,155	0	0	3	21,155	7	3	10	3	18	41	18
North Mississippi Retardation Center	32	368,247	7	162,402	39	530,649	10	10	0	3	18	41	19
Ole Miss Motor Pool (A)	16	**	4	**	20	0	8	7	3	6	18	42	20
Public Service Commission	42	526,606	1	94,945	43	621,551	10	3	8	6	16	43	21
State Department of Agriculture & Commerce	110	871,554	23	401,207	133	1,272,761	10	10	3	3	18	44	22
State Board of Nursing	3	30,034	0	0	3	30,034	4	13	8	3	16	44	23
DFA PSPD Law Enforcement Standards &Training	0	0	1	12,902	1	12,902	7	13	0	6	18	44	24
Tombigbee Water Management District	9	111,353	6	107,350	15	218,703	8	7	8	6	16	45	25
State Department of Rehabilitation Services	79	1,087,286	42	914,801	121	2,002,087	12	7	8	3	16	46	26
State Real Estate Commission	1	10,284	0	0	1	10,284	7	17	8	3	12	47	27
Pat Harrison Waterway District	39	297,716	7	85,872	46	383,588	7	10	8	6	16	47	28
State Fair Commission	8	52,418	2	16,163	10	68,581	6	10	10	3	18	47	29
DFA Capitol Facilities	6	***	4	20,616	10	20,616	5	10	8	9	16	48	30
State Oil & Gas Board	13	149,096	0	0	13	149,096	9	10	8	3	18	48	31
DHS Oakley Training School	10	75,857	1	4,750	11	80,607	9	13	5	3	18	48	32
DFA Buildings, Grounds, & Real Property	1	***	0	0	1	0	5	13	8	6	16	48	33
State Soil & Water Conservation Commission	4	36,409	0	0	4	36,409	12	7	8	6	16	49	34
Jackson State University	29	269,096	10	82,895	39	351,991	11	7	5	6	20	49	35
DHS Columbia Training School	12	80,617	2	24,172	14	104,789	10	13	5	3	18	49	36
State Department of Public Safety	562	7,146,146	7	97,786	569	7,243,932	7	17	0	6	20	50	37
Institutions of Higher Learning	8	69,868	2	24,472	10	94,340	11	10	5	6	18	50	38
State Tax & Gaming Commissions	50	527,721	2	21,546	52	549,267	10	10	8	6	18	52	39
Hudspeth Center	18	194,557	8	152,191	26	346,748	11	10	8	6	18	53	40

Appendix D (continued)

Ranking of State Agencies' Vehicle Management Based on Total Rating Score
(As Of July 21, 1993)

Agency Name	Passenger Vehicles Number	Passenger Vehicles Cost	Other Vehicles Number	Other Vehicles Cost	TOTAL VEHICLES Number	TOTAL VEHICLES Cost	ENTITY SCORES* UC	M	P	D	I	TOTAL	RANK 1=Worst
Mississippi University for Women	26	159,114	6	80,500	32	239,614	11	10	8	6	18	53	**41**
Military Department	23	165,213	5	47,957	28	213,170	12	20	0	6	16	54	**42**
SDA&C Division of Plant Industry	26	246,016	0	0	26	246,016	9	10	10	9	16	54	**43**
SDRS Mississippi Industry for the Blind	6	55,094	8	154,190	14	209,284	9	17	8	3	18	55	**44**
DFA Federal Surplus Property Office	3	22,935	3	106,855	6	129,790	9	7	15	6	18	55	**45**
State Department of Environmental Quality	89	905,161	61	739,665	150	1,644,826	11	13	5	6	20	55	**46**
State Board of Health	14	165,489	2	19,075	16	184,564	10	17	8	3	18	56	**47**
State Narcotics Bureau	102	1,144,503	7	83,956	109	1,228,459	8	17	8	3	20	56	**48**
Public Employees' Retirement System	3	37,913	0	0	3	37,913	10	10	10	6	20	56	**49**
State Pharmacy Board	3	30,456	0	0	3	30,456	8	7	20	6	18	59	**50**
Gulf Coast Research Lab	23	175,234	3	26,605	26	201,839	9	13	13	6	18	59	**51**
University of Southern Mississippi	152	1,229,284	50	436,256	202	1,665,540	15	13	10	3	18	59	**52**
Mississippi Educational Television Authority	14	99,465	15	186,070	29	285,535	10	17	10	6	16	59	**53**
Mississippi Valley State University	18	144,413	9	94,648	27	239,061	12	13	8	9	18	60	**54**
Library Commission	6	66,601	0	0	6	66,601	12	17	10	3	18	60	**55**
Yellow Creek Inland Port	3	31,698	2	5,550	5	37,248	13	10	5	14	18	60	**56**
University Medical Center	37	309,827	7	153,423	44	463,250	12	17	8	6	18	61	**57**
State Fire Academy	8	99,393	3	165,996	11	265,389	13	17	8	6	18	62	**58**
South Mississippi Retardation Center	25	318,289	1	26,381	26	344,670	15	13	8	6	20	62	**59**
Mississippi Cooperative Extension Service	8	66,459	3	31,759	11	98,218	15	13	10	6	18	62	**60**
Ellisville State School	35	372,306	22	293,082	57	665,388	14	10	15	3	20	62	**61**
Mississippi State Hospital	50	350,452	25	326,660	75	677,112	11	10	15	6	20	62	**62**
State Board of Animal Health	23	187,318	0	0	23	187,318	14	10	18	3	18	63	**63**
State Department of Transportaion	860	8,333,123	1,038	23,899,953	1,898	32,233,076	15	17	0	11	20	63	**64**
State Medical Licensure Board	3	29,183	0	0	3	29,183	9	20	15	6	14	64	**65**
Boswell Retardation Center	25	215,010	13	196,239	38	411,249	12	13	15	6	18	64	**66**
State Department of Wildlife Fisheries & Parks	568	6,330,231	64	728,150	632	7,058,381	12	10	8	14	20	64	**67**
DFA Business Services	4	62,910	0	0	4	62,910	14	17	10	6	18	65	**68**
State Emergency Management Agency	9	107,599	2	23,325	11	130,924	16	13	13	3	20	65	**69**
SDE Blind & Deaf Schools	14	132,401	16	372,597	30	504,998	12	13	18	3	20	66	**70**
Alcorn State University	77	639,986	10	308,660	87	948,646	12	10	18	9	18	67	**71**
State Department of Corrections	149	1,620,946	61	1,026,636	210	2,647,582	16	17	13	3	18	67	**72**
State Dept. of Economic & Comm. Development	13	169,686	1	10,720	14	180,406	9	13	18	9	18	67	**73**
MAFES	272	2,298,200	46	492,031	318	2,790,231	15	10	10	14	20	69	**74**
East Mississippi State Hospital	26	249,377	18	250,152	44	499,529	16	17	18	6	20	77	**75**
State Forestry Commission	324	2,479,964	324	5,036,964	648	7,516,928	14	20	18	9	20	81	**76**
GRAND TOTAL	4,622	$ 46,164,946	2,114	$ 40,740,304	6,736	$ 86,905,250							

