

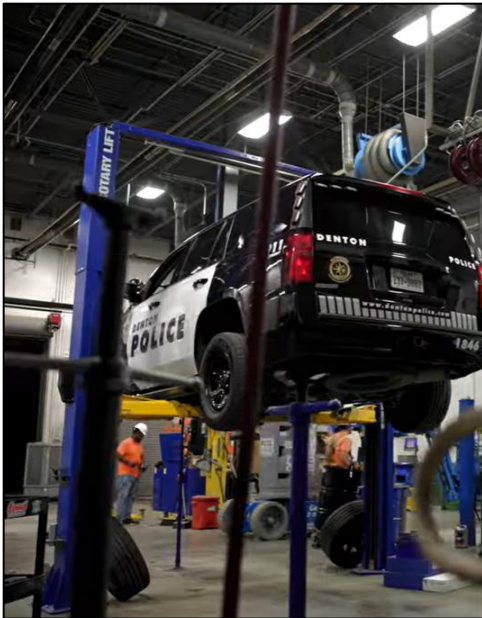


Image Courtesy of Denton Fleet Division

Audit of Vehicle Management

The City's vehicle fleet is currently adequate to achieve organizational goals, but vehicle availability is significantly lower than what industry standards suggest is optimal, partly due to the fleet's age. The City's method of debt funding vehicle acquisitions significantly increases the total cost of ownership and is likely unsustainable.

While technicians appear to work efficiently, maintenance task identification and planning could be improved to ensure maintenance is completed timely. Despite data availability, driver behavior is not consistently monitored to reduce risk of financial liability or vehicle misuse.

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Audit at a Glance

Why we did this Audit:

The City maintains a fleet of almost 1,100 vehicles that must be regularly maintained and replaced to meet its goals. Since FY2022, the City has issued almost \$20 million in debt to fund vehicle acquisitions. This audit project was included in the City's fiscal year 2025-26 Audit Plan as approved by the City Council.

What we Recommend:

Recommendation 1, 3, & 5

Formalize responsibility for vehicle acquisition decision-making and improve decision-making criteria and documentation.

Recommendation 2

Provide fleet needs assessment guidance to operating divisions.

Recommendations 6, 7, & 8

Improve work order documentation practices.

Recommendations 9 & 10

Update the Citywide Driving and Vehicle Use Policy to clarify use of driver behavioral data and the take-home vehicle program.

What we Found:

This audit evaluated if the City of Denton's vehicle management program ensures the City has a fleet adequate to achieve its objectives while minimizing the total cost of vehicle ownership. Our findings are summarized below:

Fleet Adequacy & Availability. The City's vehicle fleet is currently adequate to achieve organizational goals. Still, the needs assessment processes could be further clarified to reduce the risk that unnecessary vehicles are purchased. Despite annual purchases, operationally needed vehicle replacements are being consistently deferred, indicating current funding levels are not adequate.

Vehicle availability is significantly lower than what industry standards suggest is optimal, partly due to the fleet's age. Maintenance task identification and planning practices could be further improved to ensure maintenance-related downtime is minimized, but Fleet Division resources are adequate to maintain the current fleet size.

Cost of Ownership Minimization. The City's method of debt funding vehicle acquisitions significantly increases the total cost of ownership due to borrowing costs, and regular vehicle replacement deferrals increase the total cost of ownership due to additional maintenance and falling resale values.

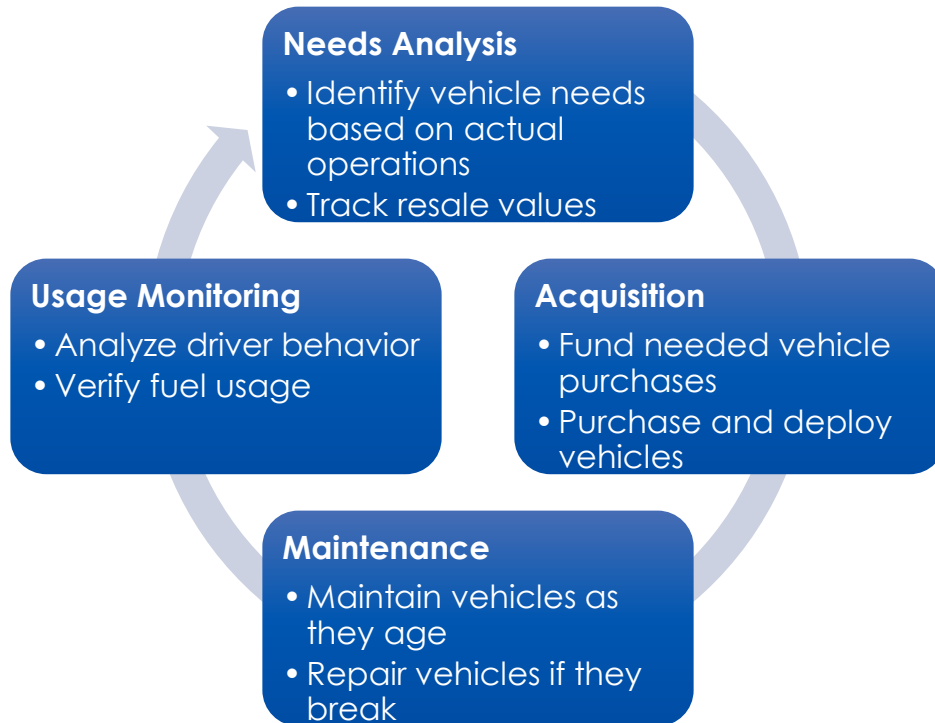
Most technicians are certified and certified parts are used in maintenance projects, decreasing the risk of repeat repairs. Still, maintenance records do not always contain enough detail to ensure quality standards are being met.

