



#613
November 14, 2017

Report to the Mississippi Legislature

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

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 joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven 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 and three at-large members appointed from each house. 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 four Representatives and four Senators voting in the affirmative.

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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.

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November 14, 2017

Honorable Phil Bryant, Governor
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Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On November 14, 2017, the PEER Committee authorized release of the report titled
***Management of Mississippi's State-Owned Vehicles: Data Quality, the Control
Environment, and Recent Statutory Changes.***

A handwritten signature in cursive script that reads "Richard Bennett".

Representative Richard Bennett, Chair

This report does not recommend increased funding or additional staff.

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

Introduction

Authority

The PEER Committee reviewed the management of Mississippi's state-owned vehicles. The Committee acted in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

Scope and Purpose

Fleet management in Mississippi has undergone significant changes in recent years, including the implementation of a new statewide fleet management system in 2014 and several changes to fleet management laws during the 2017 Regular Session. In addition, the Legislature implemented a moratorium on state vehicle purchases for FY 2013, FY 2015, and FY 2018 in an effort to save money during difficult budget years. Vehicle use also represents an area that stakeholders, including legislators, have historically seen as susceptible to misuse and abuse.

Given these recent changes and legislative attention to state vehicles, PEER sought to review the current status and future direction of fleet management in the state. Specifically, PEER sought to address the following questions:

- What is the state's current fleet management environment?
- Does Mississippi's vehicle management system provide stakeholders the information they need to make best use of the state's vehicle resources?
- What has caused the deficiencies in the state's vehicle data?
- Are sufficient controls in place to protect against personal use of state-owned vehicles?
- What changes will House Bill 938 have on the state's vehicle landscape and the Bureau of Fleet Management's oversight authority?

Method

During the course of this review, PEER

- examined relevant sections of the MISSISSIPPI CODE OF 1972;
- interviewed personnel from the Department of Finance and Administration Bureau of Fleet Management and Mississippi Management and Reporting Systems, Office of the State Auditor, and Legislative Budget Office;
- selected the following 12 agencies that have vehicle inventories of various sizes:
 - Department of Finance and Administration,
 - Mississippi State Fire Academy,
 - Mississippi Forestry Commission,
 - Mississippi Development Authority,
 - Mississippi Department of Education,
 - Mississippi Department of Environmental Quality,
 - Mississippi Department of Transportation,
 - Division of Medicaid,
 - Mississippi Oil & Gas Board,
 - Mississippi Board of Pharmacy,
 - Mississippi Soil and Water Conservation Commission,
 - Mississippi Office of State Aid Road Construction; and
- interviewed personnel from the selected agencies.

See pages 10-11 for additional information on methods.

What is the state’s current fleet management environment?

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 are continually striving 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) would have the stated purpose of

...coordinating and promoting efficiency and economy in the purchase, lease, rental, acquisition, use, maintenance, and disposal of vehicles by state agencies...

This chapter will assess the current fleet management environment and answer the following questions:

- How many and what types of vehicles compose the state fleet?
- Who are the stakeholders in Mississippi’s statewide vehicle management system?
- How does the Bureau of Fleet Management conduct its duties?

How many and what types of vehicles compose the state fleet?

As of February 2017, the State of Mississippi had 7,145 fleet vehicles across 60 agencies with an acquisition value of \$193,973,583.82.³

According to the Department of Finance and Administration Bureau of Fleet Management, as of February 2017, the fleet inventory listed 7,145 vehicles in use by 60 state agencies and offices within them. “Vehicles” includes passenger vehicles, such as sedans, small vans, SUVs, and trucks, as well as dump trucks, large flatbed trucks, and a fire truck. The acquisition value (i.e., purchase price) for all 7,145 vehicles totaled

³Because 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.

\$193,973,583.82. As one might expect, the Department of Transportation owns the largest number of vehicles among all state agencies by far with 2,366 (33%), followed by the Department of Public Safety with 936 (13%). Of the other 10 agencies reviewed for this report, the Board of Pharmacy had the fewest with six.

For fiscal year 2017, state entities purchased 420 vehicles with a combined acquisition value of \$12,687,133.48.

Who are the stakeholders in Mississippi's statewide vehicle management system?

Among the entities and individuals with a stake in the state fleet are the Legislature, the Department of Finance and Administration and its Bureau of Fleet Management, various state agencies that use fleet vehicles, the Office of the State Auditor, and taxpayers.

As with most areas of state government, the operation of state fleet vehicles has many groups with a vested interest in how activities are conducted. Stakeholders in the state's fleet management operations are the Legislature, the Department of Finance and Administration, state agencies, the Office of the State Auditor, and taxpayers.

The Legislature

The Legislature not only has the responsibility to pass laws that govern the use of state vehicles, but it also makes appropriations for the purchase of vehicles. Under MISS. CODE ANN. Section 25-1-77, the Legislature has codified the majority of the responsibilities for overseeing the operations of state fleet vehicles and assigned this responsibility to other areas of state government. However, through the annual appropriations process, the Legislature provides direction to state agencies on the expenditure of funds for state fleet vehicles. In addition, the Legislature makes the laws that govern the fleet, including those that limit or prohibit purchases of vehicles.

Moreover, the Legislature's primary responsibility is to use state resources wisely, maintain public confidence, and ensure the future viability of the state. Without complete inventories of state-owned assets, legislators are hampered in their abilities to make informed appropriations decisions in the best interest of the state.

Department of Finance and Administration

The DFA, through its Bureau of Fleet Management, administers the state fleet with an overall goal of promoting economy and efficiency. In addition, the BFM, along with Mississippi Management and Reporting Systems (MMRS) staff, are responsible for training employees to use fleet management software for oversight of fleet vehicles and their use. The

Bureau of Fleet Management, created under MISS. CODE ANN. Section 25-1-77, has duties to coordinate and promote efficiency and economy in the “purchase, lease, rental, acquisition, use, maintenance and disposal of vehicles by state agencies.”

In addition, the BFM, in conjunction with the Legislative Budget Office, is required to provide recommendations during the budget process in regard to fleet vehicles.

Agencies That Operate State Fleet Vehicles

State agencies purchase vehicles to carry out their respective missions with funds allocated by the Legislature. As the end-users of state fleet vehicles, agencies are responsible for oversight of vehicles in accordance with state law and BFM policy as well as their own policies and procedures.

Office of the State Auditor

The State Auditor is statutorily charged with conducting property audits to ensure that all state property is accounted for and being used and disposed of appropriately. Having accurate and complete information about the fleet gathered through audit ensures compliance with state law and expectations regarding state spending.

Taxpayers

Providing the majority of the funds on which a state operates, taxpayers are ultimately the party to whom state government owes its fiduciary responsibility. Taxpayers want and need assurances that the taxes they pay to the state annually are spent wisely. Vehicles represent a visible and expensive asset that could call into question the use of state funds. Taxpayers can reasonably expect the state to manage state funds responsibly, including when purchasing equipment and other high-cost assets, such as vehicles. Without transparency and accountability in fleet management, the state may be violating that responsibility. The ability to track and evaluate how state money is spent is paramount to public confidence in state government.

How does the Bureau of Fleet Management conduct its duties?

The Bureau of Fleet Management's responsibilities include establishing rules and regulations for agency use of vehicles; to specify proper fleet management practices; to acquire fleet management software; and to require agencies to provide the information necessary to monitor the size, use, maintenance, and disposal of state vehicles. The BFM carries out these duties through the statewide procurement system, MAGIC.⁴

Fleet management enables the state to ensure a sufficient number of available and appropriate vehicles for conducting the business of the state, ensures control of the inventory, and, ultimately, helps to control costs associated with the fleet.

The Bureau of Fleet Management establishes the rules and regulations for agencies to follow regarding vehicles. This includes acquisition of the software that agencies use to record data on vehicles in their possession, such as make, model, function, etc., and requiring agencies to record that information using the software so that the BFM can monitor size, use, and disposal of vehicle assets.

Fleet management consists of five main areas: procurement; control and use; operations, repairs, and maintenance; disposal; and inventory control. These areas work in concert to accomplish the overarching goal of fleet management, that is, to curtail the cost of owning and operating the state's vehicle assets.

Procurement

Effective management of the state fleet begins at the procurement stage, i.e., the point at which decisions are made to add vehicles to the fleet. Policies and procedures affecting procurement guide the assessed need for vehicles and the specifications in situations in which a certain type (e.g., heavy-duty truck) of vehicle is required to accomplish clearly defined responsibilities.

Control of Use

Control of use refers to the established parameters on who can use an asset, when they can use the asset, and for what purposes.

According to BFM policy, vehicle assignment type provides the most basic level of usage control. Every vehicle is to be designated as a non-commute, commute, or law enforcement vehicle, the designation stipulating the purpose for which it is to be used.

⁴MAGIC (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. Training and implementation of MAGIC have been ongoing since its adoption in 2014.

Operations, Repairs, and Maintenance

Because vehicles represent both a substantial monetary and durational commitment of state resources, the Bureau of Fleet Management implements policies to ensure that recommended maintenance schedules for each vehicle are upheld. The BFM has incorporated minimum scheduled maintenance recommendations into the current fleet management system, MAGIC, that can be used as a guide. All maintenance and repairs performed on state-owned vehicles must be documented and retained for the life of the vehicle. All maintenance and repair information and costs should be entered into MAGIC on a monthly basis.