* Codes for Components of Management Include: UC = Use and Control, M = Maintenance, P = Procurement, D = Disposal, I = Inventory.
** Ole Miss Motor Pool (A) costs are included in Ole Miss Faculty, Staff, & Students (B).
*** DFA Capitol Facilities and DFA Buildings, Grounds, & Real Property costs are included in DFA Business Services.

SOURCE: PEER survey responses from state agencies and PEER field survey results.

Proposed Legislation to Create a Statewide Vehicle Management System

MISSISSIPPI LEGISLATURE REGULAR SESSION, 1994

BY: TO:

_____ BILL NO. _____

AN ACT TO ESTABLISH AN INDEPENDENT FLEET VEHICLE MANAGEMENT AND SUPPORT SERVICES SYSTEM WITHIN THE DEPARTMENT OF TRANSPORTATION FOR STATE-OWNED AND STATE-LEASED VEHICLES; TO CREATE A TASK FORCE TO OVERSEE THE CREATION OF THE SYSTEM; TO ESTABLISH A STATE VEHICLE SYSTEMS USER GROUP TO ASSIST IN THE INITIAL PLANNING AND RULE MAKING FOR THE DIVISION OF MOTOR VEHICLE MANAGEMENT; TO CREATE A SPECIAL REVOLVING FUND IN THE STATE TREASURY FOR THE REVENUES AND EXPENSES OF THE SYSTEM; TO DIRECT THE COMMISSIONER OF HIGHER EDUCATION TO STUDY THE COSTS OF OWNING, OPERATING AND MAINTAINING MOTOR VEHICLES OWNED BY THE INSTITUTIONS OF HIGHER LEARNING AND TO PARTICIPATE IN THE STATE VEHICLE MANAGEMENT SYSTEM OR ESTABLISH SUCH A SYSTEM; TO REQUIRE STATE ORGANIZATIONS TO TRANSFER OWNERSHIP, CUSTODY AND CONTROL OF ALL STATE VEHICLES TO THE DEPARTMENT OF TRANSPORTATION; TO AMEND SECTION 25-1-77, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT ONLY THE DEPARTMENT OF TRANSPORTATION AND THE INSTITUTIONS OF HIGHER LEARNING MAY PURCHASE MOTOR VEHICLES; TO AMEND SECTION 25-1-81, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT THE DIVISION OF MOTOR VEHICLE MANAGEMENT AND THE INSTITUTIONS OF HIGHER LEARNING SHALL PREPARE AN ANNUAL REPORT OF THE SYSTEM'S PERFORMANCE TO THE LEGISLATURE; TO AMEND SECTION 29-9-9, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT THE DIVISION OF MOTOR VEHICLE MANAGEMENT SHALL PERFORM A PROGRAM NEEDS AND BREAK-EVEN ANALYSIS PRIOR TO AUTHORIZING PROCUREMENT OR DISPOSAL OF ANY MOTOR VEHICLE; TO AMEND SECTION 29-9-13, MISSISSIPPI CODE OF 1972, TO REQUIRE THE STATE AUDITOR TO KEEP CERTAIN RECORDS; TO DIRECT THE JOINT LEGISLATIVE COMMITTEE ON PERFORMANCE EVALUATION AND EXPENDITURE REVIEW TO PERFORM A BIANNUAL PERFORMANCE AUDIT OF THE SYSTEM; TO REPEAL SECTION 25-1-85, WHICH GOVERNS USE AND CONTROL OF MOTOR VEHICLES BY CERTAIN STATE AGENCIES; TO REPEAL SECTION 25-1-93, WHICH EXEMPTS THE OFFICE OF THE GOVERNOR FROM CONTROLS OVER VEHICLE OWNERSHIP AND USAGE; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

<u>SECTION 1.</u> To provide for optimum use of state-owned vehicles at a minimum cost to taxpayers, it is the intent of the Legislature to establish a unified fleet vehicle management and support services system under the management and control of the State Department of Transportation. It is further the intent of the Legislature to provide for an orderly transition to the new management system.