Despite data availability, driver behavior is not consistently monitored to reduce risk of financial liability or vehicle misuse. City's take-home vehicle usage related data is not regularly reviewed to ensure the efficiency benefits of the program outweigh the costs.

Detailed Findings & Analysis

Generally, a vehicle management program's purpose is to maintain a fleet of vehicles, such as automobiles, specialized equipment, trailers and attachments, and water or aircraft, to aid an organization in achieving its goals. As illustrated in Figure 1, a vehicle management program covers each phase of a vehicle's life from identifying needed fleet resources, funding and purchasing vehicles, maintaining these assets, and monitoring usage.

Figure 1: Vehicle Management Cycle



A key benefit of a centralized vehicle management program is its ability to minimize the total cost of fleet ownership through long-term resource planning, comprehensive cost tracking, and proactive usage analysis. Figure 2 outlines the different components of a vehicle's ownership costs.

Figure 2: Vehicle Ownership Cost Components

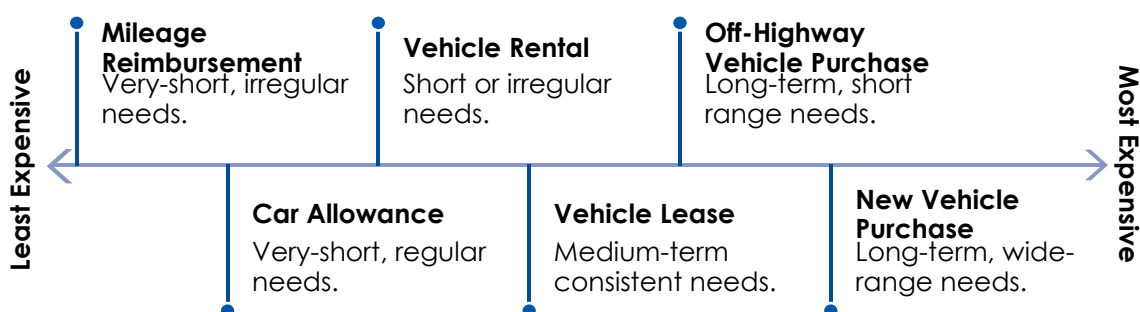


This audit evaluated if the City of Denton's vehicle management program ensures the City has a fleet adequate to achieve its objectives while minimizing the total cost of vehicle ownership.

Vehicle Needs Assessment Processes May Result in a Larger Fleet than Needed due to Diffused Responsibilities

Industry standards suggest that effective vehicle lifecycle management depends upon accurate data collection and analysis. Before purchasing new assets, organizations should ensure that vehicles are needed to meet the organization's goals or service level standards. When deciding what type of asset should be purchased, multiple factors should be considered, including how long the asset will be needed and how much it is expected to cost over its entire life. Further, organizations should explore alternatives to purchasing new full-size vehicles when appropriate to reduce the total cost of ownership while maintaining service-level standards. Resourcing options to meet differing fleet needs are outlined from least to most expensive in Figure 3.

Figure 3: General Fleet Need Options



To determine when an existing vehicle should be replaced, best practices suggest that organizations evaluate vehicles based on one or more of the following suggested criteria based on an organization's specific long-term replacement goals.

- Age or mileage thresholds: replace a vehicle once it exceeds a maximum age or mileage threshold.
- Maintenance or repair cost thresholds: replace a vehicle once the costs of its maintenance and repairs exceed its resale value.
- Lifecycle costing: replace a vehicle once its costs per mile exceed an established cost-efficient threshold.

What We Found

- The City of Denton does not conduct a comprehensive, consistent, centralized fleet needs assessment. Instead, responsibilities are disbursed across the City as outlined in Figure 4.

Figure 4: City of Denton Fleet Needs Assessment Responsibilities

Ops. Divs.	Budget Div.	Fleet Div.
• Identify vehicle needs	• Determine if new vehicle purchases are financially feasible	• Determine when existing vehicles should be replaced • Assess acquisition reasonability

- Each department assesses its fleet needs, including vehicles, annually as part of the budget process. However, no formal process or written guidance on conducting a fleet needs assessment has been established or distributed to operating divisions.
- According to each operating division's fleet liaison, most divisions have conducted a fleet needs assessment that considered multiple factors (e.g., usage rates, current vehicle capabilities and condition, etc.) to determine if new vehicles are needed. However, these factors are established by each department independently, and so are not applied consistently across the City.¹
- Additions to the fleet inventory are selected via the annual budget process, which focuses on funding feasibility and does not clearly verify the operational need for proposed additions. No written criteria have been adopted to verify the need for new vehicles, and the Fleet Division has historically not been engaged to assess the ongoing costs of proposed additions or to explore alternatives. However, after funding has been allocated the Fleet Division does assess acquisition reasonability e.g. towing capacity.
- Annually, the Fleet Division assesses the existing fleet to identify vehicles that need replacement based on criteria established in 2024. Before 2024, the replacement process was request-based like the additions process.
- Adopted replacement criteria are reasonable but could be further refined.
 - The Fleet Division assesses each existing vehicle based on its age, cumulative utilization (i.e., total miles driven or engine hours run), total maintenance costs, and equipment condition and assigns a point

¹ Of the 27 fleet liaisons that responded to the questionnaire, 22 reported they have conducted either a formal or informal needs assessment. All reported using at least one or more factors to determine if a fleet addition is needed.

value by comparing the actual metric to life cycle expectations on a 15-point scale. In addition, Fleet has informally established priority rankings based on department operations to guide replacement decision-making.

