



# **Office of Inspector General**

**City of New Orleans**

## **Follow-Up Report: Interim Report on the Management of the Administrative Vehicle Fleet**

**AR11FOL006**

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Inspector General**

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Follow-up # 1: The City did not update its fleet management data system.

Follow-up # 2: The City provided new and definitive policy guidance for use of City vehicles and placed decals on each vehicle. The City did not provide support that take-home vehicle reports were submitted to the City Council on a quarterly basis.

Follow-up # 3: Quarterly departmental reports did not comply with increased reporting requirements.

Follow-up # 4: No appropriation was made by the City Council for a vehicle utilization study.

## EXECUTIVE SUMMARY

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In December 2008, the Office of Inspector General (OIG) issued the *Interim Report on the Management of the Administrative Vehicle Fleet*<sup>1</sup> (the 2008 Report).

The 2008 Report concluded with the following five findings:

- The City did not have the management information systems that could provide managers with information needed to make informed decisions and assess the performance of the passenger vehicle fleet.
- The City decentralized fleet management responsibilities by assigning fleet management decision making to the various department heads without adequate guidance or monitoring.
- The City did not have an oversight mechanism to test compliance with policies.
- The City did not assess vehicle utilization to establish a baseline for fleet operations and to determine an appropriate fleet size.
- The City was unable to determine the fiscal impact of decisions about passenger vehicles.

Based on the above findings, the OIG made four<sup>2</sup> recommendations to the City:

**Recommendation # 1:** “Acquire the means to capture and consider timely, accurate and complete information on the costs of acquiring, operating, maintaining and disposing of vehicles.”

**Recommendation # 2:** “Provide new and definitive policy guidance for use of City vehicles including specific criteria for assigning take home vehicles.”

**Recommendation # 3:** “Centralize fleet management and oversight under an experienced fleet manager with the ability and authority to test and require compliance with that policy and the authority to implement best practices.”

**Recommendation # 4:** “Perform an assessment of vehicle utilization to determine the appropriate fleet size and to establish a baseline for fleet operations.”

As a matter of policy, the OIG conducted a follow-up of the 2008 Report to determine the status of the prior administration’s corrective actions included in its Response<sup>3</sup> dated January 30, 2009 (City Response).

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<sup>1</sup> The Administrative Fleet refers to the portion of the Administrative and Direct Service Fleet excluding the New Orleans Police Department Fleet. The 2008 Report did not include the New Orleans Police Department Fleet as part of its evaluation because the rules and policies for this fleet differed greatly from the Administrative and Direct Services Fleet.

<sup>2</sup> These recommendations were not numbered in the 2008 Report.

<sup>3</sup> The City response to the 2008 Report was included as an attachment to the 2009 Report titled “Response to the Interim Report on the Management of the Administrative Fleet”.

The follow-up report found that the City did not implement the prior administration's responses to three of the four OIG recommendations from the 2008 Report.

1. The City did not purchase a new fleet management data system to replace its existing outdated fleet management system.
2. Quarterly departmental reports to EMD and the CAO's office did not comply with increased reporting requirements of CAO Policy Memorandum 5(R).
3. The City did not perform an assessment of vehicle utilization to determine the appropriate fleet size and to establish a baseline for fleet operations.

The City complied with the OIG recommendation to provide new and definitive policy guidance for use with City vehicles. Two previous policies<sup>4</sup> were revised into one comprehensive vehicle policy, Policy 5(R), which included specific criteria for assigning take-home vehicles.<sup>5</sup>

The OIG will perform a second follow-up on the City Response in 2013.

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<sup>4</sup> Policy 5(R) "City Vehicles" and Policy 40(R) "Fuel Services" were combined into one revised Policy 5(R) "Vehicle and Equipment Policy".

<sup>5</sup> In response to the OIG's 2008 Report, a workgroup was created by the City to revise and combine two policies (Policy 5(R) "City Vehicles" and Policy 40(R) "Fuel Services") into one comprehensive vehicle policy. The resulting CAO Policy Memorandum 5(R) "Vehicle and Equipment Policy" was issued on April 28, 2009.