SECTION 2. For the purposes of this act, the following terms shall have the meanings ascribed to them as provided in this section.

(a) "state organizations" shall mean all elected and appointed state officials, authorities, boards, commissions, departments, or other entities and their organizational units which lease or own vehicles which are accountable in the property inventory system of the State Auditor, except the Institutions of Higher Learning, but including the Commissioner's Office for the Institutions of Higher Learning.

(b) "official state business" shall mean the use of a state-leased or -owned vehicle by any qualified and authorized state appointed or elected public officer or employee in the performance of the state office's or organization's assigned duty responsibilities. Official state business shall not include:

(1) use of a vehicle for any social, recreational, religious, educational, political, or any other such purpose, whether on duty or off;

(2) the transportation of any passengers, whether or not they are state employees, except such transportation necessary for the performance of state business;

(3) use of a vehicle by any individual other than a public officer, public employee, or volunteer worker who is approved by the head of a state organization or a designated representative;

(4) use of a vehicle by any contractual employee of the state unless authorized by the State Fleet Manager; and

(5) the loan, lease, or rent of a vehicle to any person, organization, governmental jurisdiction, or business except when necessary in a state emergency or natural disaster and approved by the Executive Director of the Mississippi Department of Transportation.

(c) "personal business" shall mean the use of a state leased or owned vehicle for other than official state business.

(d) "commuting" shall mean the use of a state leased or owned vehicle to travel only between a state official's or employee's primary residence and that individual's state work site without any intermediary stops.

(e) "law enforcement vehicles" shall mean passenger and non-passenger vehicles used by sworn law enforcement officers primarily engaged in law enforcement duties at least a majority of their state work time.

(f) "passenger vehicle" shall mean any vehicle used primarily in transporting individuals and their equipment from one location to another location. Such shall also include all passenger buses except elementary and secondary school buses, regardless of the number of passengers.

(g) "non-passenger vehicle" shall mean any vehicle used primarily to perform a work task while incidentally transporting individuals and their equipment from one location to another location.

(h) "permanently assigned vehicle" shall mean a vehicle leased to an agency for the routine use of one identified individual, organizational employee position or organization program.

(i) "pooled vehicle" shall mean a vehicle which is assigned to any state organization for:

(1) the routine use of more than one individual;

(2) use for less than one year; or

(3) specific trips with a maximum duration of three weeks through the central motor pool.

(j) "authorized commuter" shall mean a public official or employee with a permanently assigned or pooled vehicle who is approved by the State Fleet Manager to travel only between his primary residence and his state work site. The individual may only make intermediary stops for refueling, work purposes, or personal medical emergencies.

(k) "leased vehicle" shall mean a vehicle which the state obtains use of but not title to at the time of vehicle delivery.

(l) "owned vehicle" shall mean a procured vehicle which the state obtains use of and title to at the time of vehicle delivery.

SECTION 3. (1) There is hereby created a Task Force for Better State Vehicle Management, which shall oversee and assist the creation of a fleet vehicle management and support services system.

(2) The Executive Director of the Mississippi Department of Transportation shall chair the Council. In addition to the Chairman, the Task Force shall be constituted as follows:

(a) One (1) person appointed by the Governor;

(b) One (1) person appointed by the State Auditor;

(c) One (1) person appointed by the Director of the State Department of Finance and Administration;

(d) One (1) person appointed by the Commissioner of Public Safety;

(e) One (1) person appointed by the Executive Director of the Commission on Wildlife, Fisheries, and Parks;

(f) One (1) person appointed by the Executive Director of the Central Data Processing Authority; and

(g) One (1) person appointed by the State Personnel Director.

(h) The Commissioner of Higher Education may appoint one (1) person to the task force.

The Task Force shall meet at the call of the chair.

(3) The Task Force shall develop a plan for the creation and implementation of the fleet vehicle management and support services system. The Department of Transportation shall provide the necessary staff support to the task force, but the task force may also contract with consultants as needed.

(4) The Task Force shall cease to exist on December 31, 1995.

SECTION 4. Prior to July 1, 1996, the Task Force shall:

(a) prepare a complete, task-based implementation plan with a clear definition of all tasks, the responsible individuals, the task methodology, the expected costs, any expected savings, and their projected completion times;

(b) perform a cost/benefits analysis of both an independent public employee and a privatized operation in accordance with the recommended process on pages 17-26 in the 1992 PEER Report entitled *"The Privatization Potential of Mississippi's State Programs and Services,"* dated November 30, 1992;

(c) develop an activation plan and resource requirements for the new Division of Motor Vehicle Management with an effective date of July 1, 1995;

(d) perform a statewide program needs assessment for each state organization with a task force-developed model analysis process;

(e) prepare a FY 1997 disposal action plan and estimated budget savings for excess vehicles; and

(f) prepare a FY 1996 budget for the new vehicle management division which will be funded from the existing resources of Mississippi Department of Transportation.

SECTION 5. The Department of Transportation shall hire a state fleet manager, on or before October 1, 1994. He shall be responsible for conducting the cost/benefits analysis to determine the most effective and efficient type of fleet vehicle management system. He shall direct and manage the Division of Motor Vehicle Management, effective July 1, 1995, which will either staff and manage the System or provide oversight and quality assurance for a privatized operation. The three major objectives of the system shall be:

(1) To ensure that the state manages, maintains, and operates the minimal size vehicle fleet to assure the minimum input of public resources (efficiency);

(2) To successfully deliver transportation services for official business only to all state organizations at the required performance levels with the most advantageous method for the state (effectiveness); and

(3) To achieve the prudent financial and operational management goals of accurate cost allocation systems, improved organizational operations, increased resource productivity at minimum cost, increased resource accountability, and required management reporting.