Disposal

Disposal—removing from operation vehicles that are no longer cost-efficient, are unsafe, or have reached state-established guidelines for usage or lifespan (six years or 120,000 miles, whichever comes first)—can be by sale, trade, or transfer to another agency. Regular assessment of vehicles for disposal on a statewide basis and across agencies allows for optimal efficiencies, for example, whether the lifetime use and mileage has been maximized or the vehicle is eligible to be used for other state agency purposes.

Fleet Management System

Proper and complete documentation of the state's vehicle assets is required for effective fleet management—i.e., buying, selling, repairing, and allocating vehicles 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 MAGIC 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. The process for vehicle procurement, described in brief, follows:

- A purchase request for a vehicle begins with an agency's purchasing department creating a purchase order in the "Purchasing" module of MAGIC (see a flowchart of the purchase process, Appendix B, page 36). MAGIC automatically generates an asset shell (or record) using the purchase order details—i.e., type of asset, such as a vehicle, and initial purchase price.
- After internal approval by agency management (a process that varies depending on the size of the agency), the purchase order will automatically route to the Bureau of Fleet Management for oversight approval. The BFM reviews fleet information that has been recorded in MAGIC to assess the agency's need for a new vehicle (that is, examines the current composition and utilization of the agency's fleet and the overall state fleet). If the BFM approves the purchase, it then assists the agency in purchasing the

lowest cost option that will meet its needs. These lowest cost options should be identified by analyzing data on vehicle purchase prices and historical life-cycle cost of operation.

- When the agency receives the vehicle, the recipient will enter a goods receipt into MAGIC. The goods receipt entry will place the asset “in-service.” The asset capitalization date is added from the goods receipt and value is posted using the unit price on the purchase order. The vehicle’s depreciation cycle begins at that point.
- The agency’s property officer then completes relevant data on the asset record, such as inventory number and county. The agency’s property officer communicates to the fleet coordinator that the equipment record is ready for completion. The agency’s fleet coordinator finalizes the vehicle setup, which includes steps to complete the equipment record, create measuring points, post the initial odometer reading, and assign vehicle driver (if applicable). The fleet coordinator will also provide Fuelman⁵ with the vehicle inventory number so that automatic postings occur via the Fuelman to MAGIC interface.

It is imperative that the asset and equipment shells (i.e., records) be completely populated, which, in essence, is a two-step process, before placing the vehicle into service. If data fields are not completed or incorrect information is entered, users cannot perform analyses or produce reports. (See Appendix A, page 35, for a list of data fields.) In addition, system problems may occur, such as failure to integrate vehicle utilization information properly from Fuelman, such as fuel purchases, maintenance, and repairs. (For more information on the impact of these errors, see pages 11–18.)

A fully functioning and fully utilized MAGIC system is fundamental to BFM monitoring of assets from procurement to disposal. The system must be able to track this type of information and provide the Bureau of Fleet Management with reliable data if it is to accurately assess the ongoing operations of the fleet and make informed decisions.

⁵Fuelman is a commercial fleet fueling service that offers customers the ability to purchase fuel at a discounted rate, purchase discounted maintenance services, and examine spending reports for these purchases to track a vehicle’s usage patterns. Fuelman can offer these discounts through use of a network of participating merchants who offer refueling and vehicle maintenance services. The state’s current contract with Fuelman runs through February 28, 2018, but includes a one-year renewal remaining on the contract.

As users of Fuelman, agencies are issued procurement cards that may be used at participating fuel and service stations for the purchase of vehicle-related items. For fuel purchases, a user will scan his or her card; enter a “PIN” number, followed by the current mileage of the vehicle; and then fuel the vehicle.

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

The incomplete and unreliable information currently in the state's vehicle management system (i.e., MAGIC) prohibits sound decision-making on how best to use the state's vehicle resources for the benefit of state residents.

The primary stakeholders in fleet management, as described on pages 4-5, have clear responsibilities and expectations regarding the state's fleet. In order to perform their respective functions effectively, comprehensive data on all state-owned vehicles must be available. MISS. CODE ANN. Section 25-1-77(2)(d) mandates that the DFA "*acquire fleet management software and require agencies to provide necessary information for the bureau to properly monitor the size, use, assignment, maintenance and disposal of the state's fleet of vehicles.*" Such language further reinforces the necessity of vehicle data in order for the BFM to perform its statutory responsibilities.

In accordance with state law, the *BFM Rules and Regulations Fleet Manual* provides the following requirement for agencies to report vehicle information:

Each agency shall be responsible for entering and maintaining accurate data monthly about each motor vehicle that it owns, operates or otherwise controls into the State of Mississippi Fleet/Asset reporting system.

(Effective July 1, 2014, MAGIC became the state's fleet/asset reporting system.)

Collection of such data over time can answer questions critical to fleet management, such as the following:

- Does the state have a sufficient number of vehicles or more than needed to perform its business?
- Which types of vehicles have the lowest life-cycle costs and should be considered for state contracts?
- Are there underutilized vehicles in the state that can be reallocated for other purposes?
- At what point of operation is the procurement of a vehicle more cost effective than reimbursement for the use of a state employee's own vehicle?

The Department of Finance and Administration also requires that agencies maintain daily trip and usage logs in-house. The *Rules and Regulations Fleet Manual* states that each daily trip log must contain certain components (e.g., beginning and ending odometer reading) and must be kept for at least three years. Logs are subject to audit by the BFM and the Office of the State Auditor. This information is necessary to determine whether there is misuse or abuse of vehicles (see pages 22-26

for discussion of potential for misuse and abuse of state vehicles).

Given the importance of accurate state vehicle data to inform decisions, this chapter addresses the following questions:

- Does the state's vehicle management system contain complete and reliable data?
- How does limited or unreliable data in the state's vehicle management system affect the Legislature?
- How does limited or unreliable data in the state's vehicle management system affect the DFA Bureau of Fleet Management?
- How does limited or unreliable data in the state's vehicle management system affect state agencies?
- How does limited or unreliable data in the state's vehicle management system affect the State Auditor?
- How does limited or unreliable data in the state's vehicle management system affect taxpayers?

Does the state's vehicle management system contain complete and reliable data?

Data currently maintained in the state's vehicle management system (i.e., MAGIC) is incomplete and unreliable. Critical data, such 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.

PEER requested from the Bureau of Fleet Management a complete inventory of all state-owned and -operated vehicles and their associated expenditures. In response, the BFM provided a spreadsheet containing its accounting of a complete inventory of the statewide vehicle fleet for the month of February 2017 as represented in MAGIC, along with usage and expenditure categories for each vehicle. PEER review of this data revealed numerous instances of incomplete, missing, inaccurate, and questionable entries for the state's fleet; therefore, the data is unreliable for decision-making purposes. For example, PEER found the following:

- little or no data relating to the operation, e.g., vehicle assignment type, such as commute; mileage; or expenses (e.g., maintenance and repair costs) associated with a significant number of vehicles—for example, 6,170 vehicles (86%) had no assignment type and 4,048 (57%) had no preventive maintenance cost;
- of those vehicles with reported mileage figures, 21% had entries of at least 1 million miles in MAGIC;
- of those vehicles with reported miles per gallon, 32% had entries of at least 100 miles per gallon in MAGIC; and
- inclusion of a .22 caliber rifle in the inventory.

PEER also conducted fieldwork within the 12 selected agencies to assess agency-level and vehicle-level recordkeeping. Comparing records retained at the agency level with those housed in MAGIC, PEER found instances of vehicles operated by the state but absent from the state vehicle inventory provided by the Bureau of Fleet Management. Also, PEER observed instances in which vehicles no longer owned or operated by the state remained listed as active vehicles within the inventory (see pages 17-18 for more information).

Finally, PEER found examples of inaccurate and/or incomplete information from Fuelman (primarily mileage figures) recorded in MAGIC. Agencies (through a contractual relationship negotiated by the BFM) can use a Fuelman-associated procurement card for fuel and other automotive services. In addition, Fuelman has the capability to automatically link vehicles and their related spending data from the card from its database to MAGIC with no additional steps required by agency personnel. (For this integration to occur within MAGIC, an agency's fleet coordinator must complete the equipment record setup and provide Fuelman with the vehicle inventory number to link the card to the vehicle.) Some of this information includes gallons purchased, the cost of fuel, and fees for oil changes or other automotive services. PEER found that not all information from Fuelman was being accurately integrated with the Equipment Master module of MAGIC.

The following sections describe how limited and unreliable data affects state fleet stakeholders.

How does limited or unreliable data in the state's vehicle management system affect the Legislature?

Without complete and accurate data on the state's vehicle assets, the Legislature cannot make data-driven appropriation decisions. In addition, lack of complete information limits oversight to ensure that money appropriated for vehicles is spent as intended.

Effects of limited and unreliable data on the Legislature include having inadequate information for legislative budget recommendations and for appropriations decisions.

