



FACT SHEET

Independent Office of Audits and Investigations

Laurie Berman, Director

Eraina Ortega, Inspector General

IMPACT OF EQUIPMENT RENTAL AUDIT

BACKGROUND

The California Department of Transportation (Caltrans), Independent Office of Audits and Investigations, completed a statewide audit of the Impact of Equipment Rental. The purpose of the audit was to determine the impact and cost effectiveness of equipment rental, and if there were adequate ongoing monitoring activities. In FY 2015/16 and FY 2016/17, Caltrans spent \$25 million in equipment rentals or an average of approximately \$12.5 million per year.

KEY FINDINGS

Our review disclosed that Caltrans has some elements of a system of internal controls, and policies and procedures in place over equipment rental activities. However, our audit identified the following:

- Cost and usage records of rented equipment is insufficient and/or unreliable.
- Compliance with established policies and procedures is deficient.
- Current policy and guidance on equipment rental needs improvements.
- Deficiencies in contract management resulted in \$41,766 in over-payments or 8.5% of costs audited. Reviews are underway by District Maintenance offices to identify additional overpayments. Deficiencies in contract language resulted in \$1,417,030 in miscellaneous equipment rental costs without contract authority and/or information about how that equipment would be charged.
- Ineffective fleet optimization costing Caltrans approximately \$496,707 in pickup truck rentals and lost savings of approximately \$76,450 for not utilizing available Caltrans equipment.

KEY RECOMMENDATIONS

The audit resulted in several recommendations to headquarters Maintenance:

- Compile sufficient and reliable rental cost and usage data, and work closely with headquarters Equipment to decide if Caltrans should purchase rather than rent equipment in the future.
- Work closely with district Maintenance to update the current policy directive to further define roles and responsibilities, guidelines, and establish corrective actions for non-compliance.
- Work with the Division of Procurement and Contracts to ensure that equipment rental contracts are clear, concise, and include all necessary clauses, to include miscellaneous equipment clauses.
- Ensure district Maintenance are implementing assertive, proactive measures to optimize equipment utilization across the various program areas within the district.
- Require approval at the statewide level for renting and leasing of light duty vehicles such as pickup trucks and Jeep 4x4.

We also recommend district Maintenance ensure that staff understand their roles and responsibilities regarding rental equipment, and reinforcing staff's understanding of the rental equipment contract terms and conditions.

Report Date: May 25, 2018

Report: P3010-0636