

Management of Mississippi's State-Owned Vehicles: Data Quality, the Control Environment, and Recent Statutory Changes

Executive Summary

Introduction and Background

State-owned vehicles constitute a significant portion of state equipment. Because of this—especially during years of budget shortfall—state fleets can come under tight scrutiny, making it imperative that decisions regarding vehicle management are conducted with economy and efficiency, that the needs of all stakeholders are considered when making management decisions, and that state agencies continually strive to conduct these activities in a fiduciary manner.

During the 2006 Regular Session, the Legislature established a comprehensive system for the management of state-owned vehicles and established a fleet management function within the Department of Finance and Administration (DFA) to promote efficiency in the acquisition and upkeep of state agency vehicles. The Bureau of Fleet Management (BFM) is tasked with “coordinating and promoting efficiency and economy in the purchase, lease, rental, acquisition, use, maintenance, and disposal of vehicles by state agencies.”

The State's Current Fleet Management Environment

According to the Department of Finance and Administration Bureau of Fleet Management, as of February 2017, the State of Mississippi had 7,145 fleet vehicles across 60 agencies with an acquisition value of \$193,973,583.82.¹ “Vehicles” includes passenger vehicles, such as sedans, small vans, SUVs, and trucks, as well as dump trucks, large flatbed trucks, and a fire truck. For fiscal year 2017, state entities purchased 420 vehicles with a combined acquisition value of \$12,687,133.48.

The operation of state fleet vehicles has many groups with a vested interest in how activities are conducted, including the Legislature, the Department of Finance and Administration, state agencies, the Office of the State Auditor, and taxpayers.

Proper and complete documentation of the state's vehicle assets is required for stakeholder interests as well as effective

¹Because of the vehicle inventory inaccuracies revealed during this analysis, the number and value of vehicles should not be considered exact but rather an approximation of the state's fleet as of February 2017.

fleet management—i.e., buying, selling, repairing, and allocating in a manner that maximizes their use and efficiency—in order to conduct the state’s business and make best use of its resources. Since 2014, the state has used MAGIC² for fleet management. MAGIC functions as a database and reporting system for recording information about state assets that can be accessed and analyzed by users.

Does Mississippi’s vehicle management system provide stakeholders the information they need to make best use of the state’s vehicle resources?

Data currently maintained in the state’s vehicle management system (i.e., MAGIC) is incomplete and unreliable. Such data as the number and types of state-owned vehicles; vehicle mileage, which indicates extent of use; and maintenance costs over vehicles’ life cycles, is lacking. Incomplete and inaccurate data on the state’s vehicle assets, prevents sound decision-making regarding the expenditure of state funds and inhibits oversight. Specifically,

- the Legislature cannot make data-driven appropriation decisions;
- the Department of Finance and Administration’s Bureau of Fleet Management cannot fulfill its mandate to coordinate and promote efficiency and economy in the purchase, lease, rental, acquisition, use, maintenance, and disposal of vehicles by state agencies;
- state agencies do not have the necessary information with which to make operational and replacement decisions; and
- the State Auditor’s Office is impaired in its ability to conduct vehicle property audits.

What has caused the deficiencies in the state’s vehicle data?

Several factors at both the agency level and the state level have contributed to the deficiencies in the state’s vehicle data.

State agencies have not maintained accurate vehicle information in MAGIC as required by BFM policy, primarily for the following reasons:

- Many state agency employees responsible for vehicle data input have not used MAGIC correctly or to its fullest capacity as a vehicle management tool.
- Users reported that they find the system complicated and cumbersome.

²MAGIC (Mississippi’s Accountability System for Government Information and Collaboration) is the state’s licensed version of a product used by business and government entities worldwide that is customized for the specific needs of the user.

- Agency staff turnover has impeded the implementation of MAGIC.