Inadequate Information for Legislative Budget Recommendations

The information currently maintained in the fleet management system is incomplete and unreliable, and the self-reported budget request information for some of the 12 agencies reviewed by PEER was inaccurate; thus, the Department of Finance and Administration and the Legislative Budget Office cannot make vehicle recommendations to the Joint Legislative Budget Committee

based on break-even analyses⁶ and travel patterns as described in statute. This situation impedes the JLBC's ability to make sound recommendations regarding vehicles to the Legislature for appropriations decisions.

MISS. CODE ANN. Section 27-103-129(3)(b) states:

The Legislative Budget Office and the Department of Finance and Administration shall offer a recommendation to the Joint Legislative Budget Committee on all agency requests for vehicles. In making the recommendation, the Legislative Budget Office and the Department of Finance and Administration may consider break-even analyses for the kind of vehicle requested, the travel patterns of the person for whom the vehicle shall be acquired, and shall determine if there exist surplus vehicles in the possession of other agencies that could be used as a substitute for a new vehicle and why such vehicle should not be used.

The DFA and LBO are unable to provide recommendations on vehicle requests as required by law because neither the information maintained in the fleet management system nor the information reported in budget requests is sufficient to provide the analysis needed for the types of recommendations contemplated by statute (e.g., transfer of a vehicle from one agency to another). Consequently, the Joint Legislative Budget Committee must make budgetary recommendations based on limited and sometimes inaccurate data, as described previously.

Break-even analysis (discussed further in Appendix C, page 37) and identification of surplus vehicles heavily depend on the quality of information collected from the inventory pulled from MAGIC. Travel patterns require analysis of written travel logs kept at the agency level.

Inadequate Information for Appropriations Decisions

During the appropriations process, decision-makers in each step must have complete information if they are to make data-driven, objective decisions on how to expend state resources.

The budget appropriation process requires the joint efforts of state agencies, the Legislative Budget Office, the Revenue Estimating Committee, the Department of Finance and Administration, the Joint Legislative Budget Committee, the Governor, and the Legislature. The appropriations process consists of budget requests from agencies for the next fiscal year, estimation of the next fiscal year's revenues, publication

⁶Break-even analysis is a business analysis tool that examines costs associated with an asset to establish break-even points for certain management decisions. Typical break-even points in fleet management include when purchasing a vehicle costs less than reimbursement or when selling a vehicle generates more funds than anticipated future repair costs.

of the Governor's budget recommendations to the Legislature for appropriations, issuance of the legislative budget recommendations to the Legislature, and appropriations during the legislative session. For the appropriation process to allocate resources across state agencies, decision-makers require complete and accurate information to make objective, well-founded decisions on how to expend state resources.

In terms of vehicles, the Legislature must be able to examine a complete and accurate accounting of costs and utilization data to determine appropriate allocation of funds to agencies so that decisions are based on true needs and fleet conditions.

Limited Oversight to Ensure Appropriated Money for Vehicles Is Spent as Intended

MISS. CODE ANN. Section 27-103-129 (3)(b) states:

The purchase of vehicles by an agency shall be a specific line item in the agency's appropriation bill.

During recent past sessions, the Legislature has begun making "lump-sum" appropriations to most state agencies without including specific line item authority for vehicle purchases.⁷

By analyzing annual budget requests of the 12 state agencies selected for this review, PEER noted instances in which agencies did not actually purchase vehicles listed in their budget requests after they received their appropriations from the Legislature. The Legislature's oversight of vehicle purchases falls to the Bureau of Fleet Management, which reviews and approves vehicle purchase requests, and purchase requests should be consistent with vehicles included in each agency's annual budget request.

How does limited or unreliable data in the state's vehicle management system affect the DFA Bureau of Fleet Management?

The Department of Finance and Administration's Bureau of Fleet Management is charged under MISS. CODE ANN. Section 25-1-77 with "coordinating and promoting efficiency and economy in the purchase, lease, rental, acquisition, use, maintenance and disposal of vehicles by state agencies." Lacking sufficient data, the bureau cannot carry out its primary duties in the manner intended by statute.

Other than its responsibility to hold title to state fleet vehicles, the Bureau of Fleet management effectively cannot fulfill its mandate because unreliable and incomplete data prevent sound decision-making in the following ways:

⁷During the 2016 Regular Session the Legislature did include line item authority to purchase vehicles for the Mississippi Department of Transportation, Department of Public Safety, and Department of Wildlife, Fisheries and Parks.

Reduces Ability To Properly Monitor Size, Use, Maintenance, and Disposal of Vehicles

As long as the fleet management system is not fully utilized (i.e., the data fields for individual vehicles are not fully populated) or its full fleet management functionality realized (i.e., users do not take advantage of all of MAGIC's capabilities), the Bureau of Fleet Management is unable to track inventory accurately or determine appropriate fleet allocation.

When data on maintenance is not inputted or integrated with the state's Fuelman system, which has the ability to link service performed to specific vehicles, the BFM cannot confirm proper maintenance and repairs and determine when a vehicle has reached the end of its service life.

Furthermore, when mileage data and other details about usage, such as excessive wear and tear or habitual mechanical problems, are not logged, the BFM cannot properly evaluate a vehicle's continued utility or make decisions about the appropriate time to sell, trade, or transfer a vehicle—possibly impacting value when the vehicle is disposed of.

Impedes Ability To Reassign Vehicles

State-owned vehicles may be transferred from one state agency to another state agency with approval from the Bureau of Fleet Management. The BFM may consider reassignment, for example, when it finds an underutilized vehicle within an agency that can meet another agency's needs. However, lack of proper accounting of mileage or inconsistent recording in the fleet management system that would provide accurate utilization information limits the BFM in its ability to routinely and easily assess whether there are underutilized vehicles that could be reallocated for maximum efficiency.

Compromises Ability To Determine Efficient Usage Practices of State Agencies

Evaluation of efficiencies in vehicle use requires assessment of several criteria, including assignment type (commute, non-commute, law enforcement), asset class (e.g., sedan, light-duty truck, etc.), age, and utilization. When these elements are not accurately or fully recorded in the fleet management system, any determinations made regarding efficient usage are conjecture.

Hinders Ability To Make Procurement and Allocation Decisions

Agency purchase, rental, lease, or acquisition of a vehicle can be made only with BFM approval and verification that the vehicle requested is the lowest-price option to carry out the agency's needs. Historical data regarding the agency's past fleet needs is paramount for making an accurate assessment.

Also, to identify lowest cost vehicles, the BFM must have accurate life-cycle costs of various vehicle models. Life-cycle costs include purchase price, operational costs, and disposal value and therefore cannot be calculated until vehicles are out of service.

In addition, before disposal or sale of any vehicle, the Bureau of Fleet Management must determine that the lifetime use and mileage of the vehicle has been maximized and that it would not be feasible for another state agency to use the vehicle. If such information is not properly entered into the fleet management system or is entered inconsistently across agencies, the BFM cannot make proper determinations.

Precludes Ability To Develop Break-Even Targets

Limited or inaccurate data prevents the Bureau of Fleet Management from developing break-even targets for specific vehicle types. A break-even target is the dollar amount at which the value gained equals the amount spent. Such comparison demonstrates whether the procurement of a specific vehicle is the most cost-effective option and at what utilization rate. If decisions are made without calculation of break-even targets, the state may spend significantly more money than is needed to operate state vehicles.

In order to promote economy and efficiency, state law allows the BFM to consider several methods for procuring the vehicles necessary to conduct state business (e.g., lease or reimbursement for private vehicle use). A comparison of the relevant costs associated with each method should be made to determine which is most cost-effective (a break-even analysis⁸). However, as each method represents the expenditure of funds, often at different amounts and at different times, an analysis of these expenditures through the life-cycle of each vehicle is necessary.

Within this break-even analysis, the point of operation at which one method becomes more cost effective than another method is called the break-even point (see Appendix C on page 37 for an example of break-even analysis).

Limits Ability to Ensure Agency Compliance with BFM Rules and Regulations

Agencies are required to maintain documentation on the intended use of a vehicle and the basis for choosing the vehicle and to show that diligent efforts were made to procure the vehicle at the lowest cost for its intended use. When an agency is found to be in noncompliance of this BFM regulation, the BFM has a statutorily defined duty to report

⁸For purposes of this report, break-even analysis means analysis of the different methods of available procurement to determine which available method of vehicle procurement will produce results that are the most economical and efficient for the state based on a given scenario of operation.

the violation and ensure that the violation is rectified within five days. If not, the BFM may seize the vehicle and dispose of it as it deems appropriate.

BFM's ability to ensure that agencies are acquiring approved vehicles at the lowest cost and for the purposes intended is sorely compromised if vehicle records are incomplete, inconsistent, or in error.

How does limited or unreliable data in the state's vehicle management system affect state agencies?

Because the information currently in the fleet management system does not contain all necessary data on state-owned vehicles, state agencies do not have complete information with which to make operational and replacement decisions. Thus agencies have no assurance that they are operating efficiently or that they can defend their fleet needs and allocation decisions.

Good agency fleet management practices involve tracking utilization information and ensuring that the fleet is being used efficiently. Lack of such information impairs operational and replacement decision-making, the ability to assess operational activity and vehicle needs, and the defensibility of allocation decisions.