- These criteria generally incorporate aspects of two of the three replacement criteria recommended by best practices as outlined in Table 1. Specifically, while age and mileage thresholds are clearly established, the City's total maintenance cost criterion is based on acquisition cost instead of resale value as recommended by best practices, and the equipment condition factor is subjective instead of being based on a set threshold.

Table 1: Denton Replacement Criteria Best Practice Comparison

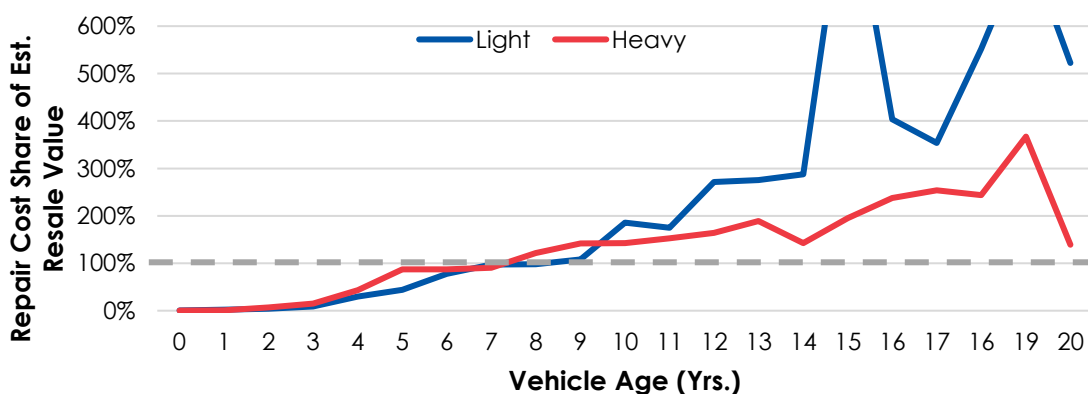
	Age or Mileage Thresholds	Maintenance or Repair Cost Thresholds	Life Cycle Costing
Age	✓		
Cumulative Utilization	✓		
Total Maint. Costs		✓	
Equipment Condition			

- Neither the vehicle addition nor replacement processes formally consider vehicle purchasing alternatives.
 - No written guidance has been created for departments to evaluate the feasibility of full-size vehicle purchase alternatives such as rentals, leases, or off-highway vehicles. Still, about three percent of the City's current fleet are off-highway vehicles, and the City has occasionally rented vehicles previously.
 - While the City formally permits car allowances and mileage reimbursements, neither is clearly used as an alternative to full-sized vehicle purchasing. Instead, car allowances are permitted as a benefit for high-level City employees and mileage reimbursements not associated with travel for daily operations are rarely used.²
- Some vehicle lifecycle data is unreliable, difficult to obtain, or not tracked, hindering the needs assessment process.
 - Vehicle age information is easy to obtain if correctly entered into the vehicle management system.

² Since October 2023, the City has paid \$1,830 for 22 non-training mileage reimbursements.

- Generally, cumulative utilization information is imported into the vehicle management system each time the vehicle is refueled at either a City fueling station or at a commercial fuel station; however, some vehicles, like heavy equipment, are refueled from auxiliary fuel tanks, so utilization information is not recorded.
- Despite utilization information being available for most existing vehicles, usage patterns (e.g., miles driven per month, time spent idling) and driver behavior (e.g., locations driven, fuel transactions) are not formally considered when determining if a vehicle should be replaced or added to the fleet.
- Total maintenance costs are recorded in the City's vehicle management system; however, multiple reports must be run and combined to calculate the total costs incurred for each vehicle.
- Current asset book value is automatically calculated by the vehicle management system based on capitalized costs and useful life information entered by Fleet Division staff.
- According to Fleet Division staff, estimated resale values are not currently tracked due to the unique nature of fleet vehicles.
- City vehicles are often sold after maintenance costs exceed resale values, increasing the total cost of ownership.
 - Based on a comparison of sale proceeds to total purchase and maintenance costs for vehicles replaced during Fiscal Year 2025, about 14 percent of each vehicle's total ownership costs were recouped on average.
 - About 35 percent of the City's vehicles currently have a total repair cost greater than their estimated resale value as illustrated in Figure 5.

Figure 5: Vehicle Repair Cost Comparison to Estimated Resale Value



Why It Matters

The City needs vehicles to meet its organizational goals; however, fleet size is the largest factor in a vehicle management program's costs due to ongoing maintenance needs, fuel usage, and associated financial liability. For this reason, comprehensive and consistent vehicle needs assessments are critical for minimizing costs while maintaining reliable operations. In addition, alternatives to full-sized, new vehicle purchases should be clearly outlined and considered when evaluating needs to reduce ongoing costs.

The City's current vehicle needs assessment responsibility structure increases the risk of unnecessary purchases, potentially leading to an unsustainable fleet size. The Fleet Division has recently refined the vehicle replacement review process to reduce the risk of unnecessary purchases, but this process could be further improved by evaluating vehicle usage patterns against established needs criteria. Further, clear full-sized vehicle purchase alternatives should be established and considered as part of the vehicle addition and replacement processes. Similarly, resale values should be tracked and used to inform replacement decision-making, though effective use of this information is likely hindered by current funding constraints.