The Bureau of Fleet Management shares some responsibility in the deficiencies in the state's vehicle information. Specifically,

- Bureau of Fleet Management and Mississippi Management Reporting Systems staff have provided training on the fleet management system, but those training efforts have not resulted in any significant improvement in data quality or increased use of the system's various capabilities.
- The Bureau of Fleet Management has not required state agencies to comply with state law on reporting vehicle information before it authorizes the purchase of new vehicles. Thus, there have been no consequences for agencies that do not properly maintain vehicle data.

Are sufficient controls in place to protect against personal use of state-owned vehicles?

State law, Bureau of Fleet Management policies, and individual agency policies provide safeguards against misuse and abuse of state vehicles. However, increased BFM oversight and further guidance to agencies could bolster existing agency policies.

Because data in the state's fleet management system is inadequate to ascertain the number of commuter vehicles in the state, proper oversight of these vehicles is limited. DFA policy requires state employees to report specific information in their travel logs (e.g., purpose of each trip). However, PEER found that information contained in vehicle logs is inconsistent across agencies, and in many cases users do not follow DFA policy for reporting. These conditions create an environment for potential misuse and abuse. Furthermore, PEER found examples of questionable vehicle use.

In addition to the potential for misuse and abuse of state vehicles, when state vehicles are assigned commuter status, the Department of Finance and Administration provides little guidance to agencies on the taxable nature of such use other than directing them to IRS standards. Agencies have applied IRS standards inconsistently when dealing with the calculation of fringe benefits for personal vehicle use. The disparity in application risks the state being liable for any benefits not calculated and applied to state employees by the IRS and subject to fines, penalties, and interest payments.

What changes will House Bill 938 have on the state's vehicle landscape and BFM's oversight authority?

H.B. 938, 2017 Regular Session, places the state under a vehicle moratorium as of July 1, 2017, that limits the purchase of new vehicles and requires state agencies to utilize a "trip optimizer" system prior to official travel and acquire the lowest cost vehicle to carry out the agency mission. In addition, the BFM can now authorize vehicle purchases only when the agency's vehicle data that has been entered into MAGIC is accurate or after it has been corrected by the agency.

Recommendations

1. Because the Bureau of Fleet Management is statutorily required to maintain the data needed for informed decision-making related to vehicles, the Legislature should consider amending MISS. CODE ANN. Section 27-103-129(3)(b) to
 - delete the requirement that the Legislative Budget Office make recommendations on vehicle acquisition to the Joint Legislative Budget Committee;
 - add the requirement that the Bureau of Fleet Management should, in developing recommendations for vehicle acquisitions, consult with the Joint Legislative Budget Committee to determine what types of analyses would be most beneficial to the decision-making process;
 - delete the requirement that agency appropriations for vehicles be a separate line item in an appropriations bill; and
 - add a provision that appropriations bills for agencies using state vehicles contain language restricting the amount of funds an agency may expend in a fiscal year for the purchase of vehicles.
2. Because of changes in federal law and audit industry practices, as well as the current inventory capabilities in MAGIC, the Legislature should consider amending requirements for oversight and administration of inventories of state property set forth in Chapter 9, Title 29, MISSISSIPPI CODE OF 1972 to conform to these best practices and system capabilities. Specifically, the Legislature should amend the following:
 - Section 29-9-1 to provide that state agencies use Mississippi's Accountability System for Government Information and Collaboration (MAGIC) system, implemented and overseen by the Mississippi Management and Reporting Systems (MMRS), to satisfy the requirements of this section requiring agencies to maintain certain inventories;

