

State Auditor Presentation to the Joint Legislative Transportation Oversight Committee
DOT Heavy Equipment Fleet Management Audit
Heavy Equipment Use for Three Years Ending June 30, 2009

Audit Results

Department of Transportation (DOT) does not have heavy equipment utilization targets or expectations. An analysis of actual use suggests some pieces are underused.

<u>Heavy Equipment</u>	<u>Number of Pieces</u>	<u>Acquisition Value</u>
Total	25,000	\$633 Million
Pieces analyzed ¹	2,300	\$153 Million
Used less than 30% of the time	1,150	\$92.6 Million
Used less than 15% of the time	780	\$56 Million
Never Used FY 2007-09	15	\$1.1 Million
<u>Recommended Selling</u>		<u>Expected Proceeds²</u>
½ of items used 15% or less	390	\$3.5 Million

Office of the State Auditor Recommendations and DOT Responses

<u>OSA Recommendation</u>	<u>DOT Response</u>
DOT should establish performance measures or expectations for heavy equipment usage rates.	DOT agrees with the recommendation. Temporary utilization goal of 50% set. DOT to revise based on ECU study ³ results.
DOT should develop clear policies and procedures to assign responsibility for detecting underused heavy equipment and for taking action once it is detected.	DOT agrees that policies and procedures are necessary to ensure proper management. DOT will use the ECU utilization study to update policies and procedures in manual.
DOT should dispose of (transfer or sell) heavy equipment not meeting utilization targets. Reasons for keeping underused equipment should be documented and approved by central managers.	DOT agrees that underused equipment should be disposed when appropriate. New policy that any equipment used less than 15% should be disposed of or certified as being necessary by the Highway Administrator.
DOT should provide fleet management training to all equipment managers.	DOT agrees that training is necessary to ensure proper fleet management.

ECU Study (October 1, 2010) - Recommended Utilization Rates

- Tier 1 – Equipment used for day to day operational needs - 40% or greater.
- Tier 2 – Spares and Backups - 20% to 40%.
- Equipment used less than 20% should be targeted for removal from the fleet.

¹ The audit focused on six commonly used high-dollar-value classes of heavy equipment - excavators, tractors, backhoes, motor graders, loaders and dump trucks.

² Based on the average selling price of equipment within the six classes over the past seven years.

³ DOT contracted with East Carolina University to identify target disposal points and utilization rates of heavy equipment.