SECTION 6. There is hereby created a Division of Motor Vehicle Management within the State Department of Transportation which shall centralize the ownership, management, and maintenance of state motor vehicles and the necessary support services under the authority, control, and jurisdiction of a state fleet manager. The system shall collect appropriate vehicle rental fees to defray the costs of operating and replacing the motor vehicles. The Division shall study the feasibility of including school buses in the system.

SECTION 7. The Division of Motor Vehicle Management shall develop, implement, and enforce the necessary management and operational criteria, information systems, policies, procedures, performance measurement standards, programs, records, reports, support facilities, and support systems.
(1) In the area of fleet management, the Division shall provide at a minimum:

(a) a preventive maintenance system for each type of vehicle;

(b) a comprehensive management information system;

(c) a periodic program needs analysis system;

(d) the annual procurement of vehicles;

(e) statewide fuel access and vehicle maintenance systems;

(f) a quality assurance review system for organizational operations;

(g) a statewide fleet safety program;

(h) a cost allocation system for individual vehicles and organizations; and

(i) a toll-free vehicle abuse telephone reporting system advertised through vehicle bumper decals.

(2) In the area of vehicle policy and compliance the division shall provide:

(a) the development, distribution, implementation, and enforcement of necessary system policies, procedures, management and operational processes, forms, records, and reports;

(b) individual vehicle assignments to organizations;

(c) compliance with disposal, inventory control, and procurement laws;

(d) determination and disposal of excess vehicles;

(e) a central motor pool with principal offices in Jackson and any needed statewide branch operations;

(f) the permanent assignment of vehicles to an organization or its employees based on specific written criteria;

(g) the approval authority for commuting privileges based on specific written criteria;

(h) vehicle reassignment authority between state organizations; and

(i) developing and enforcing use of a fair market value for commuting in permanently assigned vehicles.

SECTION 8. Every state organization shall:

1. Fully cooperate with the Mississippi Department of Transportation in all aspects of the development, implementation, and operation of the system;

2. Appoint a transportation liaison officer to be responsible for the agency's compliance with the management system policies and for maintaining continued surveillance of agency transportation needs;

3. Verify annually the efficient utilization of assigned vehicle mileage capacity and compliance with motor vehicle assignment and use criteria;

4. Use available motor pool vehicles when such use is the most economical to the state instead of requesting permanently assigned vehicles; and

5. Prepare a plan to reduce private vehicle reimbursement costs at least twenty percent by the end of Fiscal Year 1996.

SECTION 9. The Director of the State Department of Transportation shall appoint a State Vehicle Systems User Group to represent state organizations using the system to assist in the planning and rule making for the Division of Motor Vehicle Management.

SECTION 10. The Division of Motor Vehicle Management shall operate a central motor pool operation in the Jackson metropolitan complex and may operate motor pools in other areas as needed.

SECTION 11. There is hereby created a special revolving fund in the State Treasury for collection of revenues of the Division of Motor Vehicle Management for the operations of the Division and for procurement of additional and replacement vehicles.

SECTION 12. Except for elected statewide officials and line duty law enforcement officers, the State Fleet Manager shall not permanently assign a vehicle, regardless of its funding source, to any state official or employee unless he determines that permanent assignment is the most cost efficient method for the state.

SECTION 13. All officers and employees with permanently assigned vehicles shall reimburse the state for actual costs of commuting between home and work unless the officer or employee travels directly from home to a work site other than his regular office or worksite.

SECTION 14. The Commissioner of Higher Education shall study the costs of owning, operating, and maintaining motor vehicles and determine the optimum method of managing motor vehicles owned and used by the institutions of higher learning. The Commissioner shall further study the feasibility of participation in the State Motor Vehicle Pool by the Institutions of Higher Learning. The Institutions of Higher Learning shall either participate in the system provided by the Department of Transportation or establish a vehicle management system in compliance with Section 5. The Commissioner shall report his findings to the Legislature by November 15, 1994.

SECTION 15. State organizations shall transfer ownership, custody and control of all state vehicles, support facilities and equipment, parts and supply inventories, and administrative and support staff to the Department of Transportation in accordance with a schedule developed by the Task Force.

SECTION 16. All new passenger automobiles purchased by the State Department of Transportation shall operate on no less than twenty-five (25) miles per gallon of fuel in normal highway use.

SECTION 17. Section 25-1-77, Mississippi Code of 1972, is amended as follows:

§ 25–1–77.

No state department, institution or agency shall purchase any automobile, regardless of the source of funds from which said automobile or station wagon or similar vehicle is to be purchased, except under authority granted by the Division of Motor Vehicle Management of the Institutions of Higher Learning.

Any state officer, employee or board member who violates this section shall be liable on his bond for the total amount of the purchase price of the vehicle, plus double the amount of funds expended for the operation of the vehicle.

SECTION 18. Section 25-1-81, Mississippi Code of 1972, is amended as follows:

§ 25–1–81.