- Section 29-9-7 to provide that the MAGIC Asset Management System be the master inventory for state agencies that operate within the MAGIC system;
 - Section 29-9-11 to require agencies to report additions and deletions to inventory to the Department of Finance and Administration using the MAGIC asset codes; and
 - Section 29-9-21 to require the Department of Finance and Administration to keep MAGIC statewide inventory records complete, current, and accurate.
3. The Bureau of Fleet Management and Mississippi Management Reporting Systems should develop a training survey for agencies operating vehicles to identify areas in which staff members do not fully understand how to use MAGIC correctly and of which modules and reporting capabilities they are unaware. The BFM should use agency responses to establish a mandatory, competency-based training program in which users responsible for vehicle management demonstrate that they have the knowledge and ability to use MAGIC correctly. The BFM and MMRS should consider requiring users to demonstrate competency through training simulations in MAGIC.
 4. By July 1, 2018, the Bureau of Fleet Management, with assistance from state agencies in possession of state vehicles, should audit vehicle records to ensure the accuracy of the inventory in MAGIC. The inventory should include all vehicles in service and should not include vehicles that have been sold.

In an effort to maintain the accuracy of the state's vehicle inventory, the Department of Finance and Administration should routinely consult with the State Auditor's Office on whether its property audits have revealed discrepancies in vehicle inventories. In turn, the Bureau of Fleet Management should work with these agencies to correct their inventories in MAGIC in a timely manner.

5. Because agencies are responsible for entering and maintaining accurate vehicle data in MAGIC, the Department of Finance and Administration should establish a policy in which the Executive Directors of agencies that are operating vehicles must submit to the Bureau of Fleet Management a yearly data integrity audit that certifies the accuracy of data in the system. The BFM and MMRS could provide procedures on how to conduct such an audit, and agencies could complete such an audit in house.
6. In order to comply with its mandate to approve vehicle purchases only if agencies have maintained accurate data in MAGIC, the Bureau of Fleet Management should conduct its own data integrity audits of agencies' vehicle management data using sampling procedures. As an

example of what to include in such an audit, the BFM could require that agencies submit travel logs on a sample of vehicles for a specified period, which could substantiate the following data entries in MAGIC: mileage, vehicle assignment type, driver assignment, and county.

Travel log review could also serve to improve compliance with DFA policy for reporting on daily trip logs.

7. After realizing improvements in data quality, the Bureau of Fleet Management should take steps to fulfill its mandate to coordinate and promote economy and efficiency, specifically as follows:
 - Monitor the size and composition of the fleet by tracking vehicle inventory accurately. Such data could be used to answer questions regarding changes and trends in the size and makeup of the fleet (e.g., the impact of vehicle moratoriums).
 - Assess whether there are underutilized vehicles that could be reallocated for maximum efficiency. Such vehicles could be found by creating a report in MAGIC that shows mileage figures by vehicle for any given time period.
 - Determine whether agencies are using vehicles efficiently. This assessment would need to include multiple criteria, including vehicle assignment type, asset class, age, mileage, and daily usage rates.
 - Identify the lowest cost vehicle for each vehicle class. The total life-cycle cost of a vehicle (i.e., the purchase price, operational cost, and disposal value) would more accurately represent a vehicle's cost to the state. Life-cycle costs could ultimately be expressed in a "cents per mile" measure by vehicle class or model for comparison purposes. Because life-cycle costs cannot be calculated until vehicles are out of service, these measures should be part of BFM's long-term fleet management strategy.
 - Develop break-even targets for vehicles (see Appendix C, page 37, for an example of break-even analysis).
 - Make sound procurement and allocation decisions by analyzing historical data regarding the requesting agency's past fleet needs and by ensuring before vehicle disposal that it is not feasible for another state agency to use the vehicle.
 - Assess the viability of existing state vehicles in order to make determinations about each vehicle's continued utility—i.e., when a vehicle should be replaced.

The Bureau of Fleet Management should conduct any further analyses that serve to strengthen its ability to manage the state's fleet.

8. The Department of Finance and Administration should provide guidance to state agencies on the taxable nature of personal use of state vehicles. The DFA should consider contracting with a competent tax professional to analyze IRS Publication 15-B, "Employer's Tax Guide to Fringe Benefits," and to write a guide for state agencies that will help ensure consistent application of IRS standards. Should the DFA choose not to contract with a tax professional, it should clearly define in its policies what constitutes personal miles versus business miles for income taxation purposes.

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