Recommendations:

1. Formalize responsibilities for vehicle acquisition decision-making, including verifying reasonableness of requested fleet additions and identifying vehicle replacements to ensure the City's fleet size is sustainable while meeting organizational needs.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet will support this process and already performs multi step, multi department reviews to assess the suitability and reasonableness of requested assets, including duty rating, EV capability, and operational fit.*

2. Provide guidance to operating divisions on conducting vehicle needs assessments, including available new vehicle purchase alternatives. Consider updating Policy 409.05 to clarify the use of mileage reimbursements as a vehicle acquisition alternative.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation.*

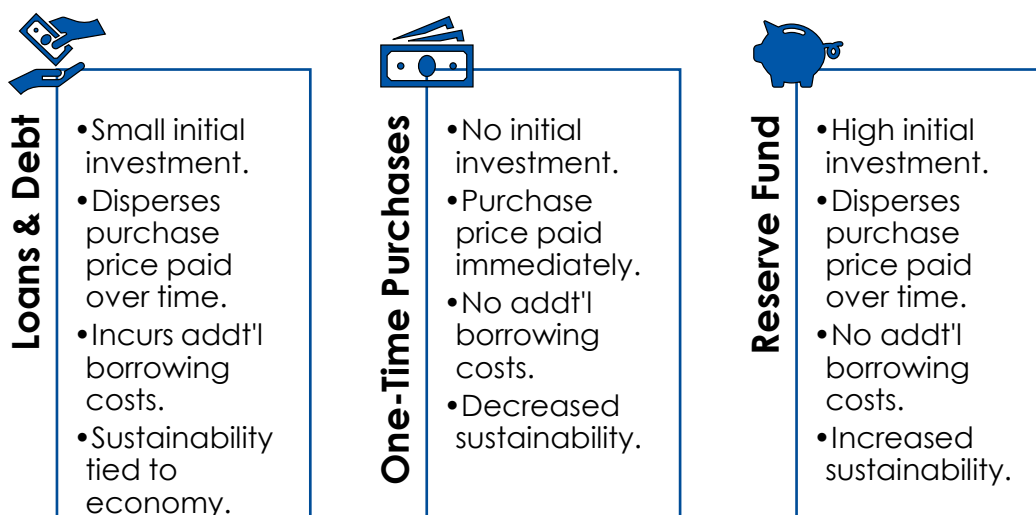
3. Incorporate vehicle usage pattern evaluations into the annual needs assessment process. Additional funds may be needed for telematics devices to ensure accurate utilization data is available for all vehicles.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet will incorporate expanded telematics data from AssetWorks and develop written guidance on identifying underutilized assets and impacts to replacement schedules.*

Vehicle Acquisition Funding Method is Likely not Sustainable due to Increased Ownership Costs; Operational Needs are Currently Met

The Government Finance Officers Association, or the GFOA, recommends that governments establish a system for assessing their capital assets to plan and budget for any capital maintenance and replacement needs. GFOA stresses that structural deficits should be avoided and future generations should not be responsible for paying for benefits received in the past, such as issuing debt with payback periods longer than the asset's useful life.³ In practice, vehicle acquisitions are generally funded through one of three methods outlined in Figure 6.

Figure 6: Typical Vehicle Acquisition Funding Methods



Once purchased, acquired vehicles must be “upfit” before they can be deployed to an operating department. Upfitting generally includes installing additional equipment, upgrading mechanical systems, and applying branding wraps. Industry standards suggest that basic upfitting projects take from three to five business days while more complex upfits can take one to two months.

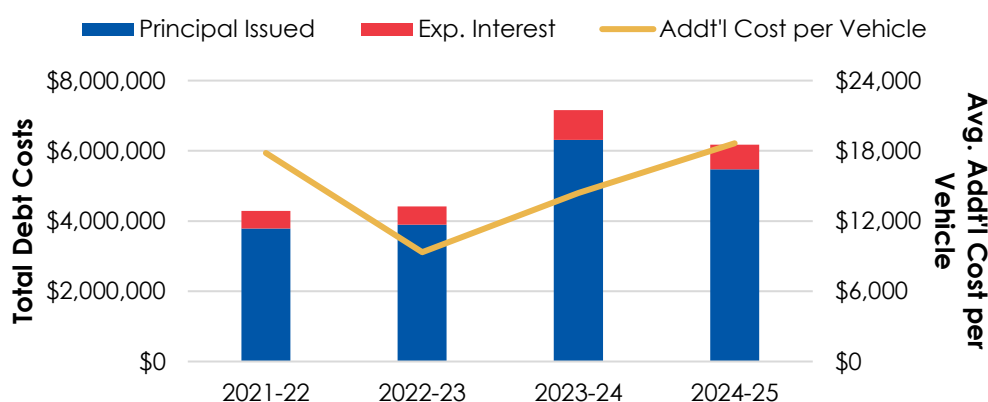
What We Found

- Despite alignment with government funding fairness principles, the City's primary vehicle acquisition funding method significantly increases the total cost of ownership.

³ Ensure Fairness and Uphold Stewardship of Public Resources are two of six “[First Principles of Public Finance](#)” released by the GFOA in June 2025.

- Almost all City vehicle acquisitions are funded by issuing certificates of obligation, which are a Texas municipal debt instrument that does not require voter approval to issue.⁴ City operating divisions, particularly utilities, occasionally make one-time vehicle purchases using general reserve funds or grants. No dedicated vehicle acquisition reserve fund has been created.
- Between Fiscal Year 2022 and Fiscal Year 2025, the City issued almost \$19.5 million in certificates of obligation and purchased 190 vehicles with these funds. Based on expected interest payments, debt funding added about \$14,300—or about 15 percent of the average purchase price—to the total cost of ownership for these vehicles.⁵ Figure 7 illustrates vehicle-related debt issuances during this time.