## I. OBJECTIVES, SCOPE, AND METHODOLOGY

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The objective of the follow-up report was to determine whether the actions proposed in the prior administration's City Response to the auditor's recommendations from the 2008 Report were implemented and operating effectively.

The scope of the follow-up was limited to the City Response to the four recommendations in the 2008 Report. The period of January 1, 2010 through December 31, 2010 was used as the period tested during the follow-up.

The methodology was developed in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book). The auditor's methodology included the following:

- Planned the engagement in accordance with the above mentioned principles;
- Evaluated the City's responses to the 2008 Report<sup>6</sup> to determine if the prior administration's corrective actions were adopted and effectively implemented;
- Reviewed and discussed the August 2010 CAO Policy Memorandum 5(R)<sup>7</sup>, "Vehicle and Equipment Policy", with the City to determine that OIG recommendations were implemented and were operating effectively; and
- Reported on the results of the follow-up.

Computer-processed data was provided and relied on during testing, which detailed information on the vehicle fleet. Although a formal reliability assessment of the computer-processed data was not performed, the auditors determined that hard copy documents reviewed were reasonable and generally agreed with the information contained in the computer-processed data. No errors were found that would preclude us from using the computer-processed data to meet the report's objectives or that would change the conclusions of this report.

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<sup>6</sup> The City response to the Interim 2008 Report was included as an attachment to the 2009 Report titled "Response to the Interim Report on the Management of the Administrative Fleet".

<sup>7</sup> At the time fieldwork was conducted and the follow-up report was written, CAO Policy Memorandum 5(R) was last revised July 14, 2010 with an effective date of August 1, 2010. As of the release of the follow-up report, CAO Policy Memorandum 5(R) was revised a third time on March 1, 2012 with an effective date of March 1, 2012. The OIG will perform a second follow-up on the City Response in 2013.

## II. 2008 REPORT FOLLOW UP TO THE CITY RESPONSES

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### Updated Fleet Management Data System

**Recommendation # 1:** “Acquire the means to capture and consider timely, accurate and complete information on the costs of acquiring, operating, maintaining and disposing of vehicles.”

**City Response:** “MIS is currently negotiating to get the software upgrade from a sole source supplier, and we expect to purchase the upgrade by June 2009. This upgrade will cost approximately \$225,000 which we believe to be a cost-effective solution for fleet data management....we are committed to obtaining the funding needed for this system and are looking for ways to pay for the upgrade within our budgets.”

**Follow-up # 1:** The City did not update the fleet management data system and did not select a vendor for the new system.

### New and Definitive Policy Guidance

**Recommendation # 2:** “Provide new and definitive policy guidance for use of City vehicles including specific criteria for assigning take home vehicles.”

**City Response:** “The workgroup is reviewing, reformulating, and combining Policies 5R and 40R into one comprehensive vehicle policy. This new policy will provide departments with succinct guidance and parameters for all aspects of fleet operations and management...”

EMD has identified 25-30 vehicles in the Administrative fleet that did not have decals - 3% - and has placed decals on them. It has been the standard operating procedure at EMD to place a decal on any vehicle that comes in for maintenance if it does not have a decal. Additionally, departments have been told that they must ensure that all of their vehicles are properly marked, and must confirm that vehicles are marked in their quarterly reports<sup>8</sup> to the CAO in accordance with revisions to Policy Memorandum 5(R)...

There are currently two sections of the City Code that offer conflicting guidance regarding the use of take-home vehicles outside of Orleans Parish. Section 2-901 of the City Code [and] Section 2-975 (d) (5) of the City Domicile Ordinance...These two sections appear to contradict each other because the prohibition of take-home use for those employees that do not reside in New Orleans is different treatment than for those employees that reside in New Orleans....Ultimately, it is anticipated that the City Council will need to adopt legislation to address these sections of the code for consistency and the fairness to all employees...

[Quarterly take-home vehicle reports] were submitted in 2008, and will continue to be submitted as required.”

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<sup>8</sup> Departments did not confirm that vehicles were properly marked in their quarterly reports to the CAO. See Follow-up # 3 concerning new departmental quarterly reporting requirements.

