Office of Inspector General

United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Office of Inspections

Assessment of the Department of State's Motor Vehicle Fleet

Report Number ISP-I-12-51, September 2012

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2011 by the Council of Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General (OIG) for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- Policy Implementation: whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.

- Resource Management: whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.

- Management Controls: whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.

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PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

Harold W. Geisel
Deputy Inspector General

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Key Judgments

- The Department of State's (Department) motor vehicle fleets consist of approximately 14,000 vehicles, with an acquisition cost of more than $867 million. Reported costs per mile driven for Department motor vehicles have increased over the past decade and are the highest among Federal cabinet agencies.

- The Department is not in compliance with Federal Management Regulation 102-34.335 b., which requires agencies to collect and report information on mileage, fuel use, and maintenance costs for each vehicle in the fleet.

- The available motor vehicle fleet utilization data are incomplete and not fully reliable. Forty-five percent of overseas vehicles did not have required utilization reports completed for FY 2011. Without these basic data, the Department cannot document whether it needs such a large overseas fleet.

- Since 2005, the Department has taken some steps to improve vehicle fleet management. These include creating an internal fleet management council, instituting vehicle allocation methodology studies and fleet management plans for the domestic fleets, and developing a fleet management information system to automate the collection of vehicle fleet information.

- The Department does not have criteria for allocating and replacing motor vehicles according to life-cycle replacement needs. The Bureau of Diplomatic Security (DS), International Cooperative Administrative Support Services (ICASS), Bureau of Administration, Bureau of Overseas Buildings Operations (OBO), and Bureau of International Narcotics and Law Enforcement Affairs (INL) use widely different procedures and practices to fund and procure vehicles for overseas use. Although overseas missions are required to review their fleet composition and size annually, the Department does not enforce this requirement.

- The Department's domestic fleet levels have been relatively stable since 2005. The Bureau of Administration's Domestic Fleet Management and Operations division (FMO) has implemented many General Services Administration (GSA) fleet management best practices.

The assessment took place in Washington, DC, between January 17 and March 9, 2012. [redacted]

Context

The Department operates worldwide fleets of motor vehicles to support its overseas and domestic missions. In FY 2012, the Department's fleets consisted of approximately 14,000 vehicles, with an acquisition value of more than $867 million. They support diplomatic and consular operations in a wide variety of operating environments, from first-world capitals to conflict zones. Vehicles support activities ranging from visits to imprisoned American citizens to diplomatic negotiations and conferences to security and administrative support. Many missions operate vehicle fleets under challenging conditions that include poor roads, heavy traffic, adverse weather and climates, and high rates of crime, political violence, and terrorism.

In 2004, the Government Accountability Office found that Federal agencies it reviewed lacked processes to establish motor vehicle fleet size and composition that meet agencies' mission statements.[1] In response to these findings, the GSA and the Office of Management and Budget revised the Federal Management Regulation to require Federal agencies to establish fleet management information systems. In a memorandum dated May 24, 2011, the President directed GSA to prepare governmentwide instructions for determining optimum motor vehicle inventories, with emphasis placed on eliminating unnecessary or nonessential vehicles from an agency's fleet inventory and ensuring life-cycle cost-effectiveness.[2]

Most overseas vehicles in the Department are exempt from GSA fleet management regulations, including fuel efficiency standards, use of alternative fuel vehicles, and licensing and registration requirements. The Department may apply the GSA management requirements to the overseas fleet if the Department determines that it is in the best interest of the United States. The use of official vehicles at overseas missions is governed by the U.S. Code (31 U.S.C. § 1344), certain sections of Federal Management Regulation Parts A and B, *Foreign Affairs Manual* (FAM) regulations 12 FAM 380 and 14 FAM 430, and *Foreign Affairs Handbook* (FAH) regulation 14 FAH-1 H-800, among others. These exemptions from GSA regulations afford the Department flexibility in meeting its transportation needs in diverse overseas environments, but in some cases the overseas regulations do not incorporate important fleet efficiency objectives that apply to domestic vehicles. The Department has not yet developed regulations to determine optimum vehicle inventories for overseas vehicles or to assess life-cycle cost-effectiveness, for example.

The Department has taken some steps to improve the efficiency of its motor vehicle fleets. The Department and the U.S. Agency for International Development (USAID) established a Joint Management Council in 2003 to reduce overall service costs and consolidate motor pool services, among other objectives; motor pool consolidation should be complete by the end of FY 2012. The Department has introduced requirements to use alternative fuel vehicles overseas, where applicable, and is implementing a fleet management information management system. Finally, the Department established a fleet management council in 2007 to coordinate policy issues among fleet managers and bureau stakeholders. The domestic fleet, in general, has made

[1]*FEDERAL ACQUISITIONS: Increased Attention to Vehicle Fleets Could Result in Cost Savings*, GAO-04-664, May 25, 2004.
[2]*Presidential Memorandum—Federal Fleet Performance*, May 24, 2011.

notable strides in implementing a range of new mandates, from fuel efficiency goals to alternative fuel vehicle requirements.

Overseas Motor Vehicles

In FY 2011, the Department reported a total of 12,913 motor vehicles in its overseas fleets, with an overall acquisition cost of more than $783 million.[3] Since FY 2005, overseas vehicle fleet growth in the Department has occurred across virtually all vehicle categories, geographic regions, and funding. This trend reflects, in part, increases in the number of U.S. direct hires assigned overseas and the commencement of operations in Iraq, Afghanistan, and Pakistan. Since FY 2000, U.S. direct-hire staffing overseas from all agencies has increased 45 percent to 22,924 employees.