Figure 7: Vehicle-Related Debt Issuance (FY22 through FY25)



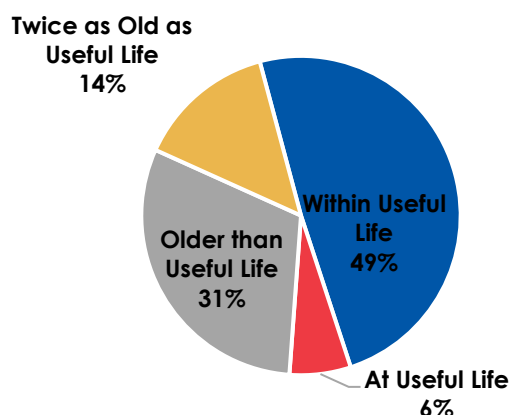
- The City of Denton's debt management policy states the City's goal is to have completely paid back certificates of obligation within thirty years. City practice indicates that certificates of obligation issued to purchase vehicles are paid back within five years of issuance, which is roughly the lifespan of the average fleet vehicle, helping to ensure that future residents are not paying for past benefits.
- Acquired vehicle replacements appear to be needed, but decision-making documentation could be further improved.⁶

⁴ Debt instruments allow an organization to raise money by promising to repay the lender the amount borrowed over a set period of time plus interest.

⁵ For context, industry standards suggest that a newly purchased vehicle loses about 15 percent of its market value when it is "driven off the lot."

⁶ The City Auditor's Office completed an [Analysis Report regarding the Fleet Division's Vehicle Replacement PO Accuracy](#) in 2022 as a non-audit service; for these reasons, actual vehicle purchase documentation was not reviewed in detail as part of this Audit Project.

- For Fiscal Year 2025, the Fleet Division identified 138 vehicles for replacement, about 91 percent of which received a replacement score of 11 or higher, indicating that at least two of the useful life expectations outlined in Table 1 had been met. Of the vehicles identified for replacement with lower replacement scores, only four were actually replaced. Three of these were ambulances, and one was a police motorcycle.
- Further, at least 15 vehicles that were not identified for replacement on the Fiscal Year 2025 list were replaced during Fiscal Year 2025, all of which had a replacement score of 13 or higher.
- Still, due to the fluidity of the budget process and data entry inconsistencies in the vehicle management system, it has historically been difficult to trace replacement decisions from the existing asset to the new asset because replacement asset numbers were not always entered. Since the audit began, the Fleet Division implemented a written procedure to ensure consistent replacement number entry.
- Further, 17 of the 27 operating division fleet liaisons reported their division currently has enough vehicles to meet service level expectations, indicating that operational needs are generally being met.
- Despite annual purchases, operationally needed vehicle replacements are consistently deferred, indicating the current funding levels are not adequate.
 - During the Fiscal Year 2024 and 2025 budget processes, at least 93 vehicles that should have been replaced given the replacement score and priority of the assigned division's operations were deferred. As of March 2026, the Fleet Division estimated the total cost to replace all 297 vehicles that have met at least two of the useful life expectations at almost \$50 million.
 - While only about eight percent of the City's current fleet is clearly marked as having a replacement deferred, about 45 percent of the City's vehicle fleet is older than its useful life per Fleet's expectations as illustrated in Figure 8.

Figure 8: Denton Fleet Age as of Fiscal Year 2026

- Similarly, industry standards suggest vehicles that consistently have maintenance costs two to three times higher than the average may be candidates for replacement.⁷ Table 2 outlines the number of vehicles with more than double the average annual repair cost.

Table 2: Potential Replacement Vehicles based on Repair Costs (as of April 2026)

Vehicle Class	Vehicles	Avg. Annual Repair Costs	Percent Over Double the Avg.
Light	570	\$1,210	14.0%
Heavy	401	\$9,800	15.5%

- Further, 14 of the 27 operating division fleet liaisons reported their division will not have enough vehicles and equipment to meet service level expectations over the next three years without new additions, indicating the need for new vehicles is only increasing despite the deferral backlog.
- Acquired vehicles are generally deployed timely and tested before operation, but there are a lack of written internal expectations and no clear indication of contractor delays.
 - The Fleet Division implemented an Operations Manual in December 2025 that outlines the process of receiving and releasing acquired vehicles into service, but target deployment timeframes have not been established.
 - Since October 1, 2023, the average deployment time, including upfitting and inspection, was about 60 days, but this average dropped

⁷ While maintenance costs include both preventative tasks and repairs, repair consistently make up 80 percent or more of total maintenance costs over a vehicle's life. Further, total maintenance costs for each vehicle are difficult to calculate due to system limitations. For these reasons, repair costs are used throughout this report as a proxy for maintenance costs.

- to 30 days if Police Department vehicles are removed, indicating that deployment time is reasonable for most vehicles based on standard upfitting requirements. While the Operations Manual requires Fleet staff to perform “make ready” inspections, guidance on documenting the inspections and completing upfit projects was limited, increasing the risk of inconsistent practices and hindering quality assurance reviews.
- Fleet staff indicated Police vehicles have a longer upfit time due to specialized modifications performed by a contractor, but specific documentation of upfit steps was limited. Still, industry standards indicate that advanced upfits may take up to two months, which aligns with average Police vehicle deployment times.

Why It Matters

Historically, the City has primarily funded vehicle acquisitions by issuing debt. While debt funding vehicle acquisitions requires a small initial investment due to bond issuance fees and distributes the purchase price over the life of the asset, total costs of ownership are increased due to interest. While lower interest rates may make this a reasonable funding choice, as interest rates increase, these additional borrowing costs become less and less affordable—potentially impacting funding availability for needed vehicles in the future. For these reasons, the City should explore ways to decrease debt funding vehicles, such as creating a vehicle acquisition reserve fund.