The auditor of public accounts shall refuse to issue warrants upon requisitions drawn in violation of the provisions hereof, and where any expense account is allowed and paid in violation of the provisions of sections 25–1–77 to 25–1–93, it shall be the duty of said auditor to withhold the payment of any further expense accounts for the department, agency, or institution involved until the amount of the account or accounts illegally paid shall be refunded and repaid to the State of Mississippi by the person receiving or approving same. It is further provided that the auditor of public accounts shall prescribe and deliver to each agency, department, or institution a uniform system of expense accounts herein allowed, including a uniform system of depreciation allowance. All expense accounts for lodging shall be supported by receipted bills showing the payment thereof by such officer or employee. It is incumbent upon each agency, department, or institution to abide by and utilize the method of uniform system of expense accounts so prescribed and delivered by the auditor of public accounts. The Division of Motor Vehicle Management or the Institutions of Higher Learning, in rendering its annual report to the legislature, shall show the number of state-owned automobiles purchased and operated during the year, the number purchased and operated out of funds appropriated by the legislature, the number purchased and operated out of any other public funds, the miles travelled per automobile, the total miles travelled, the average cost per mile, and depreciation estimate on each automobile. Said report shall also show the cost per mile and total number of miles travelled in privately owned automobiles for which reim-bursement is made out of state funds.

SECTION 19. Section 29-9-9, Mississippi Code of 1972, is amended as follows:

§29–9–9.

Whenever any vehicle, equipment, office furniture, office fixture, or any other personal property which has been acquired or is owned by any institution, department or agency of the state of Mississippi becomes obsolete or is no longer needed or required for the use of such institution, department or agency, the same may be sold for cash, traded or exchanged for other property, furniture, equipment, fixture or vehicle needed by said institution, department or agency after having first obtained the written approval of the governor's office of general services and the state auditor or approval by the legislative budget office if utilized under the jurisdiction of the legislature. The singular shall include the plural.

The proceeds of all cash sales made, as herein authorized, shall be paid over into the support and maintenance or contingent fund of the institution, department or agency as it deems best.

The head of each state institution, department or agency shall be responsible and liable personally and on his official bond, in the amount of the value shown on the state inventory, for the disposal of any property contrary to the provisions of this section.

The office of general services, on the approval of the public procurement review board, is hereby authorized and empowered to make reasonable rules and regulations and to require such information as may be necessary to carry out the purpose and provisions of this section.

Any violation of the provisions hereof by any elected head of any institution, department, commission or agency of the state of Mississippi, or any appointee or employee of any institution, department, agency or commission coming under the provisions of this section, shall constitute a misdemeanor and, upon conviction therefor, shall be punished by a fine of not exceeding one thousand dollars in addition to personal and official liability, as herein-above provided.

The Division of Motor Vehicle Management shall analyze program needs and perform a break–even analysis to determine the need for disposal actions and replacement vehicle procurements.

SECTION 20. Section 29-9-13, Mississippi Code of 1972, is amended as follows:

§ 29–9–13.

Representatives of the state department of audit under the direction of the state auditor of public accounts, in making regular audits of the different state agencies, shall reconcile all invoices and records with the agencies' property inventories, and shall make a check or physical audit of the actual items or properties shown on their inventories and related records. Each state agency, the secretary of the senate, and the clerk of the house of representatives, when requested to do so, shall furnish a competent person or persons to assist in this check or physical audit. The auditor shall keep his records current at all times and shall report to the agency concerned any such changes made and the general status of the inventory involved, on the completion of each audit. This report shall also be included in the audit reports of the state department of audit covering the different state agencies. The state auditor shall use such reports from the state department of audit to correct and maintain current the inventories in his office.

The State Auditor shall implement usage codes to differentiate between vehicles used primarily to transport individuals and their equipment from one location to another location to perform various types of work tasks and vehicles used for performing various types of work while incidentally transporting individuals and their equipment between locations and shall include codes to show the legal authority for the ownership and operation of each vehicle.

SECTION 21. The Joint Legislative Committee on Performance Evaluation and Expenditure Review Committee shall perform a bi-annual performance audit of the management, operation, and support services of the Division of Motor Vehicle Management and the vehicle management system of the Institutions of Higher Learning if it establishes such a system.

SECTION 22. Sections 25-1-85, 25-1-93, Mississippi Code of 1972, are hereby repealed.

SECTION 23. This act shall take effect and be in force from and after its passage.

SHORT TITLE: Create State Vehicle Management System

Appendix F

Excerpt from PEER Report #286:
The Privatization Potential of Mississippi's State Programs and Services
(November 30, 1992)

The Proposed Mississippi Privatization Program

Mississippi has experienced a growing demand for programs and services, increased operating costs, and the need for new revenue sources in the last decade. When the state went from an approximately $88,000,000 surplus at the end of FY 1987 to an approximately $100,000,000 deficit at the start of FY 1992, state employee hiring freezes and mandatory across-the-board budget cuts were put in place.

If the state is to establish and maintain a sound financial condition again, state officials and managers must employ every available management technique to improve the efficiency and effectiveness of programs and services. *This proposed privatization review program would be an appropriate management tool if it can generate at least a ten percent program and service cost savings through privatization actions.*

Origin and Summary of Program

This proposed program combines original ideas with elements of the existing state privatization programs in Colorado, Florida, and Texas, and the federal program as administered by the Executive Office of the President, Office of Management and Budget. Its three major objectives are to:

- ensure that the state provides services to the public with the minimum input of public resources (efficiency);
- deliver services successfully at the required performance levels (effectiveness); and,
- ensure an annual review of the management, operations, and support functions of the state entities in order to achieve the prudent management goals of improved agency operations, increased productivity, increased accountability, and more accurate operational cost figures.

The three stages of this program must be sequentially accomplished, since the successful completion of one directly depends on the successful completion of the previous phase:

1. Planning and Organizing;
2. Cost/Benefits Analysis; and,
3. Reporting and Evaluating.

Exhibit 2, page 15, contains a descriptive sequential outline of this proposed program.