Reduces Ability to Assess Operational Activity and Efficiency

Although the Bureau of Fleet Management is tasked with the overall operation of the fleet, agencies bear the vehicle purchase and operational costs and must be able to assess efficiency in the operation of these vehicles to maximize resources.

Agencies are currently unable to utilize MAGIC to assess the usage of vehicles (how many miles cars are being driven during a given period), the costs of operating vehicles (such as preventative maintenance, corrective repairs, and fuel), or the frequency of vehicle operation—components critical to the assessment of fleet efficiency.

Reduces Ability to Assess Agency Fleet Needs and Defend Allocation Decisions

With competition for funding increasing each year, agencies need to be able to clearly demonstrate the demand for the vehicle funds they request.

An agency requesting a vehicle must provide expected annual usage figures (miles traveled) for the prospective vehicle. Access to accurate historical information from the fleet management system enables agencies to make such estimations based on past usage patterns. The lack of historical information lessens the defensibility of decisions about the vehicle needs of the agency as a whole.

How does limited or unreliable data in the state's vehicle management system affect the State Auditor?

The lack of an accurate statewide vehicle inventory impairs the ability of the State Auditor's Office to conduct vehicle property audits, which are intended to reduce the risk of theft and loss.

MISS. CODE ANN. Section 29-9-1 provides that the State Auditor of Public Accounts shall require the "heads of all state agencies to make an inventory of all lands, buildings, equipment, furniture, and other personal property owned by or under the control of the respective agencies." MISS. CODE ANN. Section 29-9-7 requires the State Auditor to compile from the inventories submitted by state agencies one master inventory for the state as a whole. MISS. CODE ANN. Section 29-9-13 further requires representatives of the State Department of Audit to make a "check or physical audit of the actual items or properties" shown on state agencies' inventories.

While these CODE sections require the State Auditor to compile a master inventory of state property and make physical audits of such property, the State Auditor is currently not involved either in compiling a master inventory or checking its accuracy. The federal "Sarbanes-Oxley Act of 2002" and audit industry practices prohibit an auditor from providing bookkeeping or other accounting record services and performing audits of those records.

Regarding vehicles, staff of the State Auditor's Property Division conducts physical audits by physically comparing inspected vehicles to state agencies' inventory lists maintained in MAGIC (for agencies under MAGIC's purview). The lack of an accurate statewide vehicle inventory in the MAGIC system impairs the State Auditor's ability to conduct property audits of vehicles.

Inaccurate Information Precludes Accurate Physical Audits of Vehicles

As part of this review of select state agencies' vehicle management practices and compliance with Bureau of Fleet Management policies, PEER conducted field inspections to compare vehicle information contained in MAGIC (as well as documentation internally maintained by agencies) with the actual vehicles located at the agencies. PEER found errors in the MAGIC data that would preclude the State Auditor from being able to account accurately for the agencies' vehicle inventory. For example:

- Prior to PEER's field inspection, two agencies had disposed of six vehicles although information for the vehicles continued to be included in the agencies' vehicle management data in MAGIC.
- One agency had seven vehicles that had been purchased since 2015 and physically inspected by PEER whose vehicle

management data had not been entered into MAGIC and therefore they did not appear on the agency's inventory list.

- Two vehicles at one agency had vehicle identification numbers entered in MAGIC that did not match the vehicles' assigned inventory numbers.

Property officers reported to PEER that they had attempted to correct errors in MAGIC identified by PEER but had been unsuccessful. Without accurate vehicle information in MAGIC, the State Auditor's Property Division cannot accurately conduct physical audits to account for vehicles located at state agencies and ensure compliance with state laws and Bureau of Fleet Management regulations.

How does limited or unreliable data in the state's vehicle management system affect taxpayers?

The lack of an accurate and complete statewide vehicle inventory may raise taxpayer questions of accountability in the eyes of taxpayers.

Taxpayers rely on the decisions made by the Legislature and state agencies to fund programs and services and to use taxpayer dollars responsibly in conducting state business while ensuring the future viability of such programs and services. State agencies and the Legislature have a fiduciary responsibility to uphold that expectation. The lack of an accurate and complete statewide vehicle inventory may raise questions of accountability, and taxpayers stand to lose confidence in officials if they perceive that funds are being expended inappropriately or unwisely.

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. This chapter will address both.

Factors at the Agency Level That Have Contributed to the Deficient Data

Although BFM policy requires that state agencies enter and maintain vehicle information in MAGIC, state agencies have not consistently done so, 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.
- Agency staff turnover has impeded the implementation of MAGIC.

The BFM *Fleet Manual* provides the following requirement for agencies to report vehicle information:

Each agency shall be responsible for entering and maintaining accurate data monthly about each motor vehicle that it owns, operates or otherwise controls into the State of Mississippi Fleet/Asset reporting system.

(Effective July 1, 2014, MAGIC became the state's fleet/asset reporting system.)

However, agencies have not complied with this policy. PEER found three primary reasons why agencies have inaccurate information in MAGIC.

First, many state agency employees who are responsible for vehicle data input have not used MAGIC correctly; PEER's review of the vehicle inventory provided by the Bureau of Fleet Management showed that many vehicle records were not being completed or were being completed inaccurately. Department of Finance and Administration and Mississippi Management Reporting Systems officials indicated that they believe agencies do not place a high priority on entering and maintaining vehicle information.

Also, agencies reviewed do not use MAGIC to its fullest capacity as a vehicle management tool. PEER analysis revealed that agencies conduct fleet management in various ways, including relying on legacy vehicle inventory accounting systems that did not interface with MAGIC, agency-developed internal recordkeeping programs that interfaced with MAGIC, and partial use of MAGIC. The underlying theme to these reviews was that agencies do not use MAGIC as a vehicle management tool and only use MAGIC when necessary (i.e., to submit a purchase request). These situations prove counter-

productive to the state's efforts to use MAGIC as the primary system for fleet management.

Second, users reported that they find the system complicated and cumbersome. Because accurate completion and setup of each vehicle's asset master record is necessary to fully utilize MAGIC's components to track the operation and usage of the vehicle, if required fields are not completed or are completed inaccurately, a breakdown in the transfer of information between components of MAGIC can occur and create errors in MAGIC's interface with third-party software, such as Fuelman. Because users do not receive hard-stop error messages that force them to complete all required fields before moving on or exiting the system, users may think they have completed vehicle records correctly and completely when in fact they have not (see pages 29-30 for discussion of required data fields).

Third, agency staff turnover has impeded the implementation of MAGIC. In one agency PEER found an instance in which a staff member had entered data into MAGIC accurately and completely prior to leaving the agency in 2015; however, the employee who became responsible for data input afterward did not enter data into MAGIC accurately or completely. Consequently, the agency's data is unreliable. If an agency does not ensure that its employees receive adequate training in a timely manner, especially in cases of staff turnover, optimal performance of MAGIC is severely impeded.

The following sections provide additional information related to the state's training on the use of MAGIC.

Factors at the State Level That Have Contributed to the Deficient Data

As the entity statutorily mandated to require agencies to use the fleet management system to facilitate analysis of vehicle data for monitoring and managing state vehicles, 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 purchase of new vehicles. Thus, there have been no consequences for agencies that do not properly maintain vehicle data.

MISS. CODE ANN. Section 25-1-77(2)(d) mandates that the Department of Finance and Administration "*acquire fleet management software and require agencies to provide necessary information for the bureau to properly monitor the size, use, assignment, maintenance and disposal of the state's fleet of vehicles.*" Thus, while the burden of maintaining accurate vehicle information may not be the *assigned* responsibility of the Bureau of Fleet Management, doing so is

mandatory for the successful execution of BFM's mission, and the BFM is responsible for requiring agencies' use of the system.

Prior to MAGIC's launch, MMRS staff conducted five fleet management training courses, attended by an average of 83 agency staff. Since MAGIC's launch, the MMRS has provided two fleet management training courses. Also, the MMRS has developed training materials (e.g., job aids) to help agencies use MAGIC and conducted presentations at purchasing and property agent meetings. The MMRS also provides full-time customer support Monday through Friday from 8 a.m. to 4:30 p.m.

Apparently, these efforts have been ineffective in ensuring proper use of the system, as evidenced by the deficiencies in vehicle data revealed by this review. Training has also been ineffective in informing users of the various capabilities of the system. Interviews with system users revealed the following issues:

- Some users in smaller agencies said they believed that the fleet management system was tailored to agencies with larger fleets and therefore they did not participate in training.
- Many users reported being unaware of some of the components of MAGIC, including the maintenance tracker module⁹ and the reservation service for pool vehicles.
- Many users reported being unaware of certain reporting capabilities of MAGIC, including a report designed to help detect errors in the transfer of Fuelman data.
- Users reported finding job aids difficult to follow and said some of the modules and capabilities listed and explained on the job aids site were not functional in the system.

Also contributing to problems with the data, the Bureau of Fleet Management has not required state agencies to comply with state law on reporting correct vehicle information before being authorized to purchase new vehicles. Department of Finance and Administration has a policy in place requiring agencies to enter accurate vehicle data in the system or correct inaccuracies, but this policy has not been enforced.

