



**City of New Orleans
Office of Inspector General
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**Robert A. Cerasoli
Inspector General**

December 17, 2008

Brenda G. Hatfield, PhD
Chief Administrative Officer
City of New Orleans
1300 Perdido Street , Suite 9E06
New Orleans, La. 70112

Dear Dr. Hatfield:

Attached is our Interim Report on the Management of the Administrative Vehicle Fleet. As I informed you on Thursday, we are issuing this interim report to provide City officials an early opportunity to consider our observations, conclusions and recommendations while we continue our evaluation of the remainder of the City's vehicle fleets. Specifically, we plan to evaluate the vehicle fleets managed by the New Orleans Police Department, the Aviation Board, the Civil Sheriff, the Criminal Sheriff and the Sewerage and Water Board.

City managers are ultimately responsible to the citizens for all of the city's assets and resources and are expected to provide a system of internal controls that protects the city's assets, resources and employees and mitigates the risks. Operation of a vehicle fleet exposes the city to a number of significant risks. These range from operator liability and property damage to fraud risks including the misuse of vehicles and the theft or diversion of supporting resources (parts, fuel, etc.). This report documents serious deficiencies in the City's information systems and management practices and recommends changes needed to protect against fraud, waste, and abuse.

We tested the Administrative fleet for compliance with best practices, State statute, City ordinances and City policy. To perform our tests, we interviewed City personnel and reviewed records that these employees provided. We found substantial non-compliance. This report documents specific observations made during our work. Based on these observations and our analysis, we have concluded that the City:

- Does not have the information systems that can provide managers with data needed to make sound decisions and assess the performance of the passenger vehicle fleet.

- Has decentralized fleet management responsibilities by delegating most fleet management decision making to the various department heads.
- Does not have an oversight mechanism to test compliance with the policy.
- Has not assessed vehicle utilization to determine whether fleet size is appropriate and to establish a baseline for fleet operations.
- Does not determine the cost to operate individual vehicles or classes of vehicles and cannot document the fiscal impact of decisions about passenger vehicles.

We are recommending that the City:

- Acquire the means to capture and consider timely, accurate and complete information on the costs of acquiring, operating, maintaining and disposing of vehicles.
- Provide new and definitive policy guidance for use of City vehicles including specific criteria for assigning take home vehicles.
- Centralize fleet management and oversight under an experienced fleet manager with the ability and authority to test and require compliance with that policy and the authority to implement best practices.
- Perform an assessment of vehicle utilization to determine the appropriate fleet size and to establish a baseline for fleet operations.

We are also making a recommendation suggesting that City personnel receive direction about cooperation with the OIG.

Our report deals extensively with take home vehicles. The data you supplied showed that as of June 18, 2008, 273 take home vehicles were assigned to executive branch employees. The City has no written criteria for assigning these vehicles and does not monitor or restrict their personal use. In addition to constituting a waste of public resources, this practice violates a City ordinance that limits the number of take home vehicles to 60. The City would save substantial dollars, if take home vehicles were eliminated. The City provides liability coverage, maintenance, and unlimited fuel for these vehicles without requiring employees to document any public purpose for these expenses.

Although the City does not capture the cost to operate individual vehicles or classes of vehicles, the average cost the City incurs is about \$3,100 per year. This cost is offset by a personal use fee paid by each employee with take home vehicles of \$1,200. These figures suggest a savings of \$1,900 of operating costs per year for each vehicle eliminated. Additionally, disposal of unneeded vehicles will produce some recapture of investment on a one time basis. Depending on the number of vehicles the City wishes to eliminate, a first year savings of \$3400 per vehicle could be achieved with a \$1900 per year saving for each subsequent year. The City can also save substantial money this year by not purchasing any new vehicles until a utilization study is done to prove need.

A long-standing City ordinance requires the Chief Administrative Officer to establish a motor pool for City employees who need vehicles for job-related transportation. This ordinance, which could generate substantial cost savings, has never been implemented.

Again, Dr. Hatfield, we have not completed our work related to City vehicles. We want to offer the City this early opportunity to consider our observations, conclusions and recommendations while we continue our evaluation of the remainder of the City's vehicle fleets. We would appreciate your written comments on this report within 30 days.

We are making copies of this report available to the Mayor and members of the City Council. When we provide these copies, the report will become a public document.

If you have any questions about this data or would like to discuss the information further, please call me (861-3212) or Mr. Doyal of my staff (861-3232). Additional electronic copies of this report are available upon request.

Yours truly,

Robert A. Cerasoli
Inspector General

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