I. Planning and Organizing

The first phase of the proposed privatization program should fulfill administrative, legal, and management responsibilities to accomplish the program's objectives. Since no existing state entity has responsibility for a mandatory privatization program, the Legislature should establish a permanent six-member Joint Legislative Privatization Commission with three members each from the House of Representatives and Senate Appropriations Committees, empowered to exercise oversight responsibilities. (For all references to proposed legislation, see Appendix, page 73.) The commission's membership would be appointed by the Lieutenant Governor and Speaker of the House, and receive staff support from the Department of Finance and Administration. The commission could also contract with private sector consultants for unavailable department expertise. Other action agents for critical responsibilities should include the Governor and the Legislature.

During the 1993 Regular Session, the Legislature should enact a permanent privatization program under the guidance of the commission. This law should clearly establish and define:

- the requirement for the Department of Finance and Administration to provide administrative and operational staff support to the commission;
- the state's privatization policy;
- the commission's responsibility, authority, funding source, and membership size and qualifications;
- the state entities' responsibility and authority;
- any state entity and/or programs or services excluded from the privatization program;
- a mandatory annual reporting and evaluation system to the Legislature and the Governor;
- authority for the Legislature at its next regular session, after issuance of a recommendation by the commission, to reject such recommendation; and,
- the requirement for a report with draft legislation from the commission to the Governor and Legislature by October 1 of each year.

Exhibit 2

Sequential Outline for Mississippi Privatization Program

Tasks	Responsible Agent
PLANNING AND ORGANIZING PROCESS	
1. Legislate Program	Legislature/Governor
2. Appoint Commission Members	Speaker & Lt. Governor
3. Accomplish Planning and Organizing Responsibilities	The Commission
4. Identify General Legal Barriers to Privatization	The Commission
5. Submit Organizational Report and Specific Privatization Program Legislation	The Commission
6. Enact Specific Privatization Legislation with Any Exemptions	Legislature/Governor
COST BENEFITS ANALYSIS PROCESS	
7. Conduct Program and Service Evaluations To Determine Privatization Candidates	The Commission and State Entities
8. Prepare State Activity Cost Benefit Analysis Plan	State Entities and The Commission
9. Conduct The Cost Benefit Analysis for All Scheduled Programs and Services	State Entities
10. Conduct Independent Review and Certification of State Entities' Cost Benefit Analysis	The Commission
11. Issue Privatization Recommendations for Programs and Services	The Commission
12. Seek Funding for Current Mode of Operation (optional)	Any State Entity
13. Determine Privatization Decision Through The Appropriations Process	Legislature
REPORTING AND EVALUATION PROCESS	
14. Monitor Contractors' Performance	State Entity Staff
15. Reduce Budget Appropriation and Spending Authority for Privatization Savings Amount	Legislature/Governor
16. Conduct Annual Review of Privatization Program Cost Savings	The Commission and Legislative Budget Office
17. Provide An Annual Report to The Legislature and Governor	The Commission

SOURCE: PEER Staff

The enabling act should protect the legal authority and decisionmaking prerogatives of the state entities. However, the commission must have authority and responsibilities sufficient to ensure an effective and efficient statewide program. The commission should have the following authority and responsibilities:

- advocate or develop a privatization program for state entities which creates private-sector competition for the provision and/or production of state government programs and services;

- develop goals and objectives outlining expected cost savings, performance improvements, and productivity from privatization;

- establish essential analytical, approval, authorizing, implementing, planning, and reporting processes and regulations for the privatization program;

- determine, in concert with other state entities, which state programs, functions, and services shall compose the pool of potential state privatization program and service candidates. The pool should **not** include activities which would have significant impact on:

    -- governing responsibilities provided at top policy levels of the executive and legislative branches;

    -- public health or safety; and,

    -- establishment of criteria for monetary and service entitlement decisions of the state government.

- require all state entities to:

    -- evaluate the privatization potential of their potential privatization candidates; and,

    -- conduct a cost/benefits analysis comparing the state's and private sector's program and service delivery costs.

- approve all cost/benefit analyses and recommended privatization decisions;

- provide technical advice to state entities during the evaluations at each phase of the cost/benefit analysis;

- issue privatization recommendations for activities which meet statutory and commission privatization criteria. These recommendations may be rejected by the Legislature if it sees fit; and,

- conduct, in conjunction with the Legislative Budget Office, an annual review of the costs for privatized programs and services for the previous fiscal year. The objective of this review would be to determine if privatization saved the state ten percent or more of the in-house state operational cost in its last fiscal year, as adjusted for inflation.

After determining the pool of programs and services which are potential privatization candidates, the commission should then identify legal and regulatory barriers to privatization. This information should be included in the commission's mandated report and should be considered in the commission's privatization program legislation presented to the Legislature and the Governor by October 1, 1993.

II. Cost/Benefits Analysis

The commission and affected state entities are the action agents for the four major steps in this critical phase of the proposed privatization program. The objective of this phase of the program is to accomplish the critical task of performing cost analysis and comparing the results to total costs of service delivery. The cost/benefits analysis phase should improve the quality of available decision-making information to achieve the state's goals and objectives. This process should establish productivity measures; fix unit costs; establish cost responsibility (the extent to which users pay or should pay); and evaluate alternative methods of service delivery.