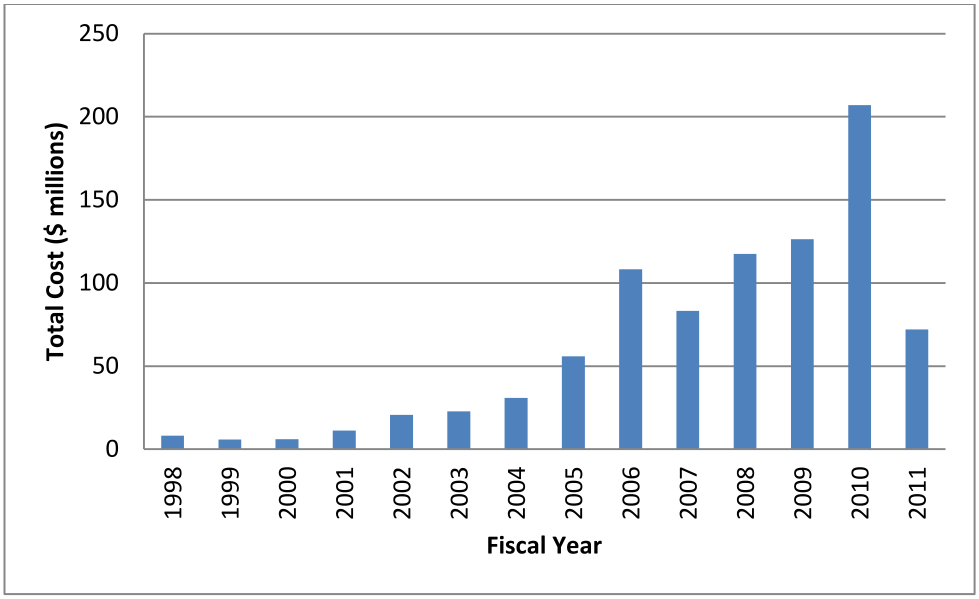
The Department's overseas motor vehicle fleets are funded from diverse sources. Decisions on the size and composition of these fleets are made by country fleet managers, usually management officers or general services officers at overseas missions. In general, either Washington, DC, or regional procurement support offices fund and procure DS, INL, and Bureau of Administration vehicles. According to 14 FAM 431.2-1 a., chiefs of mission overseas have jurisdiction over official vehicles and must establish policies for the use of these vehicles for business purposes. Overseas vehicles are also under the operational control of chiefs of mission. The Department performs certain fleet management functions in Washington, such as approving the acquisition of non-American motor vehicles and acquiring armored vehicles. See Table 1 below for a description of the Department's overseas fleets, consisting of five major funding categories, followed by Figure 1 depicting the total overseas vehicle acquisition costs for FYs 1998–2011.

Funding Category	Number of Vehicles	Vehicle Acquisition Value
ICASS	6,185	$211,152,870
DS*	4,472	$450,809,591
Bureau of Administration Program Vehicles	1,544	$50,349,355
INL	511	$62,576,633
Other**	201	$8,339,416
Total	**12,913**	**$783,227,865**

Source: OIG analysis of ILMS data.
Note: Vehicles include only those at overseas locations during the reporting period and not U.S.-sourced, in-transit vehicles.
*Includes ICASS-funded local guard program vehicles.
**Includes OBO, Global Publication Services, and uncategorized vehicles.

Table 1: Overseas Vehicles by Funding Category

[3] This total includes all vehicles reported in the Department's Integrated Logistics Management System (ILMS) for overseas locations with the status of in service, in transit, received (not in service), and requisitioned in FY 2011.



Source: OIG team analysis of ILMS Asset Management data.
Note: Acquisition costs after 2003 reflect, in part, armored vehicle requirements in Iraq, Afghanistan, and Pakistan.

Figure 1: Total Overseas Vehicle Acquisition Costs, FYs 1998–2011 (in $ millions)

(The bar chart above shows the total overseas vehicle acquisition costs for FYs 1998–2011: 1998, $8.1 million; 1999, $5.9 million; 2000, $6.1 million; 2001, $11.2 million; 2002, $20.6 million; 2003, $22.7 million; 2004, $30.9 million; 2005, $55.9 million; 2006, $108.3 million; 2007, $83.3 million; 2008, $117.4 million; 2009, $126.3 million; 2010, $207 million; 2011, $72.1 million.)

ICASS funds most of the vehicles in the Department's overseas fleets. ICASS is an interagency cost-sharing system for the U.S. Government that provides and shares the cost of common administrative support overseas, including motor vehicle operations. DS funds vehicles to support security programs. The Bureau of Administration's Motor Vehicle branch funds vehicles for overseas missions where the Department is the only agency and to support special requirements. INL funds and procures vehicles to furnish to host governments for foreign assistance purposes and to provide transportation for INL employees. Vehicles in the "other" category include those procured by OBO and vehicles not otherwise categorized in ILMS.

Data Integrity Limitations Preclude Reliable Analysis

The Department does not have procedures to determine optimum fleet sizes for its overseas vehicles. In 2006, the Bureau of Administration commissioned a contractor to prepare a study of the Department's fleet management practices.[4] The contractor concluded that the "lack of a consistent fleet management program coupled with the lack of reliable and complete fleet data make [the Department] vulnerable to criticism." The report identified deficiencies in the Department's collection of vehicle fleet survey information, errors in capitalized property records, and organizational redundancy in fleet management responsibilities as key challenges.

[4] *Department of State Vehicle Fleet Management Study Report*, conducted by Runzheimer International, 2006.

According to the ILMS Motor Vehicle Survey data that the OIG team analyzed, data integrity remains a significant obstacle to efficient fleet management. For example, out of 264 embassies and consulates, 94 did not report information on the number of miles driven for each vehicle in their Motor Vehicle Survey submissions. In some cases, major embassies had not reported vehicle utilization data for years.

To date, the Department has not developed formal vehicle utilization criteria for either domestic or overseas fleets. GSA Bulletin FMR B-30 instructs Federal agencies to develop such criteria to justify mission-essential vehicles particular to their needs. No generally agreed Federal Government standard exists to identify underutilized vehicles. Instead, GSA Bulletin FMR B-30 instructs agencies to develop criteria that are specific, objective thresholds that identify vehicles that best meet mission needs. In developing specific criteria, each Federal agency must consider a minimum of 13 factors, including climate, terrain, mission, type of vehicle, and historical use patterns. The Department may apply the criteria in GSA Bulletin FMR B-30 to the overseas fleet if the Department determines that it is in the best interest of the United States. In FY 2012, the Department commissioned a contractor to prepare a vehicle allocation methodology for the domestic motor vehicle fleet. The contractor used as a benchmark 6,000 miles per year to identify potentially underutilized vehicles and 2,000 miles per year to identify likely underutilized vehicles.

