Finance and Administration Cabinet Response to Legislative Oversight and Investigations Committee's State-Owned Vehicles Report

The Finance and Administration Cabinet (FAC) appreciates the opportunity to review and respond to the report of the Legislative Oversight and Investigations Committee (LOIC) Report on State-Owned Vehicles.

Prior to the pandemic in 2020, FAC Secretary Holly M. Johnson learned that the report to LRC as required by KRS 45A.625 had not been submitted at all in the previous administration. As a result, Secretary Johnson immediately directed Fleet Management to meet its statutory reporting requirement for 2020, as acknowledged in the LOIC report. Additionally, Secretary Johnson directed the FAC Office of Policy and Audit (OPA) to perform an internal audit of Fleet Management operations. This report is expected to be finalized this summer. FAC will use the results of LOIC's and OPA's reports to identify changes in process necessary to improve Fleet Management's operations, including compliance and monitoring of statutory requirements.

FAC generally agrees with the findings and recommendations in the LOIC report. The majority of the findings relate to historical practices that have carried forward into present-day operations. Declining staff over time has placed burdens on the division, as is the case in many areas of state government. However, FAC has a strong commitment to address concerns and implement operational improvements during this administration.

Additional comments are included to provide the LOIC a specific response for each finding.

FINDINGS

Alternative Fuel Vehicles Annual Report
FAC acknowledges this finding. As noted earlier, Secretary Johnson directed this reporting requirement be met in 2020. Additional steps will be taken in 2021 to address each of the required reporting elements, including updated statistics on the number of alternative fuel vehicles and strategic considerations for reducing state government's dependence on petroleum-based transportation fuels. FAC will also provide an update on its progress in developing a life-cycle cost comparison methodology for the alternative fuel vehicles.

Conflict in Vehicle Registration Statutes
FAC believes the discrepancies in KRS 44.045(4) and KRS 186.065(2) require legislative action. The Cabinet is ready to assist in discussion and clarification of FAC's authority. Additionally, FAC recommends input from the various investigatory agencies utilizing these vehicles be considered, as well as consideration of open records requirements to assess whether disclosure of requests, approvals, or tracking of these vehicles could jeopardize the confidentiality of investigations or safety of employees utilizing them.

Independent Fleet Policies Not Followed
FAC acknowledges that annual cost-effectiveness reports are required by agencies with approved agency-specific fleets. Although FAC may request cost-effectiveness data, 200 KAR 40:020 Section 2(3)(c) puts the responsibility on the agencies to submit cost effectiveness and inventory reports. Regulatory language is not clear what the ramifications are for an agency's

failure to report, or when a report identifies the agency-specific fleet is not operating as effectively as Fleet Management. FAC will request the reports from the agencies with agency-specific fleets as recommended. Additionally, FAC will assess whether 200 KAR 40:020 should be amended to establish reporting timeframes and to clarify FAC's authority to take action when an agency fails to report or reports indicate the agency's fleet operations are not at least as cost effective as Fleet Management.

Additionally, the LOIC report identifies that PPC stated its maintenance costs with FAC have resulted in higher costs. FAC has not confirmed that Fleet Management's costs are actually higher. The 57 PPC vehicles mentioned in the LOIC report as maintained by Fleet Management are not part of PPC's approved agency-specific fleet, and therefore, 200 KAR 40:020 Sec 1(1) does not apply. Instead, these vehicles were acquired through Fleet Management's Agency Purchased model. Vehicles purchased under this model are purchased by the agency through a FAC Master Agreement. These vehicles are charged a cents-per-mile assessment, which covers maintenance, fuel, insurance, and factors in the *vehicle's replacement cost*. An additional 53 vehicles assigned to PPC are leased from Fleet Management at the standard lease rates for the vehicle type. If PPC only compared the cost of its maintenance, fuel, and insurance to the Fleet Management assessment without factoring in the cost of vehicle replacement, the evaluation would be skewed. FAC will request PPC provide cost effectiveness data using equivalent factors as the Fleet Management assessments to evaluate the maintenance agreement.

Tracking Fleet Costs

FAC currently utilizes expenditure history as part of its efforts to analyze and project future budget needs for Fleet Management. This process will continue, and will assist the agency in assessing both its vehicle assessment/rate structure and cost-effectiveness.

Underutilized Vehicles

Historical practices related to Fleet Management have taken agency needs and even preferences into consideration. However, in order to maintain a cost-effective operation, FAC recognizes the need to manage state-owned vehicles in a way that also maximizes their utilization. FAC will consider methodologies to regularly evaluate the balance between expected benefits and cost effectiveness of agency leased vehicles.

Absent Policies And Procedures

FAC will undertake a review of the state-owned vehicle regulations in 200 KAR 40:010 and 200 KAR 40:020, including the Agency and Driver Guides incorporated by reference.

As mentioned above, FAC is committed to improving operations. We anticipate actions taken over the coming weeks and months will significantly clarify and improve Fleet Management operations. To illustrate this commitment, FAC extends an offer to present a status update to LOIC in 2022 regarding changes made in Fleet Management.