1. *The commission and the state entity should jointly evaluate the program / service.*

   The commission and affected state entities should determine the programs and services which the state could delegate to the private sector or eliminate through divestment or deregulation. During this process, the two parties, in concert, should produce a document which includes an analysis of the activities considered and the final decision with supporting rationale. The evaluation criteria should include:

   - potential recurring annual savings for the state;
   - potential market for the activities;
   - potential one-time windfall from the sale of state-owned facilities and/or equipment;

- adequacy of the government's customer service versus the private sector's customer service;

- potential reduction of services to the citizenry;

- ability and willingness of the private sector to regulate itself;

- criteria for a successful privatization program on page 8 of this report; and,

- consideration of the three groups of natural barriers, discussed on page 9 of this report.

2. *The commission completes a State Activity Cost / Benefit Analysis Plan.*

After the program/service evaluation is complete, each affected entity should submit a sequenced evaluation plan for all necessary cost reviews. This action is necessary since a state entity may not have the staff resources to conduct simultaneously the cost/benefit analyses for all identified programs and services. The plan should schedule the programs or services with the largest cost savings potential under this condition.

The commission should develop and publish a *State Activity Cost Benefit Analysis Plan* after receiving these plans. The commission should solicit and consider state entity input for its proposed statewide schedule prior to finalization and publication. This plan should be updated annually. The entities should comply with the commission-established schedule for these evaluations.

3. *Each affected entity performs a cost / benefit analysis.*

While performing the cost/benefit analysis, each state entity should create and empower a task force to conduct the required evaluations. Its membership should be independent of the evaluated program or service except for technical expertise. Its purposes should be to ensure a thorough and fair analysis and to find new, innovative, creative ways to provide the required products or services to the public. Preferably, this task force should have individuals or access to individuals with expertise in contracting, cost analysis, industrial engineering, management analysis, position classification, staffing, value engineering, work measurement, and the technical aspects of the functional area.

The task force for each activity should achieve four significantly related cost analysis tasks in this phase. Their combined purpose is to perform a major management analysis of each identified activity which will produce the operational basis for cost comparison with the private sector. These tasks include:

- The *State Activity Management Study* which identifies and documents the Most Efficient Organization to produce and deliver the essential program services to the public in the most cost efficient and/or effective methods. This Most Efficient Organization is the service performance basis for the cost comparison between the state and the private sector operations. Exhibit 3, page 20, describes this process in a suggested format.

- A total cost estimate for the state performance of the developed Most Efficient Organization. It should include direct cost and indirect cost such as the cost of the privatization study including the commission costs; any lost General Fund revenues from a Special Fund operation; and the separation costs for eliminated state personnel positions. This total cost estimate should be performed in accordance with the commission-issued format and instructions.

- A cost comparison between the state entity and the private sector using the same Most Efficient Organization. Assuming, at least, the production of the same quality and quantity of the available services, *the activity should be delegated to the private sector if it produces an operational cost savings of more than 10% of the state's cost.*

- The head of the state entity should perform an independent review of the cost analysis study and shall certify the results of this independent review. The entity's internal auditor, if any, should carry out these responsibilities. Otherwise, the executive director or highest level of authority should certify this study. This review should be conducted in accordance with the commission-developed and approved methodology.

4. *The commission reviews actions.*

After completing these tasks, the state entity should submit its cost study to the commission. The commission should perform the following actions:

- Conduct an independent review of the State Activity Management Study and certification of the in-house total cost

Exhibit 3

Suggested Instructions and Format for Documenting a Management Study

Instructions for Preparation

The study should be prepared in accordance with these principles.

1. Reflect the best efforts of the activity to improve the operations, with a primary emphasis on defining what must be done (the Mission) and the best operational and organizational principles (Improved Methodology).

2. Give freedom to the Independent Task Group, so that it can be innovative, creative, and develop a new organization to meet the required quantity and quality standards of the operation, except in areas prohibited by unchangeable law.

3. Continue to provide at least the existing quantity and quality of services unless the state decides to quit providing the services.

4. Choose analytical techniques based on the type of involved function, the available data, the available time, and personnel composition of the task force.

5. Investigate an activity's support areas for reduced support requirements if SAMS identifies the need for operational staff reductions in the activity.

6. Develop a Performance Work Statement (PWS) which defines the required services and their corresponding workload; the performance standards and acceptable quality levels for each one; any government-furnished facilities; and any other government-furnished services to the private sector. This PWS does not need to be completely written before the SAMS is complete, but its timely completion is critical since it serves as the basis for the SAMS which develops the MEO which serves as the basis for the cost analysis process.

7. Make major decisions on performance standards and mandatory compliance with old procedures before the development of the MEO.

8. Provide maximum flexibility to managers to determine the methodology for accomplishing the PWS.

9. Establish performance indicators and outcome measures for the development of the in-house organization concurrent with establishing the indicators for the PWS.

Exhibit 3 (continued)

10. The SAMS should use a combination of the five types of performance indicators with maximum usage of the quantitative factors, since they are easily compared to the established standards.* The most direct way of evaluating performance is to count output units and compare them to some predetermined standard requirement. Similarly, resource requirements (inputs) can be predicted by comparing average outputs per person to projected workload. These indicators are:

    - Quantitative - A measure of the level of effort or actually expended work.

    - Qualitative - A measure of how well the outputs were produced against a standard.

    - Timeliness - A measure of the average elapsed time to complete a work unit compared to a requirement.

    - Outcome or Effectiveness - A comparison of the actual and required mission performance of the function or service.

    - Efficiency - A measure of the total or unit cost of a provided function or service. This indirect measure of activity performance applies when there is no other adequate measure.

*For more detail on writing performance measures, see *Reinventing Government* by David Osborne and Ted Gaebler, Chapter 5, page 138, and Appendix B, page 345.