⁹The maintenance tracker module of MAGIC is a component that allows agencies to schedule maintenance plans for state-owned vehicles used by an agency. This module will then provide targeted reminders (based on the usage of the vehicle) when services are scheduled or needed.

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

Although the state has basic controls in place designed to safeguard against vehicle misuse, PEER believes more could be done, particularly regarding commuter vehicles. PEER also believes the Bureau of Fleet Management could strengthen its policy regarding Internal Revenue Service standards for calculating fringe benefits for personal vehicle use because of the inconsistencies found in how agencies apply these standards.

Because of their visibility due to their clear marking as state vehicles, the use or misuse of these assets is more readily apparent to the public and more likely to lead to questions regarding proper stewardship of state funds.

In addition to their visibility, these assets represent significant costs, and, as such, the effects of misuse are magnified. Costs of vehicles can contribute to the public's concern about the proper number and use of state vehicles.

This chapter answers the following questions:

- What controls are currently in place to protect against misuse or abuse of state-owned vehicles?
- What did PEER find in terms of the potential for vehicle misuse?
- How do agencies apply IRS standards for vehicle fringe benefits?

What controls are currently in place to protect against misuse or abuse 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.

As is the case with any state asset, the potential for misuse and abuse exists for state vehicles. State law does not provide any overarching statutes to safeguard the use of state assets, instead relying on statutes for specific asset types and on agency policies and procedures.

As such, MISS. CODE ANN. Section 25-1-79 (1972) provides direction on the issue of personal use of state vehicles, stating:

It shall be unlawful for any officer, employee or other person whatsoever to use or permit or authorize the use of any automobile or any other motor vehicle owned by the State of Mississippi or any department, agency or institution thereof for any purpose other than upon the official business of the State of Mississippi or any agency, department or institution thereof.

BFM Safeguards

The Bureau of Fleet Management provides guidance to agencies in its *Fleet Manual* on what types of activities can be considered misuse and abuse, such as the use of the vehicle for personal use outside of an employee's scope of responsibility, failure to maintain an accurate daily trip log, and use of alcohol in state-owned vehicles.

The *Fleet Manual* also states that authorized users, other state employees, or members of the public can report suspected misuse or abuse of vehicles. When informed of alleged violations of regulations, the BFM will notify the agency head who is required by the BFM to answer (in writing) within 30 days of the report date with investigative findings and a list of any remedial actions taken, if warranted.

In cases in which misuse or abuse is determined to have occurred, the BFM is required by statute (MISS. CODE ANN. Section 25-1-77(4) (1972)) to immediately notify the agency head where the violation took place, as well as the Speaker of the House of Representatives and the Lieutenant Governor of its findings.

Although BFM holds title to all state fleet vehicles, and, as such, bears the ultimate responsibility for owning the assets and setting policies to ensure proper use, the vehicles are purchased by each agency through funds appropriated by the Legislature. State law requires these vehicles to be marked (MISS. CODE ANN. Section 25-1-87) with prominent lettering in certain locations on the vehicle. Section 25-1-87 includes some exceptions to the marking requirement, such as for the executive directors of certain state agencies. The section also provides that the Governor may authorize the use of specified unmarked vehicles only in instances in which such identifying marks will hinder official investigations.

Vehicle Designations

According to BFM policy, each agency must designate all vehicles with one of three assignment types. This designation identifies the type of activities the vehicle can reasonably be expected to conduct and any recordkeeping requirements (or exclusions to requirements) for the vehicle (and its designated user). There are three vehicle assignment types:

- *Law enforcement assignment* is defined as a state-owned vehicle essential for carrying out the daily job duties of an employee who is a sworn law enforcement officer as defined in MISS. CODE ANN. Section 45-6-3 or a law enforcement trainee as defined in Section 45-6-3(e).
- *Non-commute assignment* is defined as a state-owned vehicle assigned to be driven to and from an employee's official duty station to any temporary place of work and returned to the official duty station on a daily basis. This vehicle must not be driven to and from the employee's

residence unless the employee has been authorized by his or her agency to utilize the vehicle in “travel status.” Non-commute may include motor pool and individual non-commute vehicles.

- *Commute assignment* is defined as a state-owned vehicle assigned to be driven from an employee’s official duty station or other temporary place of work to an employee’s residence as needed.

Agency-Level Safeguards

As with other types of state assets (such as firearms or state telephones), agencies that avail themselves of these assets must also put into place agency-specific rules and policies to help safeguard these assets from misuse and abuse.

These policies and procedures make clear each agency’s understanding of how employees can and cannot use these assets and penalties for misuse or abuse. All 12 agencies reported having such policies and procedures and prohibiting personal use of state fleet vehicles.

What did PEER find in terms of the potential for vehicle misuse?

Because data in the state’s fleet management system is inadequate to ascertain the number of commuter vehicles in the state, proper oversight of state 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 inconsistently recorded across agencies, and in many cases users do not follow DFA policy for reporting. These conditions increase the potential for misuse and abuse of state vehicles. PEER also found examples of questionable vehicle use.

Data in the state’s fleet management system is inadequate to ascertain the number of vehicles having commute status. Therefore, proper oversight of these vehicles is limited.

As a way of documenting use of state vehicles, the Bureau of Fleet Management requires a daily trip log to be maintained for each vehicle¹⁰ detailing

- the operator of the vehicle,
- date of vehicle use,
- beginning and ending odometer reading,
- total miles traveled,
- purpose of each trip, and
- the business locations visited each day.

PEER found that vehicles having no log were the exception. However, although each agency has policies in place requiring

¹⁰BFM’s *Fleet Manual* states that agencies with law enforcement drivers should contact the BFM for guidance on compliance with this aspect of BFM regulation.

employees to maintain travel logs, there is little standardization on the method and form of data retention. Data recordkeeping varied from estimating mileage (one vehicle sampled had a broken odometer) to recording of point-to-point, daily, or weekly mileage. Thus, although all vehicles, except the vehicle with the broken odometer, had logs that depicted the cumulative total or estimated total of miles driven in a given time frame, the level of specificity available for stakeholders making fleet decisions based on these logs varied greatly. Improper or disparate accounting methods create an environment for potential misuse and abuse of state vehicles.

Travel log information is critical to the vehicle oversight and management functions of state agencies and the BFM because such information substantiates use for business purposes and allows for decisions to be made regarding continued use of the vehicle or reallocation.

During review of the state agency travel logs, PEER found examples of state vehicle use that appeared to be questionable:

- One agency district director assigned a non-commute state vehicle was allowed by agency policy to travel from Vicksburg to Jackson daily in a state car without claiming personal mileage.
- An employee of an agency was assigned a commuter-status vehicle for transportation to work commitments and to respond to emergency situations. However, detailed in the one month of logs viewed by PEER, for weeks the only vehicle usage was to commute from Madison to Jackson and back to Madison every day (a distance of 40 miles round trip).
- An employee of an agency was assigned a commuter-status vehicle to respond to emergencies and to conduct agency business while commuting between Yazoo City and Leland (a distance of 130 miles round trip).

Some users of commuter vehicles are assigned by their agencies to a personal vehicle as an office (i.e., a virtual office). In these instances when the employee is in the car, the employee is at work. Whereas this is not an official designation under the current BFM *Fleet Manual*, some agencies classify vehicles thusly. If these vehicles can be considered in service from the moment they start moving, having detailed logs is paramount and perhaps should include even greater detail, such as point-to-point logging.

How do agencies apply IRS standards for vehicle fringe benefits?

The Department of Finance and Administration provides little guidance to agencies on the taxable nature of the personal use of state vehicles other than directing them to Internal Revenue Service standards. PEER found inconsistencies how agencies apply IRS standards on the calculation of fringe benefits for personal vehicle use. Disparity in application risks the state being liable to the IRS for any benefits not calculated and applied to state employees and subject to fines, penalties, and interest payments.

Each agency reviewed stated that it has policies and procedures in place to limit personal use of state vehicles. However, both the BFM *Fleet Manual* and Office of Purchasing, Travel and Fleet Management travel manual provide guidance on the potential taxable nature of personal use of state vehicles by directing employers to consult IRS Publication 15-B, “Employer’s Tax Guide to Fringe Benefits,” for guidance. The Department of Finance and Administration provides no other recommendations to state agencies on this topic.

PEER analysis revealed inconsistencies in agency application of these IRS regulations, varying from exempting all use of the vehicles (as proscribed under one part of the section) to requiring employees to include reimbursement at the defined carpool-provided rate to having employees keep a record of actual personal versus business miles and claiming the federal standard rate for all personal miles. Additionally, some of the observations listed on page 25 pertain to the use of commuter vehicles (and IRS Publication 15-B reimbursement practices) and provide additional examples of the potential need for increased oversight.

It may prove difficult for the Bureau of Fleet Management to address the specifics of each employee’s use of state vehicles, but there is wide disparity in the application of these IRS rules, which 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 oversight authority?

Legislative changes made in the 2017 Regular Session, as of July 1, 2017, place the state under a vehicle moratorium limiting the purchase of new vehicles, require state agencies to utilize a trip optimizer system prior to official travel, and require agencies to acquire the lowest cost vehicle option to carry out the agency mission, as certified by the agency head. Furthermore, the Bureau of Fleet Management can approve vehicle purchases only when agencies have accurately maintained the required data in MAGIC and have corrected any inadequacies or discrepancies in the system as noted by the BFM.