One measure of funding sufficiency is the prevalence of vehicle replacement deferrals since retaining aging vehicles risks maintenance costs increasing exponentially while resale values continue to fall. The impact of this relationship on total cost of ownership is illustrated in Figure 5. Though all the City's completed vehicle replacement acquisitions appeared to be needed for City operations, an estimated \$50 million in replacements—about two and a half times the amount spent over the last four fiscal years—is currently needed. For these reasons, while operating division vehicle needs are currently being met, new funding methods should be explored to ensure money is available for future needs.

Finally, newly acquired vehicles appear to be deployed timely, helping to ensure operating needs are met, but written deployment timeframe targets and clearer work order documentation would further ensure upfit practices are consistent and meet quality standards. Similarly, improved vehicle replacement decision-making documentation would assist the City with understanding the full impact of funding challenges.

Recommendations:

4. Develop a plan to minimize funding vehicle acquisitions through debt issuance and present it to City Council for consideration. Consider creating a vehicle acquisition reserve fund that operating divisions contribute to regularly to increase sustainability while continuing to spread vehicle purchase prices over their useful life.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation as directed by the City's financial authority. Financial strategies and alternatives will be reviewed; implementation is dependent on citywide financial policy and budget direction.*

5. Establish a process to consistently document vehicle replacement decisions to improve acquisition cost accountability and improve replacement deferral impact tracking.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet already maintains the required data, and the defined asset and deferral impacts along with the collaborative multi step, multi department process for scheduling and approving annual replacements and will be captured in a formal SOP.*

6. Establish a process to ensure vehicles are deployed timely and are consistently tested: setting target deployment timeframes; clarifying quality control standards for "make ready" inspection and upfitting project work orders; and requiring periodic quality assurance reviews for vehicle deployments.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet will define a formal make ready timeline; current make ready work is performed as quickly as possible and reviewed for quality before deployment, but no written and defined standard currently exists.*

Impact of Maintenance on Vehicle Costs and Availability is Obscured due to Fleet Age & Work Order Documentation Practices

The City of Denton's Fleet Division is responsible for maintaining about 1,100 City-owned vehicles, including automobiles and specialized equipment.⁸ These vehicles can be broadly grouped into three usage classes based on the vehicles' expected usage as summarized in Figure 9.

Figure 9: Simplified Vehicle Classifications



Generally, vehicle maintenance falls into two categories: (1) preventative maintenance, including routine tasks designed to protect a vehicle's systems such as oil or other fluid changes, mechanical assessments, and tire rotations; and (2) repairs, which are unplanned maintenance activities intended to correct unexpected mechanical or electrical issues. The maintenance process for vehicles generally includes four steps as further described below:

1. **Identify** maintenance needs based on vehicle mileage, total engine hours, or reported condition: requires an inventory of vehicles, usually in an asset management system, with telematic devices installed in each vehicle to alert maintenance staff when a maintenance threshold is reached or a mechanical or electrical issue occurs.
2. **Prioritize** maintenance activities to meet service level goals: requires formally adopting service-level standards related to vehicle availability, cost controls, and maintenance effectiveness. Prioritization generally

⁸ The Fleet Division is also responsible for maintaining about 300 vehicle accessories, including trailers, attachments, and small equipment, and four boats that were excluded from this review.

requires balancing preventative maintenance tasks with immediate repair needs since vehicles are constantly in use.

3. **Plan** prioritized maintenance activities based on available resources: requires an understanding of time, labor, equipment, and material costs by project type and size compared to available resources, including staff, equipment, and money. Planning on this scale is typically done continually to optimize resource usage since vehicles are constantly in use.
4. **Perform** maintenance activities: requires documentation of who, what, when, where, how, and why the work was performed, typically through a work order system, and appropriate oversight to ensure quality and timeliness standards were met. Performance of maintenance should feed into the vehicle management system to ensure maintenance histories are retained for each vehicle.

Overall, industry standards suggest that well-managed fleets have about 95 percent of vehicles available at any one time and work orders should be completed within established target timeframes. About 90 percent of scheduled preventative maintenance tasks should be completed on time and part costs should represent between 40 and 70 percent of maintenance costs.

As with most maintenance programs, resource availability is critical to keeping up with maintenance needs to effectively extend asset useful lives. Table 3 outlines recommended minimum vehicle maintenance resource standards.

Table 3: Vehicle Maintenance Resource Needs

Technician Hours	Cover estimated vehicle maintenance hours based on fleet size ⁹
Technician Qualifications	Should be trained; preferably certified
Parts Quality	Should be manufacturer certified
Vehicle Bays	At least 1 bay to 1 technician; preferably 1.5 bays to 1 technician

What We Found

- The Fleet Division maintains an inventory of City vehicles that tracks most needed usage information. However, telematics data is not integrated into the system nor used to proactively identify maintenance needs.
 - The Fleet Division has implemented a vehicle management system that contains an inventory of the City’s vehicle assets and calculates a

⁹ Best practices suggest fleet size be measured based on vehicle equivalent units—or VEU. VEU is a normalized measure of maintenance hours needed; industry standards suggest one VEU equals 10 to 15 hours of preventative and unscheduled maintenance per year.

replacement score as discussed in Table 1.¹⁰ This system generally tracks needed usage information including purchase price, preparation costs, vehicle age, maintenance and repair costs, cumulative utilization data, and asset depreciation.