State Activity Management Study for

____

Date:________________________

1. **Purposes**

   A. To develop the optimal organizational structure to provide (??? Services) efficiently and effectively to its users.

   B. To determine and document the specific management improvements upon which to base the optimal structure.

2. **Performance Work Statement (PWS)** -- This section should identify the required services; their performance standards and acceptable quality levels; the projected workload for the contract period; and the government-provided facilities and services. This work statement will be used to identify the Most Efficient Organization (MEO) for performing the program or services in Section Five of this management study. The PWS should include:

   A. Scope of Work
   B. Required Key Personnel
   C. Quality Assurance Duties
   D. Security Responsibilities
   E. Contingency Requirements
   F. State-Furnished Property
   G. State-Furnished Services
   H. Specific Tasks - All Services
   I. Governing Laws/Directives
   J. Performance Standards
   K. Estimated Workload
   L. Required Reports
   M. Quality Assurance Plan

3. **Current Operations**-- This section describes the existing authorized organization and operations of the activity. The most accurate and current information in the following areas for each operation should be included in this section since it will be the basis for Section Four's discussion.

   A. Mission Statement
   B. Organization Charts
   C. Functional Duties
   D. Operating Procedures
   E. Utilized Technology
   F. Workload Data
   G. Personnel Analysis
   H. Material Analysis
   I. Equipment Analysis
   J. Facility Analysis
   K. Resolved/New Problems
   L. Other

4. **Analysis of Current Operations** -- This section should accomplish four critical goals in the management study.

   A. It describes and compares the existing authorized organization and operations of the activity to potential new ways of accomplishing the PWS in Section Two.

   B. It describes the methodology, results, and conclusions for the analysis.

   C. It should produce a rationale for any recommended changes from the study's conclusions.

   D. It should discuss all following topics for the specified areas in Section Three of this management study.

      1. the existing operation and any anticipated changes;
      2. appropriateness of the existing operation and structure to the mission, function, internal conditions, and environment;
      3. proper balance of authority and accountability in the organizational structure for accomplishing the monitoring and controlling functions;
      4. system's efficient utilization of people, material, and equipment;
      5. use of available labor-saving technological systems;
      6. current workload, personnel staffing, material requirements, and equipment requirements and any anticipated changes with supporting rationale;
      7. location of the facilities in relation to the users and any anticipated changes;
      8. current difficulties in service delivery, their causes, and potential solutions.

5. **Most Efficient Operations**-- This section should present the most efficient and effective operation and organization for the function. This operation should be based on the PWS in Section Two and the Analysis of Current Operations in Section Four. It should be presented in the following manner. **It should serve as the basis for the PWS which will be used to obtain and compare contract cost bids for a government operation versus a private sector operation.**

   A. Mission Statement
   B. Organization Charts
   C. Functional Duties
   D. Operating Procedures
   E. Utilized Technology
   F. Workload Data
   G. Personnel Needs
   H. Material Needs
   I. Equipment Needs
   J. Facility Needs
   K. Major Problems
   L. Other

6. **Analysis of Resources Impact**-- This section should illustrate the MEO impact upon the organization's resources. It should address the impact in three critical areas:

    A. Funding -- Its potential savings and new equipment costs

    B. Personnel -- The number of staffing changes by category

    C. Capital Outlay -- The necessary items, cost, and potential annual savings if the state implements the Most Efficient Operation.

7. **Recommended Schedule for Improved Operations Implementation** -- This section should provide a reasonable, prioritized time frame for implementing the MEO-identified improvement area.

estimate for the state entity performing the developed Most Efficient Organization for the function or service.

- Issue privatization recommendations for programs and services which meet the statutory and commission privatization criteria.

The Legislature may reject any recommendation of the Privatization Commission.

III. Reporting and Evaluation

In order to achieve the objectives of the Mississippi Privatization Program, the Governor, Legislature, the commission, and state entities must take some necessary program management actions. The results of these actions will be to capture the documented savings from privatization and to determine any necessary corrective actions to produce increased program effectiveness or cost efficiency. The program evaluation should include the overall internal program support of a state entity and the actual savings achieved in any privatized state function or service.

They include the following actions:

- The state entities must provide the commission with written quarterly reports and all documentation relative to each privatization action until it is complete or the decision must be reconsidered by the commission, in concert with the state entity. The reconsideration criteria for the planned privatization actions should be:

  -- A lack of private sector interest in the state assets and facilities.

  -- The failure of the private sector performance to meet the established ten percent or more cost savings on contractual bids.

- The state program must monitor and report the contractor's performance of delegated state programs and services through a comprehensive quality assurance system. This system will require state staff who evaluate the contractor against the established quantitative and qualitative performance standards in the contract. The cost of this staff should have been considered in the original privatization decision as an indirect cost to contract the program or service;

- The commission must aggressively monitor the cost of privatized programs and services and the program involvement of state entities;

- The Legislature, with the Governor's approval, should enact legislation which automatically reduces during the first operational year for each privatization action a state entity's spending authority and available funds by the anticipated cost savings;

- The commission, in conjunction with the Legislative Budget Office, must conduct annual reviews of the achieved privatization program cost savings;

- If a program or service cost in the private sector no longer meets the ten or more percent program savings criterion after adjustment for inflation, the commission, in conjunction with the state entity, must determine the reasons and schedule a new cost study, if necessary; and,

- The commission should provide a Privatization Program Report to the Governor and Legislature by October 1 of each year. This report should specifically detail and discuss the number of ongoing cost analysis studies during the current fiscal year; the previous fiscal year's privatization actions and their actual cost savings; and the current fiscal year's privatization actions and their actual cost savings; and a cumulative historical cost savings report for the privatization program.

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