In an effort to maximize limited state resources and ensure that the state is receiving the lowest price option for official state travel, the Legislature amended portions of the state's vehicle purchase laws and travel reimbursement requirements during the 2017 Regular Session. These changes affect how agencies decide what are the best vehicle options for themselves and the state while also limiting when new vehicles may be purchased and defining the most appropriate travel options for a given business travel purpose. As outlined in H.B. 938, the state and its agencies will from July 1, 2017, be under a vehicle purchase moratorium, must make use of a trip optimizer system, demonstrate that suggested new vehicle purchases are the lowest possible cost options for their stated function, and maintain required data in MAGIC.

Alterations Made to State Law in 2017

In an ongoing effort to refine and optimize the expenditure of state resources for state vehicles, the Legislature amended several travel-related statutes to limit the acquisition of new vehicles and require that agencies can defend travel and vehicle management/utilization decisions with data derived from actual usage statistics.

As of July 1, 2017, the state requires executive agencies that will engage in travel for state business purposes and/or have vehicles assigned to them to carry out their job responsibilities to operate under new purchasing and reporting guidelines. These new guidelines fall into four general categories across several CODE sections and include a vehicle moratorium, use of a trip optimizer system, new lowest cost certification procedures, and new data reporting requirements.

Vehicle Moratorium

Amending MISS. CODE ANN. Section 25-1-78(2), from July 1, 2017, to June 30, 2018, the Bureau of Fleet Management shall not approve the purchase, lease, or acquisition of any vehicle by a state agency, regardless of the source of funds. However, if an agency has a fleet of 50 vehicles or less and suffers a total loss of a vehicle or has repair costs exceeding a vehicle's cash value, the vehicle may be replaced if the BFM deems

appropriate. This moratorium does not apply to law enforcement or emergency vehicles, vehicles purchased with grant monies and that have no state matching funds from the state general fund, or vehicles of the Department of Child Protection Services.

Trip Optimizer System

Amending MISS. CODE ANN. Section 25-3-41(10)(a-f), all agencies subject to oversight by the Bureau of Fleet Management shall make use of a “trip optimizer type system,” administered by the Department of Finance and Administration, to identify the optimum method and cost for travel by state employees and officers who use a vehicle in situations where travel will exceed 100 miles per day and the employee or officer is not driving a state-owned or -leased vehicle. The optimizer system, in the form of a spreadsheet, includes formulas that calculate whether savings can be realized by renting a car versus reimbursing an employee for travel in a personal vehicle at the current state rate of \$0.535, as of July 1, 2017.

This system will be used to determine the most cost-effective method of travel—whether by vehicle owned by the state, leased by the state, or owned by the employee or officer—and to identify the maximum authorized amount of any travel reimbursement for a particular vehicle’s usage. The maximum authorized amount will be determined by the lowest cost option produced by the trip optimizer system. The trip optimizer system will account for the distance that an employee or officer must travel to pick up a rental or state vehicle and for the long-term rate discounts offered through the state purchasing contract for vehicle rentals. The results of the trip optimizer analysis are to be submitted with all claims for travel reimbursement.

The trip optimizer system will not apply to state officials in vehicles driven by an official or in vehicles used for the transport of an official.

As detailed in the DFA’s May 12, 2017, House Bill 938 Memorandum, the system functions to maximize cost effectiveness by comparing available modes of transportation for state business and determining which method costs the least to the state (e.g., state agency pool car, rented car, mileage reimbursement to employee for personal car use). The system applies to all travel authorizations processed after July 1, 2017, and an agency’s reimbursement filing must include the results of this calculation showing the lowest cost option.

Lowest Cost Vehicle

Amending MISS. CODE ANN. Section 25-1-77(9), after July 1, 2017, when an agency requests authority to purchase, rent, lease, or acquire a vehicle, that agency shall select and submit to the BFM the lowest cost vehicle option to carry out its intended use. This submission must be in writing from the agency head, certifying that the vehicle requested is the lowest cost option available and acknowledging that any request contrary to this section will subject the agency head to penalties as outlined in MISS. CODE ANN. Sections 25-1-91, 31-7-55, and 31-7-57.

The Bureau of Fleet Management shall only approve the lowest cost vehicle that in its determination will carry out the intended use. No agency may purchase a vehicle that the BFM has disapproved as being a higher cost option.

Fleet Data Reporting

Amending MISS. CODE ANN. Section 25-1-77(10), after July 1, 2017, the Bureau of Fleet Management shall not approve any request for a new vehicle purchase if the requesting agency has not properly maintained accurate data in the fleet management system for the following fields:

- **Asset and equipment record statuses:** As outlined by the Bureau of Fleet Management, a Fleet Asset Master module and an Equipment Master module constitute the two components of MAGIC. It is essential that both components list vehicles as having the same status—active or inactive—to obtain a correct count of vehicles in the state fleet.
- **Fuel, maintenance, and repair data:** These data fields enable calculation of operating costs. This data should provide for an operational break-even analysis on vehicles and allow agencies and the Bureau of Fleet Management to determine the most cost- and fuel-efficient vehicles to purchase and operate.
- **Vehicle mileage readings:** Mileage figures demonstrate whether vehicles are meeting minimum usage requirements per year. This data helps agencies and the Bureau of Fleet Management analyze the usage of state-owned vehicles and identify any that may be underutilized.
- **Vehicle assignment type and driver assignment:** BFM's *Fleet Manual* states that all state-owned vehicles be assigned to one of three categories:
 - Commute
 - Law Enforcement
 - Non-Commute

- For a commute assignment, driver name should be entered.
 - Each agency is required to enter into MAGIC a vehicle assignment based on the agency need, to be reviewed and approved by the Bureau of Fleet Management.
- **County:** The county location field allows agencies and the Bureau of Fleet Management to identify the physical location of each agency vehicle when in use and to know the agency duty station, lot, or other physical location at which the vehicle is to be located when not in use. This requirement was noted in the 2010 PEER report *Management of Mississippi's State-Owned Vehicles* (#543) and added per recommendation.

To proceed with purchase of a new vehicle, the requesting agency must correct any inadequacies or discrepancies found in these fields in the vehicle record in MAGIC before the Bureau of Fleet Management will grant approval.

As stated by the BFM:

These five elements were selected because reports in MAGIC requested by PEER and the Legislature showed a high number of incomplete records and erroneous fleet data. This has limited agencies and BFM from making the best decisions for the state of Mississippi.

The Department of Finance and Administration is assisting agencies in complying with the law by developing and releasing a data-cleaning guide, which provides the steps for agencies to take to correct their fleet data. However, the DFA has not established procedures by which it will ensure data accuracy (e.g., through sampling) before approving vehicle purchases. Such procedures are necessary to ensure that agencies are maintaining accurate data in the system.

Potential Impact of New Legislation

From these new provisions in law and the accompanying powers granted to the Bureau of Fleet Management, the potential exists for positive improvements to the state's data collection techniques and reporting procedures of the statewide vehicle management system, which will ultimately result in better ability by the BFM and agencies to steward the state's vehicle fleet. Also, the BFM and agencies may be better equipped to detect and prevent misuse and abuse.

Although the new provisions for the purchase and use of state vehicles were not predicated upon the findings of this report, these provisions have the potential to alleviate many of the issues addressed by it. The imposition of the vehicle moratorium for FY 2018 froze current vehicle fleets at 2017 levels, limiting the number of new data entries into the MAGIC system. This current vehicle moratorium will grant the Bureau of Fleet Management time to review data entry concerns and

contemplate how best to remedy weaknesses in the MAGIC system.

Yet new data recording and reporting guidelines have the potential for greatest impact. Use of a trip optimizer system will provide the Bureau of Fleet Management and agencies a trip-specific view of all travel. This data presents opportunities for BFM analysis, in conjunction with the agency conducting the travel, of the major travel patterns and determination of the most appropriate and economical means to satisfy agency travel demands. Having such usage data, the BFM could identify the purchase/lease/ rent/reimbursement option that would best serve an agency and incorporate this information into future fleet decisions and actions.

The legislative mandate requiring agencies to upload accurate data at the time of new vehicle purchases conveys to the Bureau of Fleet Management the authority to ensure that data entered and maintained in MAGIC reflects actual usage information for the state's vehicle fleet. Coupled with the new purchasing guidelines, this data will provide for longitudinal analysis that makes possible determinations of the most efficient vehicle option for a particular scenario of operation and assignment of resources as needed.

With the implementation of H.B. 938, 2017 Regular Session, it may be possible for the BFM and agencies to become more proactive in detecting and limiting misuse and abuse. The requirement to populate specific data fields, such as assignment type (i.e., commute, law enforcement, non-commute), annual mileage, or fuel consumption, could reveal personal use (e.g., if the mileage were to grow significantly). In addition, if the Bureau of Fleet Management were to standardize the procedures for travel logs, its review could highlight questionable travel patterns.

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.