- The vehicle management system automatically notifies the operating division when a vehicle is due for preventative maintenance based on the manufacturer's recommendations and the imported cumulative utilization data. Operating division liaisons are responsible for scheduling preventative maintenance appointments and are reminded until the vehicle's service is completed.
- In 2022, the Fleet Division began installing telematics devices in City-owned vehicles, which provide real-time information on individual vehicle mechanical and electrical errors as well as other usage data. However, Fleet staff do not actively monitor telematics error codes; instead, they rely on standard maintenance schedules and operating division liaisons to identify repair needs. In addition, usage information collected by the telematics system is not integrated into the vehicle management system.
- The Fleet Division has formally adopted some vehicle maintenance service-level standards, but goals are not always met or established, potentially due to these performance metrics being influenced by factors outside of Fleet's control.
 - In December 2025, the Fleet Division established ten key performance indicators—or KPIs—four of which are directly related to vehicle maintenance. The City has not established goals for two of these metrics, and two others did not have a clear industry standard benchmark as outlined in Table 4.

Table 4: Vehicle Maintenance Service Level Goals & Performance

Performance Metric Type	City KPI	Ind. Std. Benchmark	City Goal	City Performance
Vehicle Availability	Vehicle Uptime	95%	None	81.5%
	PM Completion Time	None	None	2.13 Hrs.
Cost Controls	Technician Efficiency	None	70%	75.4%
Maintenance Effectiveness	PM Compliance	90%	95%	79.2%

- Of the three KPIs that had a relevant City goal or industry benchmark, only one—technician efficiency—was being met. Comparison of the

¹⁰ The City Auditor's Office completed an Agreed-Upon Procedures Engagement, including a vehicle inventory, in 2023 as part of [Audit Project 032—Fleet Service Operations](#); for these reasons, a vehicle inventory was not conducted as part of this Audit Project.

cost of parts to total maintenance costs showed an average ratio of 47 percent, falling into the benchmark range. This further indicates that technicians are generally working efficiently.

- The Fleet Division has established target completion timeframes for work orders within the vehicle management system. This system automatically flags work orders that exceed the expected repair timeframes, further promoting technician efficiency. However, while labor hours data could be pulled from the system, target completion times could not—hindering holistic performance efficiency review.
 - As noted in Table 4, the City's Vehicle Uptime, arguably the most important fleet maintenance performance indicator, is significantly lower than the industry benchmark of 95 percent, which indicates serious maintenance issues may exist within the fleet. However, this is likely due to the age of the fleet—especially deferred vehicles. In particular, there was a statistically significant difference between the average annual number of repair work orders for active vehicles (about 4.5 annually) and deferred vehicles (about 7.2 annually) since October 2023. Further, a review of all vehicles marked as deferred found that 40 of the 57 were costing more than 10 percent of the associated department's per asset costs, indicating that deferred vehicles cost more than others to maintain.
- Formal vehicle maintenance planning guidance is limited; impact on efficiency is obscured due to data collection issues.
 - The Fleet Operations Manual states that Fleet Supervisors evaluate received repair requests to determine the most efficient and appropriate repair path, but written guidance on how this path is determined was not available.
 - Fleet indicated that they have informally developed a work order priority system which prioritizes, from first to last: first responders, utilities, all others, and parks. However, neither work order closure information nor average repair labor hours clearly align with these priorities. Instead, average repair hours per work order have remained consistent while the average time a vehicle spends with an open work order each year has generally decreased, indicating planning processes may be being completed more efficiently.

Table 5: Relationship Between Work Order Days & Repair Time

Fiscal Year	Avg. Time with Open WO	Avg. Repair Time per WO
2024	35%	4.25
2025	31%	4.50
2026	23%	4.25

- The Fleet Division has implemented an appointment scheduler using the vehicle management system to assist operating divisions with scheduling maintenance and repairs around their operational needs. Additionally, a dashboard has been established that allows operating divisions to track work order status to increase transparency once a vehicle is dropped off for service.
- All completed maintenance is recorded in work orders, but specific written guidance is limited, increasing the risk of inconsistent maintenance quality.
 - Preventative maintenance tasks and repair projects are recorded in work orders in the vehicle management system. Supervisors conduct quality assurance reviews of completed work orders to ensure labor and parts costs are reasonable. However, specific work order documentation requirements have not been established, hindering quality assurance reviews of actual maintenance work.
 - Relevant warranty information for each vehicle is readily available to technicians in the vehicle management system, but there are no written requirements for technicians to check for applicable warranties when performing maintenance. This increases the risk of incurring unnecessary maintenance costs.
- Current technician staffing levels and vehicle bays meet recommended minimal resource standards if supervisors supplement work.
 - As of July 2026, there are 20 fleet technicians, four fleet supervisors, and two fleet managers, totaling 26 positions that either directly perform vehicle maintenance or oversee vehicle maintenance. Based on VEU estimates,¹¹ this staffing level meets recommended minimal resource standards if supervisors supplement some maintenance work. But staffing reduction or increases to the fleet inventory would likely negatively impact service standards.
 - Although not required per established job descriptions 79 percent of technicians have at least one professional certificate. In addition, the City's parts contract requires manufacturer certification.

¹¹ This report assumes that one VEU equals 12.5 hours of maintenance; fleet VEU estimates were based on industry standards.

- The Fleet Division operates two shops with a total of 28 vehicle bays. With the current staffing size, the available garage space supports operations; however, any increase in technicians or inventory, particularly heavy-duty vehicles, would require more bays.

Why It Matters

Vehicle uptime indicates how often vehicles are available to support an organization's operations and are impacted by the frequency of repairs and efficiency of maintenance project management. Preventative maintenance is critical to reducing unplanned downtime and costly repairs that impact operations and increase the cost of ownership. The Fleet Division has established effective preventative maintenance schedules, but operating division compliance rates could be further improved to ensure repair frequency is minimized. Still, preventative maintenance and repairs can only accomplish so much—an aging Fleet inevitably leads to lower uptimes as vehicles need more extensive repairs more often due to cumulative utilization.