**Follow-up # 2:** The City complied with three of the four specific action items in its response to Recommendation # 2. A comprehensive vehicle policy, CAO Policy Memorandum 5(R), “Vehicle and Equipment Policy”, was issued on April 28, 2009<sup>9</sup>. City decals were placed on City vehicles that did not have them.

City Code Sec. 2-901 was repealed on March 5, 2009, which ended the prohibition of out-of-parish use of City vehicles and deleted guidance that conflicted with City Code Sec. 2-975.

Although the City provided new and definitive policy guidance for use of City vehicles, as recommended by the OIG, it was unable to provide support that take-home vehicle reports were submitted to the City Council on a quarterly basis as required by City Code<sup>10</sup> for the year ended December 31, 2010<sup>11</sup>.

### **Centralize Fleet Management and Oversight**

**Recommendation # 3:** “Centralize fleet management and oversight under an experienced fleet manager with the ability and authority to test and require compliance with that policy and the authority to implement best practices.”

**City Response:** “...Departmental vehicles are best utilized when the assignment and day-to-day management of these vehicles are controlled by each department. Department vehicle coordinators are closer to the everyday operations of the department and have a better understanding of how the resources should be utilized to effectively provide City services. At the same time, the departments have increased responsibility for their vehicles in this management structure, and should be accountable for their operations. Departments provide detailed vehicle reports to EMD and the CAO on a regular basis...

We are increasing to quarterly the frequency with which departments must report their vehicle information, and have added new requirements to these reports. New requirements include the certification that vehicles are marked properly, as well as justification for take-home vehicle assignments...

We agree that general guidelines are necessary for departmental vehicle operations. The workgroup is working to enhance and add to those guidelines, such as the fundamental take-home assignment criteria. In addition, the revised vehicle policy will include a requirement that all departments establish internal departmental fleet operations policies, guidelines, and practices, and that those policies be submitted to and approved by the CAO's office...We will further study the feasibility and the costs of a small centralized motor pool.”

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<sup>9</sup> At the time fieldwork was conducted and the follow-up report was written, CAO Policy Memorandum 5(R) was last revised July 14, 2010 with an effective date of August 1, 2010. As of the release of the follow-up report, CAO Policy Memorandum 5(R) was revised a third time on March 1, 2012 with an effective date of March 1, 2012. The OIG will perform a second follow-up on the City Response in 2013.

<sup>10</sup> City Code Sec. 2-902.

<sup>11</sup> Auditors requested all quarterly take-home vehicle reports submitted to the City Council for the year ended December 31, 2010. Although the City asserted quarterly reports were submitted for all four quarters of 2010, it was unable to provide support that any of the 2010 quarterly reports were submitted to the Council except for the first quarter report.

**Follow-up # 3:** The City disagreed with the OIG recommendation for a centralized fleet manager. The City responded that each department must report vehicle information on a quarterly basis with increased reporting requirements<sup>12</sup>; however, the quarterly reports submitted to the CAO and EMD did not include the take-home vehicle information mentioned in the City Response as new reporting requirements. City departments did not submit internal departmental fleet operations policies, guidelines, and practices for approval by the CAO's office.

### **No New Purchases without Utilization Studies**

**Recommendation # 4:** "Perform an assessment of vehicle utilization to determine the appropriate fleet size and to establish a baseline for fleet operations."

**City Response:** "...We recognize that we must more intensively re-evaluate many of our operations and policies in order to increase our effectiveness and efficiency, and to implement best practices. We agree that an updated utilization study of City vehicles is needed to establish a new baseline for fleet operations..."

We look forward to working with the City Council on the adjustment of existing passenger vehicle legislation...The culmination of our policy decisions, attainment of a new fleet management system, vehicle utilization assessments, and cost analyses will result in the establishment of an updated baseline for fleet size and fleet operations."

**Follow-up # 4:** The City Council did not appropriate funding for a vehicle utilization study to determine the appropriate fleet size and to establish a baseline for fleet operations. The City did not perform a vehicle utilization study and failed to update the fleet management software which prevented proper analysis of the City's vehicle needs and the appropriate fleet size.

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<sup>12</sup> The City Response stated that the quarterly reports would include the certification that vehicles are marked properly and justification for each take-home vehicle assignment.