According to Bureau of Administration officials, various technical issues make the use of ILMS Motor Vehicle Survey data problematic for statistical analysis, and the lack of reliable data precluded the OIG team from determining the number of underutilized vehicles using even a general benchmark. Because embassy personnel must complete data entry manually, these data are prone to entry errors. Further, the current version of the ILMS Motor Vehicle Survey application does not require users to enter all critical data fields before submitting records. Despite the absence of firm data, the growing numbers of vehicles in the Department's fleets, increases in the dollar value of annual acquisition budgets, and existing ILMS Motor Vehicle Survey data indicate that the Department has significant challenges in managing its vehicle fleets.

Overseas Motor Vehicle Fleet Survey Reporting Needs Improvement

Overseas missions do not consistently and accurately report motor vehicle fleet survey information to the Bureau of Administration. Federal Management Regulation 102-34.335[5] requires that the Department report annually on the use of each motor vehicle in its domestic and overseas fleets, including inventories, acquisitions, operating costs, mileage, and fuel use. For overseas fleets, 14 FAM 437.3 requires that motor vehicle accountable officers collect this information and submit it via the Motor Vehicle Survey Form at the end of every fiscal year; however, the Department does not enforce this requirement. The absence of a process to monitor the submission of accurate and timely fleet reporting raises the risk that GSA and the Department will not receive the quantity and quality of vehicle use data that are necessary for efficient fleet management.

[5] 41 CFR 102-34.335.

Recommendation 1: The Bureau of Administration should institute procedures to monitor the completeness and timeliness of overseas Motor Vehicle Fleet Survey data and report deficiencies to mission and Department of State senior leadership for review. (Action: A)

Reported Vehicle Fleet Efficiency Varies Widely Among Overseas Missions

Average reported fleet efficiency and size varies widely among overseas missions, even in similar operating environments. For example, Embassy Singapore operates a motor pool fleet of only 13 vehicles for an embassy with 153 authorized U.S. direct-hire employees. By contrast, Embassy Tokyo, with 243 authorized U.S. direct hires, operates a motor vehicle fleet of 32 vehicles. OIG identified Embassy Tokyo's high motor pool operating costs in its 2008 inspection. The financial management office calculated a cost of $6.29 per kilometer driven in 2008. At this cost, the charge for an airport pickup or dropoff was $1,006.40 plus $45 in tolls.[6] Embassy Tokyo has recently initiated a review of motor pool operations to improve fleet efficiency. In its 2011 inspection of Embassy Conakry, Guinea, OIG found that the embassy maintained a fleet of 67 motor vehicles, with a total acquisition value of $2.76 million. OIG found the fleet size excessive for a mission of Conakry's size and recommended that the embassy eliminate vehicles with an acquisition value of more than $1.1 million, based in part on a comparison of fleet sizes at neighboring African missions, which averaged approximately 40 vehicles.[7]

Developing World Missions Face Operating Challenges, But Some Are Fleet Leaders

The OIG team's analysis of fleet survey data found that vehicles reported as having been driven 2,000 miles or less per year were represented most heavily in developing countries. However, fleet managers in some missions operate fleets in which vehicles are driven more than 10,000 miles per year, with very few vehicles driven less than 2,000 miles per year. These fleet leaders included the embassies in Cairo, Skopje, Zagreb, Tunis, Pretoria, and Istanbul. According to the Bureau of Near Eastern Affairs, Embassy Cairo instituted a best practice of outsourcing airport expediter services to a private contractor. Consulate General Istanbul reported that it had developed mission procedures to procure American vehicles locally under warranty, which facilitated repairs and reduced downtime for vehicles. Many African embassies report very high mileage per year for vehicles in their fleets.

Reported Armored Vehicle Fleet Efficiency Varies Widely Among Overseas Missions

Vehicles funded by DS form the single largest category of vehicles reported as having been driven less than 2,000 miles, a potential indicator of underutilization.[8] These vehicles include armored vehicles assigned to missions at risk for terrorism, crime, and political violence, as well as cars assigned to support local guard programs, the Marine security guards, engineering support offices, and other DS elements. Armored vehicles cost an average of $160,000. The Department reported a total of 3,152 in-service armored vehicles in FY 2011, with an acquisition value of more than $364 million. At missions where transportation by armored vehicle is

[6] *Report of Inspection of Embassy Tokyo and Constituent Posts*, ISP-I-08-39A, June 2008.
[7] *Report of Inspection of Embassy Conakry, Guinea,* ISP-I-11-44A, June 2011.
[8] As noted in this assessment, neither GSA nor the Department has adopted a mileage threshold to identify vehicles as underutilized. This assessment uses 2,000 miles per year as a potential marker of vehicle underutilization.

mandated by local security conditions, the availability of armored vehicles is critical to all aspects of embassy operations. According to bureau and mission personnel surveyed by the OIG team, armored vehicles require extensive maintenance, and certain repairs may be made only by direct-hire vehicle maintenance employees from DS. These factors, in addition to the harsh operating conditions in high-threat missions, make vehicles more prone to mechanical problems and long-term inoperability due to lack of specialized spare parts.

Causes of Potential Underutilization

A number of factors affect overseas vehicle fleet size and sometimes result in excessive or costly fleet operations. Some embassies have more vehicles in their inventories than are needed. Host governments in some countries levy import taxes on vehicles that preclude their resale on the local market, require extensive and time-consuming vehicle registration, or prohibit the disposal of vehicles past a certain age. Delays in auctioning vehicles can occur at missions that conduct sales of excess property only intermittently. Receipt of vehicles late in the fiscal year can result in low mileage driven for the reporting field. Armored vehicles may be retained longer than necessary when an approved local destruction option is unavailable, or they may be out of service for extended periods pending the arrival of spare parts and repair teams from Washington. Some vehicles, such as ambulances, maintenance, and security vehicles, may serve critical purposes but have low annual mileage due to short driving distances.