Appendix A: Vehicle Inventory Data Fields

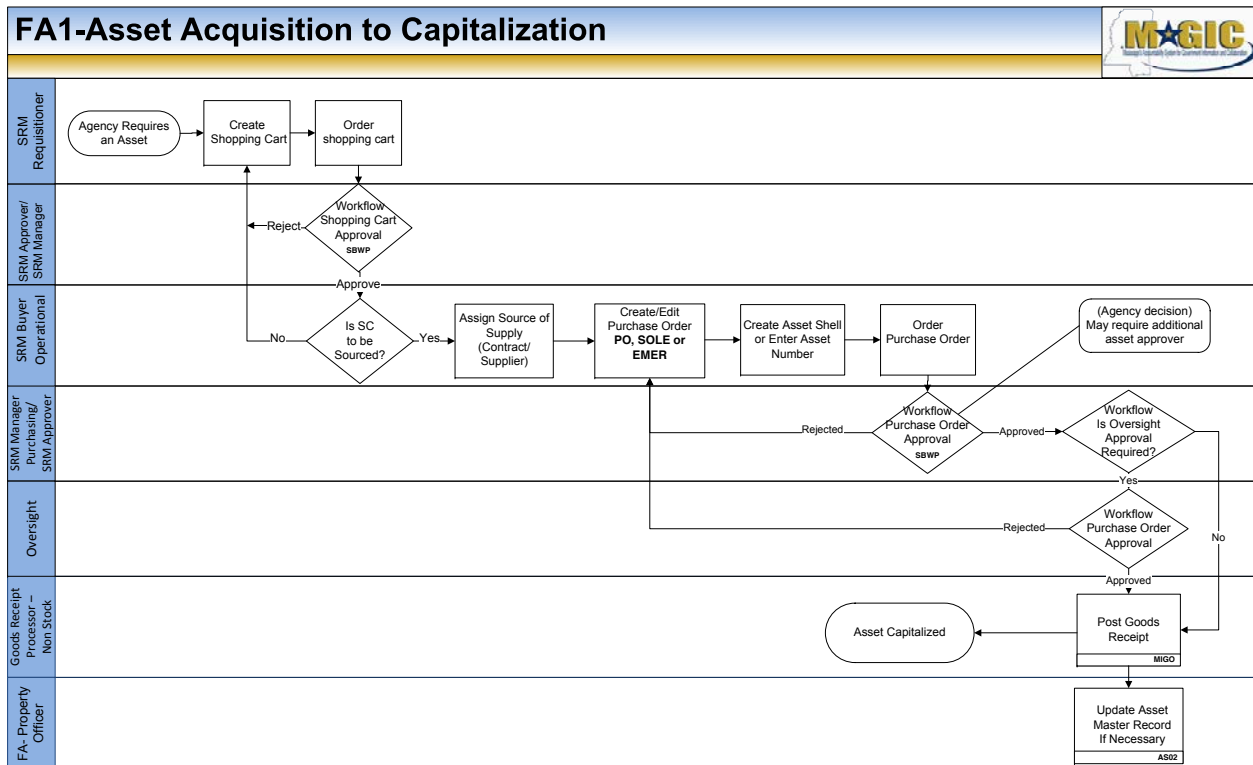
For vehicles, the following data fields apply in the fleet management system:

- **Inventory Number** – the legacy asset management system (AssetWorks) number assigned to an asset. This number is agency defined and is used as the link between an equipment record and the Fuelman card account.
- **Asset Description** – the description of the asset. This field can be defined by the agency, but it is updated to a standard format by Polk database via the VINTelligence interface.
- **Serial Number** – the manufacturer’s specified number assigned to an asset.
- **Other Employee ID** – the responsible person assigned for the asset.
- **Additional Location** – the agency defined location of the asset.
- **Acquisition Date** – the date the vehicle was acquired and put into service.
- **Acquisition Value** – the value of the asset at the time of acquisition.
- **Assignment Type** – the classification of the usage of a vehicle. Assignment type values include commute, non-commute/motor pool, and law enforcement.
- **ABC Indicator** – the type of employee function the vehicle is intended to facilitate. This field was in the legacy asset management system (AssetWorks) and was included in MAGIC.
- **Vehicle Type** – the classification of the vehicle. Vehicle types include truck, passenger, and motorcycle.
- **Fuel Type** – the primary fuel type used by a vehicle.
- **Miles** – the total miles driven since the vehicle was acquired (total mileage – initial odometer reading).
- **Gallons** – the sum of all PM_FUEL measurement documents for a vehicle.
- **Miles Per Gallon (MPG)** – calculation of the total miles driven since the vehicle was acquired divided by the sum of all gallons purchased for a vehicle.
- **Fuel Cost** – the sum of all PM_FUELCOST measurement documents for a vehicle.
- **Preventative Maintenance Cost** – the sum of all maintenance of a vehicle (example: oil change).
- **Corrective Repair** – the sum of all repairs for a vehicle (example: replace broken windshield).
- **Operational Cost** – total repairs, maintenance, and fuel costs of a vehicle.
- **Vehicle Current Value** – the current value of the vehicle as assigned by the Asset Management module (acquisition value – total depreciation).

SOURCE: Department of Finance and Administration.

Appendix B: Flowchart of Process for Purchasing a Vehicle through MAGIC

Because MAGIC is the centralized accounting system for the state of Mississippi, agencies are required to utilize it when purchasing assets. As an asset, vehicles are no different. The following flowchart presents the process agencies must complete to purchase a vehicle and complete a vehicle record.

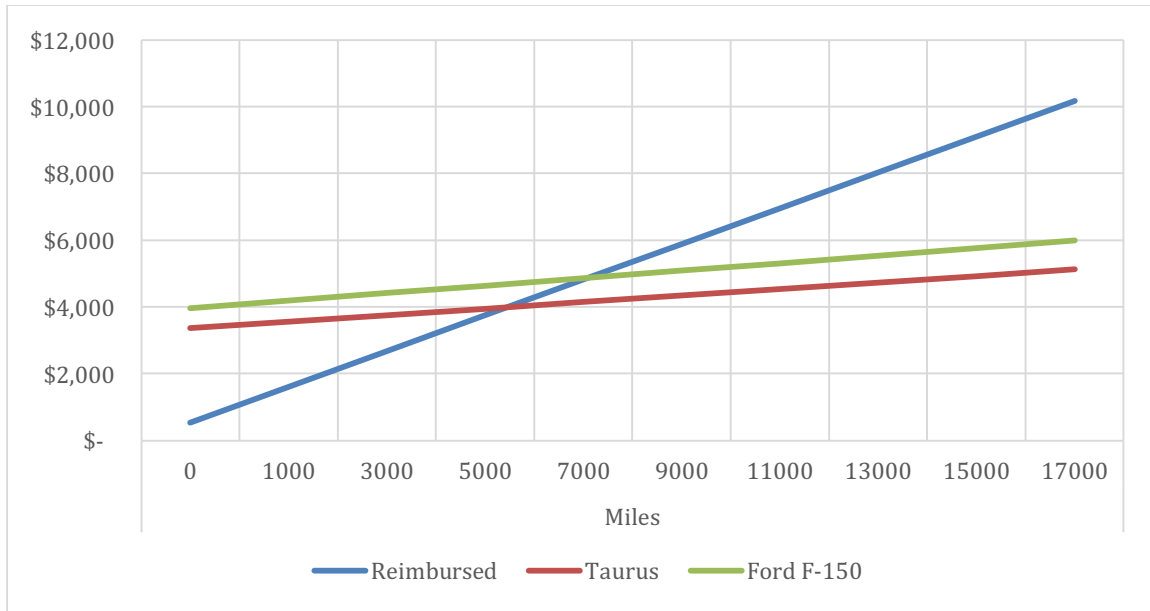


Note: This flowchart documents the steps involved in the purchase of a vehicle. After an agency purchases a vehicle, agency staff must enter relevant information into an equipment record, as described on page 8.

SOURCE: Department of Finance and Administration.

Appendix C: Example of Break-Even Analysis

Break-Even Analysis for Two Hypothetical Vehicles



SOURCE: PEER.

For illustrative purposes, PEER created this example to help demonstrate a simple calculation for break-even analysis. PEER selected two base model vehicles from existing contracts associated with vehicles on the “List of Vehicles Available for Purchase by State Agencies,” a Ford Taurus SE and a four-wheel drive, extended cab Ford F-150.¹¹ Not all vehicles added to the database are base model vehicles.