Embassy Baghdad Vehicle Fleet Management

Embassy Baghdad's vehicle fleet inventory is the Department's largest. Embassy Baghdad reports that many of its vehicles are driven less than 2,000 miles per year. Despite limitations in ILMS Motor Vehicle Survey data, the size and dollar value of Embassy Baghdad's fleet and identified past problems remain a concern. The 2008 OIG inspection of Embassy Baghdad listed four recommendations concerning motor vehicle fleet management: the lack of an embassy motor vehicle fleet program; the need for a current, reconciled inventory of vehicles; the need for a fleet review of vehicles on hand; and the suspension of additional vehicle acquisitions until completion of the review.[9] OIG's compliance followup review in 2010 reissued two recommendations, since they had yet to be accomplished: that the mission conduct a motor fleet review of the vehicles under the operational control of DS, and that the mission develop a comprehensive vehicle acquisition plan.[10] Reported vehicle inventories at Embassy Baghdad in FY 2011 included 2,009 vehicles, with an acquisition value of $253.3 million. This total does not include vehicles furnished to contractors and grantees in support of embassy operations or vehicles operated by other agencies.

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[9] *Inspection of Embassy Baghdad*, ISP-I-09-30A, June 2009.
[10] *Compliance Follow-up Review of Embassy Baghdad*, ISP-C-11-08A, October 2010.

Domestic Motor Vehicles

FMO supports Department operations in Washington, DC, the U.S. Mission to the United Nations, and field offices throughout the United States. DS manages its own domestic fleet operations separately from FMO. The Department reported a domestic fleet size of 1,560 vehicles in FY 2011, with total lease and operating costs of approximately $11 million.

The Department has made progress in bringing domestic fleet management into compliance with requirements it introduced in 2005. The percentage of domestic fleet vehicles driven less than 2,000 miles in FY 2011 was less than 5 percent, the lowest of all the Department's vehicle fleets. FMO administers the Department's alternative fuel vehicle Greening Government Program and other domestic initiatives. The domestic fleet is subject to fleet management regulations pertaining to fuel efficiency, use of alternative fuel vehicles, and fleet management planning, among others. Average fleet efficiency for GSA's vehicles, which constitute approximately 68 percent of the domestic fleet, was 7,728 miles per vehicle.

Executive Fleet

The President issued a May 2011 memorandum that directed Federal agencies to limit the size of executive fleets that support senior officials.[11] Executive fleet vehicles must be limited in motor vehicle body size, engine size, and optional equipment to what is essential to meet the Department's needs. The Department has 19 executive vehicles, of which 5 are dedicated to the Secretary and the Deputy Secretaries and 14 are pooled vehicles that provide executive transportation in the Washington, DC, area. According to the Department's response to Executive Order 13589 on promoting efficient spending, the executive fleet has a high utilization rate. The Department reported that the executive fleet traveled 79,298 miles in FY 2011, performing more than 14,000 trips for more than 21,000 passengers annually. The average cost per mile, including equipment, labor, and expenses, is lower than that for commercial options in the national capital region. The Department's executive fleet size and management demonstrate good stewardship of taxpayer resources.

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[11] *Presidential Memorandum—Federal Fleet Performance*, May 24, 2011.

Motor Vehicle Fleet Management Challenges

The Department does not have a process that effectively links budget decisions and documented motor vehicle fleet needs. Generally, neither bureaus nor embassy ICASS councils have access to fleet management data when making vehicle budget decisions. To improve fleet efficiency, the Department can employ a range of policy options to link resource allocation more closely with efficiency information. These steps include setting bureau and mission motor vehicle ceilings, introducing acquisition controls to limit vehicle purchases to justified requirements, consolidating motor vehicle fleets under a cost distribution system such as ICASS, and improving the quality of fleet management information available to managers. A plan that incorporates a combination of such options will likely achieve the best result.

Two practices already in place for the domestic fleet will further allow the Department to improve its fleet efficiency and the quality of information it and overseas vehicle fleet managers receive: the vehicle allocation methodology study and the Department fleet management plan. Both have already been deployed for a small part of the Department's domestic fleet and are discussed in turn below.

Vehicle Allocation Methodology Study

On May 24, 2011, the President directed GSA to develop and distribute to agencies a vehicle allocation methodology for identifying optimum fleet inventories. On August 22, 2011, GSA released Bulletin FMR B-30 to provide additional guidance on fleet management policies pursuant to the President's memorandum, including the requirement that each agency submit to GSA an annual report on the results of the vehicle allocation methodology study.

The Department completed a vehicle allocation methodology study of the domestic fleet in February 2012. The study included 490 vehicles and recommended eliminating 21 vehicles, approximately 4 percent of the vehicles studied. [12] The study entailed identifying vehicles in the domestic fleet that had been driven less than 6,000 miles and then using a contractor-developed survey for fleet managers that described each identified vehicle's function and assigned a score for criticality as well as utilization to determine whether to retain it in the fleet. According to domestic bureau officials interviewed by the OIG team, the process was not overly time consuming and yielded valuable information about optimum fleet composition and vehicle usage. Although overseas missions have special security, traffic, and local condition requirements, in principle the same process could be adapted to determine optimal fleet sizes overseas and would assist the Department in allocating resources more efficiently and reducing the number of unneeded vehicles.

Recommendation 2: The Bureau of Administration, in coordination with the Bureau of Budget and Planning and the Office of the Under Secretary for Management, should conduct a study of the overseas vehicle fleet using the motor vehicle methodology of General Services Administration Bulletin FMR B-30. (Action: A, in coordination with BP and M/PRI)

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[12] Law enforcement vehicles were exempted from the vehicle allocation methodology requirement by the Secretary, and the regulation does not apply to the overseas fleet.

Department Fleet Management Plan

GSA Bulletin FMR B-30 requires the Department to develop a fleet management plan for the entire fleet in the United States. The Department may include overseas vehicles if the Department determines that doing so is in the best interest of the United States. However, the Department elected not to include overseas vehicles in the fleet management plan it submitted to GSA on February 17, 2012. The Department also exempted the domestic law enforcement fleet from this requirement. The Department's FY 2012 fleet management plan applies only to 490 vehicles in the domestic fleet and omits almost 96 percent of the vehicles in the Department's inventory. According to GSA, development of an annual fleet replacement plan that projects the replacement dates and acquisition costs for each vehicle is a fleet management best practice. The OIG team believes that the positive efficiency results obtained in domestic fleets are attributable in part to implementation of GSA fleet management initiatives, including a fleet management plan. The development of a plan that incorporates the overseas and law enforcement fleets could identify ways to improve efficiency and reduce costs.

Recommendation 3: The Bureau of Administration, in coordination with the Bureau of Budget and Planning and the Office of the Under Secretary for Management, should prepare an FY 2013 fleet management plan that includes overseas and domestic fleet elements. (Action: A, in coordination with BP and M/PRI)

Motor Vehicle Allocation and Acquisition

According to GSA's *Guide to Federal Fleet Management,* the most costly components of fleet operations are purchasing and leasing vehicles. Since FY 2005, the Department has procured vehicles with a total value exceeding $800 million, including approximately $72 million in vehicles acquired during FY 2011. Overseas vehicle procurement actions must be approved by the Bureau of Administration's Motor Vehicle branch, except in the case of locally procured maintenance and utility service vehicles, per 14 FAM 438.4-3 b. (3). Domestic vehicles typically are leased or procured from GSA, but the Department also leases some vehicles from commercial vendors.

Because Department fleet management is operationally decentralized, individual fleet managers have discretion in acquiring replacement vehicles and determining fleet sizes. Overseas fleet managers do not have to prepare annual fleet management plans or justify that replacement vehicles meet minimum utilization standards. Although purchases made in the absence of a fleet management plan may reflect legitimate requirements, current policies do not require written justification of fleet needs. In addition, because overseas missions may procure non-American service vehicles directly, the Department is not always in compliance with Buy American Act provisions for these purchases.

Overseas Vehicle Allocation and Replacement Criteria

In 2002, the Office of Management and Budget began requiring agencies, as part of their budget submission, to report the size, composition, and cost of their fleets for the current year and to project costs for the next 3 fiscal years. The narrative of the report to the Office of Management and Budget must detail the reasons for any significant changes in fleet size, discuss the methodology used to assign vehicles, and identify any impediments to managing the fleet. The 2004 Government Accountability Office audit (GAO-04-664) referenced earlier found that agencies had not developed vehicle allocation and replacement criteria and recommended that GSA establish governmentwide additional regulations on this subject.

The Department's regulations for assigning vehicles and setting fleet sizes overseas are obsolete. According to 14 FAM 432.2 a. (1) – (4), the size and composition of a mission's program[13] fleet is based on a 4-to-1 ratio of Department U.S. citizen positions per vehicle and an overall target of 12,000 miles per vehicle per year. These criteria apply only to overseas program vehicles and do not include ICASS, DS, OBO, or INL vehicles, which form the substantial majority of the Department's fleet. According to Bureau of Administration officials, the Motor Vehicle branch does not actually use these criteria in assigning vehicles to overseas missions even for the program fleet vehicles, which are instead replaced every 3 to 5 years without reference to the factors in 14 FAM 432.2 a. The fleet size and composition for the ICASS fleet is determined by the mission's ICASS council and for other vehicles by the mission's fleet management officer, usually a management officer or general services officer. In many cases, an overseas mission's decision to procure vehicles may be based on the availability of funds rather

[13] Specialized property associated with a unique program where overall management and technical expertise are controlled by a single bureau or agency and which is generally funded by that bureau or agency.

than on a validated need. The lack of allocation and replacement criteria may contribute to suboptimal fleet management practices.

Recommendation 4: The Bureau of Administration, in coordination with the Bureau of Diplomatic Security, should update and revise 14 FAM 432.2 to establish formal criteria for the allocation, replacement, and disposal of overseas vehicle fleets. (Action: A, in coordination with DS)

Motor Vehicle Branch Vehicles

In most overseas fleets, vehicles consist of a mix of vehicles funded by ICASS and the Bureau of Administration (program vehicles). Prior to the creation of ICASS in 1997, all Department vehicles were centrally acquired and allocated by the Motor Vehicle branch. With the creation of ICASS, fleet management responsibility was transferred to ICASS overseas fleet managers. The Motor Vehicle branch centrally funds the acquisition and replacement of vehicles for a residual program fleet of approximately 1,200 vehicles. In FY 2011, the program vehicle budget was approximately $8 million. The rationale for maintaining a separate program funding element is not entirely clear, especially given the Department's drive to consolidate interagency vehicle fleets to reduce costs. However, program funding remains a logical option for overseas missions where the Department is the only agency or when it is necessary to meet emergency vehicle requirements after natural disasters or in other special circumstances.

Recommendation 5: The Bureau of Administration should realign the Motor Vehicle branch program vehicle acquisition budget to reflect a primary focus on supporting overseas missions without International Cooperative Administrative Support Services System vehicle funding. (Action: A)

Innovative Practice: Centralized Procurement of Right-Hand-Drive Vehicles

Innovative Practice: Centralized Procurement of Right-Hand-Drive Vehicles

Issue: The Department's general practice is to require the purchase of American-manufactured vehicles whenever possible, consistent with the Buy American Act, 41 U.S.C. 8301 et seq. There are 74 countries that use right-hand-drive vehicles. In countries where local conditions require purchase of right-hand-drive vehicles or where American-manufactured vehicles cannot be serviced, the Department issues waivers to permit purchases of foreign vehicles. Overseas missions are responsible for subsequent purchases.

Response: The Bureau of Administration's Motor Vehicle branch has set up a pilot program with GSA to facilitate the centralized procurement of right-hand-drive vehicles at a substantial discount over the commercial rate for such vehicles.

Result: This process will significantly streamline the contracting and acquisition timeframes for vehicle purchases and likely lead to substantial discounts for the U.S. Government. This program also will allow the manufacturer's vehicle warranty to be extended to vehicles sent overseas, potentially reducing repair costs and facilitating repair of vehicles under warranty. Contracting officers will also save time and money by procuring these vehicles from a single Department source.