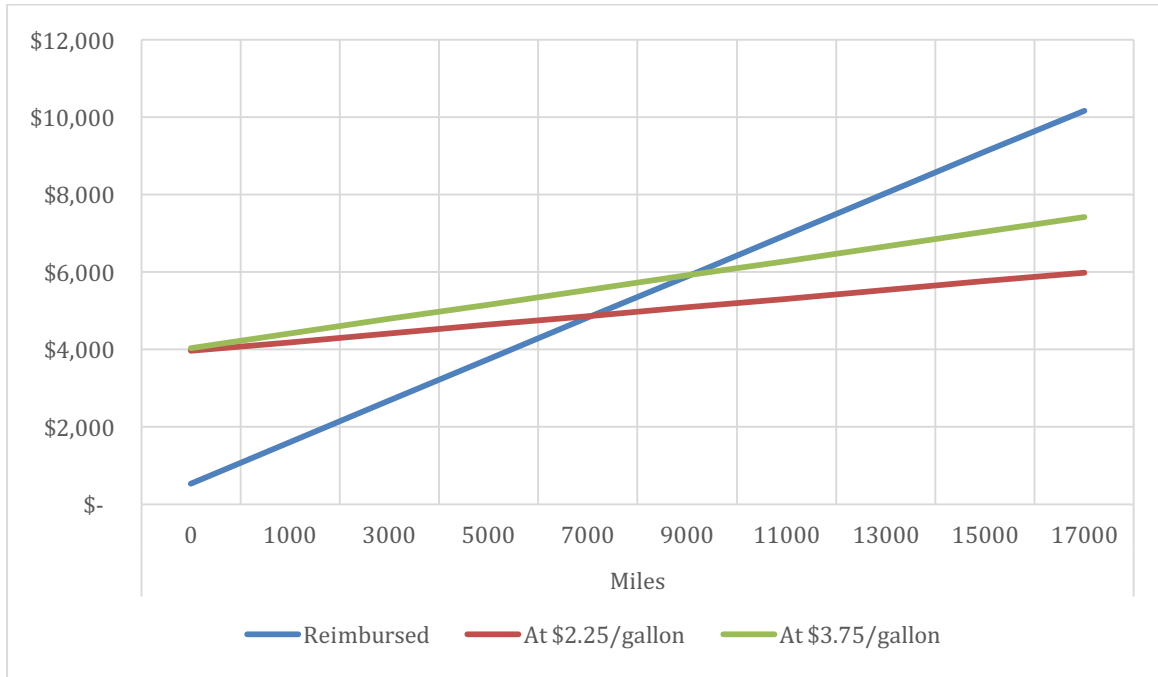
As illustrated by the chart on this page, the break-even points for the two hypothetical vehicles are approximately 5,000 and 7,000 miles for the Taurus and F-150, respectively. In this example, an agency/Bureau of Fleet Management should consider purchasing the Taurus only when it projects actual business mileage driven to be greater than 5,000 miles on the Taurus and 7,000 on the F-150 because the cost of reimbursing employees for business use of a personal vehicle will exceed the cost of

¹¹The vehicles selected for this example were the base models approved for purchase on state contract. The information in these contracts states, “In an effort to be more efficient in government spending and to save taxpayer dollars, this year’s contract does not provide for any options other than the ones listed on the Standard Equipment Form. Any vehicles purchased that deviate from this list will be in violation of State Contract bid requirements. If you need any equipment other than what is listed on this form, you will need to follow normal purchasing procedures.”

purchasing and operating a state vehicle at these break-even points.

The cost of fuel has a measurable impact in break-even analytics. As an example, consider the F-150 truck from the example on page 37 in a break-even calculation where, instead of being compared to a different vehicle, it is compared to itself at two different fuel prices (\$2.25 per gallon in the red line and \$3.75 per gallon in the green).

Impact of Fuel Costs on Break-Even Analysis

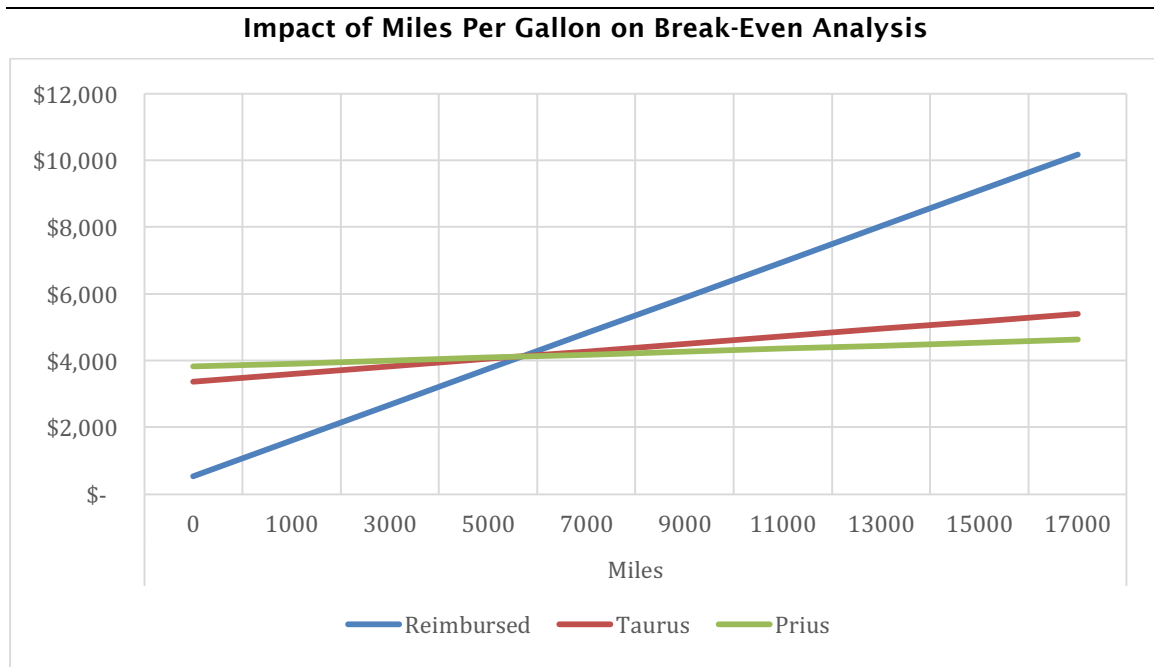


SOURCE: PEER.

As shown, this increase in the cost of fuel shifts the break-even point for the F-150 from approximately 7,000 miles to approximately 9,000 and causes the total estimated break-even costs to rise from approximately \$4,600 to \$5,500 (an increase of more than 20%). Results based on the graph on this page show the importance of fuel prices on the decisions the BFM is required to make and the importance of relevant and timely data on which to base these decisions. Having a benchmark figure to assess the potential viability of purchasing decisions is the first step; however, the results must be continually analyzed through the lens of forward-looking projections and historical review for break-even analysis to remain an effective tool.

Impact of Miles Per Gallon on Break-Even Analysis

In addition to the impact of fuel costs on break-even analysis, the Bureau of Fleet Management must also be aware of the impact of vehicle efficiency (as expressed in miles per gallon). The following chart shows a break-even comparison between two base model contract-priced vehicles (a Ford Taurus SE in red and a Toyota Prius 2 in green).



SOURCE: PEER.

This chart illustrates the impact that vehicles with greater fuel efficiency have on expenditures. While it would seem that the purchase of a more fuel-efficient option would always be the best choice, in fact it can be a more expensive option under certain circumstances. Higher purchase prices for cars with greater fuel efficiency require longer and more copious use to become the most cost-efficient option. In the example above, both the Taurus and the Prius become better choices than reimbursement when they reach approximately 5,500 miles of use, but with more miles traveled a greater difference between the two results. In analysis, the Bureau of Fleet Management should only utilize these vehicles when there is clear evidence that they will have the usage necessary to become cost efficient.



STATE OF MISSISSIPPI
GOVERNOR PHIL BRYANT

DEPARTMENT OF FINANCE AND ADMINISTRATION
LAURA D. JACKSON
EXECUTIVE DIRECTOR

November 8, 2017

James A. Barber, Executive Director
PEER Committee
501 North West Street
Woolfolk Building, Suite 301-A
Jackson, Mississippi 39201

Dear Mr. Barber:

Thank you for the opportunity to review the draft PEER Report entitled *Management of Mississippi's State-Owned Vehicles: Data Quality, the Control Environment, and Recent Statutory Changes*. As you know, the Department of Finance and Administration (DFA) has many responsibilities regarding oversight of the state fleet, which spread across multiple offices at DFA. In addition to establishing the *Fleet Manual*, which serves as the foundational rules governing vehicle acquisition, use, and disposal, DFA's MAGIC system provides the mechanisms for oversight, inventory control, and fleet management.

As with any policy or regulation, the first safeguard for the integrity of the process is the state agency. It is incumbent upon state agency personnel to read and follow all DFA guidelines regarding vehicle acquisition, use, disposal, and inventory management. Agencies must be committed to cost saving measures and willing to follow the recommendations of the DFA Bureau of Fleet Management (BFM) regarding the lowest cost vehicle necessary to perform the function required. Additionally, and as mentioned in the report, DFA provides a comprehensive fleet management system in MAGIC, which is grossly underutilized by agencies. Likewise, we provide the technical support and training necessary to effectively utilize the system. However, cost savings in acquisition and use and proper stewardship of state resources through data management must be among the agencies' priorities in order to realize the maximum potential for fleet management.

As noted, House Bill 938 (Regular Session 2017) provides DFA with increased abilities to compel agency compliance with policy and regulation. It is our hope that the issues noted in the report regarding cost savings and data management will be greatly ameliorated as DFA continues to implement HB 938. Again, we appreciate the opportunity to review the report and provide feedback. If we may be of any assistance to you and the Committee, please do not hesitate to contact me.

Sincerely,

Laura D. Jackson

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