Motor Vehicle Fleet Operations

Motor vehicle fleet operations include the full range of day-to-day responsibilities pertaining to motor vehicles: record-keeping, fuel management, safety, maintenance and repairs, and motor pool operating procedures, among others. As noted earlier in this assessment, the Department operates vehicles in an exceptionally diverse number of environments that make full standardization of fleet operations procedures impractical. In addition, under 22 U.S.C. § 2700, the Department has broad authority to provide transportation at overseas missions for U.S. Government employees and their families when public transportation is unsafe or unavailable, or when such use is advantageous to the government. These conditions vary depending on host country circumstances.

Additional economies and efficiencies may be obtained by implementing best practices and consolidating motor vehicle fleets, where possible. The Department's Regional Initiatives Council, which consists of representatives from ICASS, the geographic bureaus, and the Office of Management Policy, Rightsizing, and Innovation, has recently issued guidance on best practices pertaining to vehicle fleets. This guidance includes development of a best practices Web site and issuance of a worldwide cable with instructions to seek cost reductions for local transportation services. The Department is in the final stage of consolidating motor vehicle fleets with USAID, the result of a 9-year effort. These initiatives are likely to reduce costs and improve fleet efficiency over time.

Motor Vehicle Fleet Consolidation

Since 2003, the Department has worked to consolidate overseas motor pool services with USAID. This process is expected to be complete by the end of FY 2012. The process of consolidating motor vehicle services among agencies other than USAID is even more difficult. As noted in a recent Government Accountability Office audit,[14] other Federal agencies are not required to consolidate motor pool services under ICASS. To facilitate greater use of ICASS motor vehicle fleets for interagency customers who have requirements for dedicated or specialized vehicles, ICASS has recently developed a subcost center that allows direct charging of agencies for dedicated vehicle services. This mechanism in principle provides more flexibility to consolidate fleets under ICASS, regardless of funding source for the vehicle. With respect to the Department's internal fleets, the Department has consolidated some, but not all, of its overseas vehicles. Vehicles funded by DS, OBO, and INL still operate outside ICASS motor pools at many embassies.

Fleet Management Information System

Federal Management Regulation 102-34.340[15] requires agencies to implement a fleet management information system to identify, collect, and analyze motor vehicle data on the operation, maintenance, acquisition, and disposition of motor vehicles. The Department developed the ILMS Fleet Management Information System to comply with this mandate. This

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[14] *State Department and Other Agencies Should Further Explore Opportunities to Save Administrative Costs Overseas,* GAO-12-317, January 31, 2012.
[15] 41 CFR 102-34.340.

system was deployed to the Department's domestic motor pool in July 2011. Deployment of the system to select overseas missions commenced in FY 2011. The system provides visibility into all vehicle fleet expenses and operations and offers the possibility of automating many fleet management functions in coming years. The Department anticipates that, if funds are available, the deployment process will continue through 2014. In addition, the Office of Management Policy, Rightsizing, and Innovation has deployed a motor pool operations module in the eServices suite of administrative applications.

Motor Vehicle Policies

According to 14 FAM 432.5, chiefs of mission are required to prepare an annual vehicle policy memorandum setting out mission-specific policies pertaining to use of official vehicles. In mission inspections, OIG regularly makes recommendations to address motor vehicle policy issues such as noncompletion of motor vehicle use memoranda, failure to charge for home-to-office use of official vehicles (including use by deputy chiefs of mission and regional security officers), and inappropriate use of vehicles for home-to-office transportation. In general, the OIG team believes that the Department's motor vehicle use policies and regulations provide an adequate framework for controlling the use of official vehicles.

Motor Vehicle Disposal

Proper life-cycle management of vehicles requires disposal of those that are no longer needed or economical to operate. The Department faces a number of special challenges pertaining to vehicle disposal. These include managing excess vehicles at overseas contingency operations, overseeing the transfer of surplus vehicles from other agencies, and ensuring the proper disposal of armored vehicles. Each of these issues has been the subject of previous OIG inspections and audit recommendations or of recent corrective action by the Department.

Overseas vehicle disposal procedures differ depending on whether the vehicle is an ICASS vehicle, an armored vehicle, or a vehicle funded by a different Department bureau. Overseas missions must obtain preapproval from the appropriate program office to dispose of non-ICASS Department-funded vehicles. An overseas mission must dispose of vehicles within 6 weeks of receipt of authorization; otherwise, the mission must notify the owning agency and explain the reasons for not disposing of the vehicles. In addition, when disposing of armored vehicles, overseas missions must follow the procedures in 12 FAM 388.

In reviewing ILMS vehicle disposal statistics, the OIG team found that 1,307 government-owned motor vehicles were disposed of in FY 2011. During the previous 5 years, approximately 1,200 vehicles were disposed of annually, representing approximately 9 percent of the total fleet. On that basis, the OIG team notes that the overseas fleet replacement cycle is more than 10 years. Because the Department does not keep accurate records of repair costs, the cost-effectiveness and safety implications of retaining vehicles for longer periods cannot be ascertained. Local conditions may substantially affect a mission's ability to dispose of vehicles in a timely fashion. For example, most overseas missions conduct excess property sales only on an intermittent basis, and some host governments apply import taxes or prohibit disposal of certain classes of vehicles.

Armored Vehicle Disposal Issues

Regulations in 12 FAM 388 require that the disposal of all armored vehicles be coordinated with DS and the Bureau of Administration. For security reasons, all armored vehicles must be disposed of only by destruction. Among the approved disposal methods are explosive demolition, burning, crushing, or burial on U. S. Government-controlled land. Approximately 7 percent of armored vehicles were disposed of in FY 2011. Of the total numbers of vehicles reported as being driven 1 mile or less in FY 2011, approximately half were armored vehicles.

Reasons for not completing a proper armored vehicle disposal might include lack of embassy funds, lack of means for destruction, or lack of embassy attention. To ensure proper disposal of armored vehicles, in its inspection of DS's Countermeasures directorate, OIG recommended that DS establish a system for missions to dispose of armored vehicles in accordance with prescribed disposal requirements.[16] DS has developed an option to dispose of vehicles in Lorton, Virginia, for missions that do not have other disposal options.

[16] *Inspection of Bureau of Diplomatic Security/Countermeasures Directorate*, ISP-I-11-06, November 2010.

List of Recommendations

Recommendation 1: The Bureau of Administration should institute procedures to monitor the completeness and timeliness of overseas Motor Vehicle Fleet Survey data and report deficiencies to mission and Department of State senior leadership for review. (Action: A)

Recommendation 2: The Bureau of Administration, in coordination with the Bureau of Budget and Planning and the Office of the Under Secretary for Management, should conduct a study of the overseas vehicle fleet using the motor vehicle methodology of General Services Administration Bulletin FMR B-30. (Action: A, in coordination with BP and M/PRI)

Recommendation 3: The Bureau of Administration, in coordination with the Bureau of Budget and Planning and the Office of the Under Secretary for Management, should prepare an FY 2013 fleet management plan that includes overseas and domestic fleet elements. (Action: A, in coordination with BP and M/PRI)

Recommendation 4: The Bureau of Administration, in coordination with the Bureau of Diplomatic Security, should update and revise 14 FAM 432.2 to establish formal criteria for the allocation, replacement, and disposal of overseas vehicle fleets. (Action: A, in coordination with DS)

Recommendation 5: The Bureau of Administration should realign the Motor Vehicle branch program vehicle acquisition budget to reflect a primary focus on supporting overseas missions without International Cooperative Administrative Support Services System vehicle funding. (Action: A)

Abbreviations

Department	U.S. Department of State
DS	Bureau of Diplomatic Security
FAH	*Foreign Affairs Handbook*
FAM	*Foreign Affairs Manual*
FMO	Fleet Management and Operations division
GSA	General Services Administration
ICASS	International Cooperative Administrative Support Services
ILMS	Integrated Logistics Management System
INL	Bureau of International Narcotics and Law Enforcement Affairs
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
USAID	U.S. Agency for International Development

Appendix I: Objectives, Scope, and Methodology

OIG's Office of Inspections initiated this assessment under the authority of the Inspector General Act of 1978 and the Foreign Service Act of 1980, as amended. The objectives of this assessment were to determine (1) whether the Department has in place appropriate procedures to review the size, composition, and use of its motor vehicle fleets; and (2) whether the Department is implementing GSA's and industry's best practices in selected areas of vehicle fleet management.

To address the first objective, the OIG team examined vehicle fleet utilization data from ILMS's Asset Management and Fleet Survey modules and from GSA's Fleet Drive-Thru reports. The Department is required by Federal Management Regulation 102-34.330[17] to report annually to GSA information on motor vehicle fleet inventory, acquisitions, operating costs, mileage, and fuel use. To meet this reporting requirement, the Department collects information from ILMS, GSA's Fleet Drive-Thru reports, and manual records. Overseas missions are required by 14 FAM 437.3 to prepare the annual ILMS Fleet Survey Form. The data used to submit these reports constituted the main information source for this assessment. The OIG team took steps to remove outliers from the data prior to analysis. The team met with key stakeholders in the Bureau of Administration; DS; INL; OBO; the Office of Management Policy, Rightsizing, and Innovation; the Bureau of Resource Management/ICASS; and the geographic bureaus. The team also corresponded directly with a number of overseas missions concerning fleet management practices and followed up with specific questions.

The ILMS Fleet Survey data analyzed by the OIG team have a number of limitations. First, they do not take into account several factors that affect a mission's needs for vehicles. The data do not include a measure of vehicle criticality, for example. Vehicles such as ambulances or water trucks may have low mileage but can be critical to mission operations. The limitations of the available data also did not permit the team to determine whether vehicles driven less than 2,000 miles—a level of utilization used by GSA's vehicle allocation methodology contractor to identify potentially underutilized vehicles—were, in fact, underutilized, or to identify conclusively the reasons for underutilization, if so. In addition, the OIG team did not review fleet utilization records for the Department's government-owned domestic vehicles. Although the OIG team took steps to remove outliers from the data prior to analysis, the Fleet Survey data reflect incomplete reporting by many overseas missions. For example, 94 missions did not submit complete FY 2011 fleet survey reports, as required by 14 FAM 437.3.

To address the second objective, the OIG team reviewed best practices in GSA's *Guide to Federal Fleet Management* and identified four fleet management best practices for further review. The team identified two best practices in fleet management incorporated into GSA's Bulletin FMR B-30, which does not apply to the Department's overseas fleet but contains fleet management criteria that do apply to elements of the domestic fleet and may apply to the overseas fleet if the Department determines that it is in the best interest of the United States. Finally, from interviews with geographic bureau personnel, the team identified one best practice for the overseas context . The team then conducted interviews with geographic and functional bureau personnel to determine whether these best practices were incorporated into fleet

[17] 41 CFR 102-34.330.

management business practices for individually funded fleet components. Separately, the team also corresponded directly with fleet managers at overseas embassies that had especially high utilization rates, low numbers of vehicles, and low numbers of vehicles with less than 2,000 miles per year in their inventories.

Appendix II: Implementation of Best Practices

Because the Department's overseas fleets are diverse and operationally decentralized, it faces challenges in consistently implementing fleet management best practices. As noted earlier in this assessment, reported vehicle fleet efficiency varies widely among overseas missions. For example, Embassy London reported 42 vehicles in its official fleet for a mission with 521 authorized positions, a ratio of vehicles to employees of 12:1. Embassy Berlin reported 78 vehicles for a mission with 188 authorized positions, a 2.4:1 ratio. The reasons for different fleet sizes at missions with substantially similar operating environments are not readily apparent.

The OIG team interviewed bureau officials and managers to review fleet management practices that may be applicable worldwide. In addition, the team reviewed GSA's *Guide to Federal Fleet Management* to identify core fleet management best practices that may be applicable in a wide variety of operating contexts. Finally, the team surveyed missions identified as having especially efficient fleets for potential practices that could be applicable elsewhere. The team identified four GSA best practices: one from interviews with Department fleet managers, and two from GSA's Bulletin FMR B-30, which contains fleet management criteria that apply to some elements of the domestic fleet. The team then reviewed the fleet management practices to determine the extent to which such practices were incorporated. The list of best practices is discussed below.

- **Outsourcing of Motor Pool Functions:** According to geographic bureau representatives interviewed by the OIG team, outsourcing of vehicle functions can reduce fleet sizes and operating costs. Some overseas missions outsource a portion of their motor pool requirements to private sector vendors when it is cost efficient to do so. For example, the Bureau of Near Eastern Affairs reported that Embassy Cairo uses a contractor to provide expediter services at the airport. The Bureau of East Asian and Pacific Affairs noted that Embassy Canberra relies upon taxicabs to provide most official transportation, rather than embassy-operated vehicles. The Bureau of European and Eurasian Affairs noted that Embassy Zagreb uses a blanket purchase agreement for after-hours official transportation requirements to obtain services from a local taxi vendor.

- **Formal Written Fleet Management Policy:** According to GSA, a comprehensive fleet management policy and procedure manual provide an essential foundation for effective and uniform control of fleet assets. Most bureaus and overseas missions rely on general guidance in 14 FAM 430 and 6 FAM 1940 for vehicle operations. In addition, individual embassies prepare mission-specific motor vehicle memoranda concerning use of official vehicles. Several fleet managers in FMO have developed more specific fleet management policies for their operations.

- **Centralized Vehicle Acquisition, Allocation, and Disposal:** According to GSA, centralization of fleet management functions is a best practice. The Department's fleets are for the most part operationally decentralized, which makes the application of uniform criteria to the acquisition, allocation, and disposal of vehicles more difficult. Within the Department, some fleet management functions are centralized. For example, the DS Armored Vehicle Program centrally acquires and allocates most armored vehicles and must authorize disposal of any armored vehicle in the fleet. Among Department fleets, only FMO operates a fully centralized fleet.

- **Chargeback Mechanisms:** According to GSA, chargeback mechanisms make it easy for fleet managers to see the costs of underutilized vehicles and take appropriate corrective actions to remove them from fleets. Funding offices can more readily identify vehicle costs and implement life-cycle replacement through chargeback mechanisms. In principle, all Department vehicles, regardless of funding source, could be operated with a chargeback mechanism and a centrally managed life-cycle replacement mechanism. Within the Department, GSA fleet vehicles operate on a full chargeback system; overseas, ICASS vehicles operate on a chargeback system, but costs are aggregated into various cost centers and functions codes and are not readily visible to embassy managers. DS, INL, OBO, and program vehicles are not operated on a chargeback system.

- **Fleet Management Plan and Vehicle Allocation Methodology:** GSA Bulletin FMR B-30 outlines a process for rightsizing agency vehicle fleets, including a requirement for a formal, structured fleet management plan and vehicle allocation methodology for determining optimal vehicle mixes. These practices are now mandatory for all domestic Federal agency fleets except law enforcement fleets. They do not apply to overseas vehicles but may apply to the overseas fleet if the Department determines that it is in the best interest of the United States. No overseas fleet component has yet implemented a fleet management plan or vehicle allocation methodology.

Appendix III: Case Studies

As part of this assessment, the OIG team identified overseas missions with high vehicle utilization levels, low numbers of vehicles driven less than 2,000 miles, and relatively small vehicle fleets. The team surveyed these missions to identify operational practices that could be applicable elsewhere. Typically, missions reported making use of available fleet management tools such as eServices and Web.PASS, outsourcing services to taxicab companies, following a vehicle life-cycle replacement program, developing strong preventive maintenance programs, and employing fuel-efficient vehicles. In most cases, missions credited skilled local employees as essential to achieving positive fleet management results.

Embassy Ottawa

Embassy Ottawa operates one of the most efficient vehicle fleets in the Department. The embassy uses taxis for after-hours transportation to reduce overtime and vehicle requirements, follows a rigorous preventive maintenance program, and centralizes fleet management functions for Mission Canada in Ottawa, including asset management record-keeping. The embassy maintains a very low number of chauffeurs throughout the mission. Principal officers at constituent posts self-drive their own vehicles.

Embassy Tunis

Embassy Tunis reported that it had instituted a self-drive policy for certain vehicles; used taxis for weekend and night requirements; regularly reviewed fleet composition to ensure an adequate mix of sedans, light trucks, and service vehicles; and maintained a strong preventive maintenance program with adequately stocked parts and equipment to keep vehicles in good operating condition.

Embassy Skopje

Embassy Skopje reported a number of initiatives to maintain efficient fleet operations. These included instituting monthly reviews of motor pool efficiency using the Monthly Fuel Report and Fleet Summary Report, combining motor pool pickup requests whenever possible, using taxis for some requirements, strictly following preventive maintenance schedules, using vehicle warranties for covered repairs, and purchasing an appropriate mix of vehicles for fleet needs. Embassy Skopje noted that its locally employed motor pool manager was empowered to manage all aspects of motor pool operations.

Embassy Pretoria

Embassy Pretoria supports the second-largest overseas mission in Africa. The embassy has centralized vehicle asset management responsibilities for acquisition, replacement, and record-keeping in the office. The embassy maintains an average vehicle fleet age of 3 to 5 years, which reduces repair costs and downtime. Because the embassy purchases vehicles under a 3-year warranty, many repairs are covered at no cost to the government. The embassy conducts quarterly vehicle inspections, maintains a regular preventive maintenance schedule, and uses regional security office-approved taxicab companies to reduce overtime and vehicle requirements. The mission also uses a local bank's fleet management electronic application to manage fuel and toll payments, track repair schedules, and provide reports on vehicle needs and operations. The mission credited skilled local employees with successfully managing both fleet data and daily operations proficiently.

Embassy Tashkent

Embassy Tashkent noted that it had achieved efficiencies by using the eServices electronic application for motor pool dispatching, standardizing its fleet using GSA-procured American vehicles, and regularly procuring and disposing of vehicles to keep the fleet within acceptable age parameters. By acquiring and replacing vehicles according to recommended life cycles, the embassy reported that it reduced repair costs by thousands of dollars.

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