When maintenance is needed, the “clock” starts as soon as a vehicle's system flags an issue and ends when the vehicle is placed back into service. Currently, the Fleet Division relies on operating division staff to identify and schedule needed repair; however, regularly reviewing telematics devices already installed in most City vehicles would allow Fleet staff to identify maintenance issues more quickly, improving maintenance efficiency and helping to avoid additional damage.

Planning maintenance projects is critical to ensuring that vehicles are repaired efficiently to reduce operational impacts. While the Fleet Division has informally created maintenance planning priorities (e.g., repairs before preventative maintenance; patrol cars before mowers), there is little additional guidance for supervisors on how identified maintenance tasks should be scheduled for performance. While current staffing and garage space meet minimum resource recommendations for the current fleet size, any changes to staffing or vehicle additions, especially heavy-duty vehicles, would impact Fleet Division efficiency.

Lastly, work orders not only document resource usage, but also the quality of performed maintenance work. Clear work order documentation requirements help ensure that work orders provide a comprehensive picture of the work performed on a vehicle, facilitating quality assurance reviews and improving maintenance efficiency. While the Fleet Division's recorded labor times generally indicate repairs are being completed efficiently, work order closure times indicate that vehicles may be out of service longer than necessary due to planning and coordination issues—though these times have been improving. Clearer guidance for supervisors and technicians on work order documentation

requirements could reduce or more clearly capture actual vehicle downtime and help further ensure that maintenance projects meet the Division's quality standards.

Recommendations:

7. Evaluate ways to review and act on error codes captured by existing telematic devices to ensure critical mechanical and electrical issues are addressed promptly.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet will support this process through SOP development. Error codes and operational level issues that indicate ownership responsibilities should be monitored by the asset owner for review and corrective action, including initiating prompt work tickets for repairs and maintenance. Fleet will create written guidance and support on how to use telematics and vehicle error code information appropriately.*

8. Establish a process to ensure maintenance work orders are completed timely and consistently including: formalizing work order planning priorities to guide supervisors; periodically reviewing open work orders; clarifying work order documentation standards for preventative maintenance and repair project work orders; and requiring warranty checks.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet staff are actively performing these activities and will formalize them with written guidance.*

Available Driver Behavioral Data is not Regularly Used to Reduce Financial Liability Risk Associated with a Vehicle Fleet

Unlike other organizational assets, vehicles may be used almost constantly during an organization's operations, are exceptionally mobile in nature, and place employees at increased risk of injury when in use, heightening the City's financial liability risk. For these reasons, best practices recommend that telematics devices be installed in each vehicle to monitor driver behavior such as inappropriate vehicle locations, unreasonable fuel usage,¹² unnecessary idling, hazardous maneuvers, seat belt non-compliance, and excessive speeding. Behavioral information should be used to minimize organizational waste by identifying inappropriate usage and reduce the chance of vehicle accidents by promoting a safe-driving culture. Behavioral expectations for drivers should be clearly established, consistently monitored to ensure behavioral issues are promptly addressed, and, if an accident or safety incident occurs, available data should be reviewed to inform liability decision-making.

Some organizations may allow their employees to use organization-owned vehicles to commute between their home and worksite to increase productivity, especially when employees must respond to emergencies. Best practices suggest that these types of "take-home" vehicle programs increase the risk of misuse and can shorten a vehicle's useful life due to additional utilization. For these reasons, a take-home vehicle program generally should (1) be centrally administered, (2) be routinely monitored, and (3) have clear parameters such as being tied to organizational needs and having maximum allowable commute distances.

What We Found

- The City has adopted policies that outline behavioral expectations for drivers of City vehicles.
 - City of Denton Policy 409.05 "Comprehensive Driving and City Vehicle Use" was most recently updated in 2022 and requires City employees to comply with all traffic laws, including licensing requirements, cell phone usage, and seat belt usage.
 - In addition, Policy 409.05 outlines vehicle usage standards including: prohibiting off-duty commuting without authorization; requiring vehicles to be properly secured when parked and unattended, parking off-street when possible; prohibiting the transportation of non-City employees or Intoxicating Substances; requiring reasonable care,

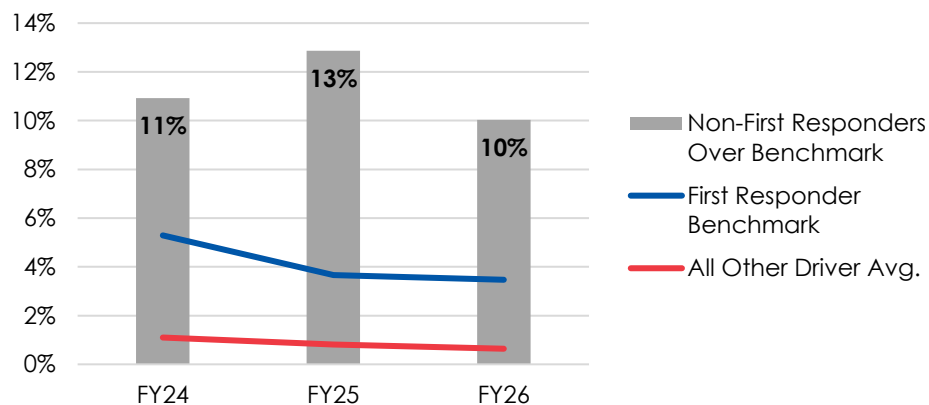
¹² The City Auditor's Office evaluated fuel usage monitoring procedures in 2023 and 2024 as part of [Audit Project 032—Fleet Service Operations](#); for these reasons, fuel usage monitoring was not evaluated as part of this Audit Project.

- including prohibiting tampering with safety devices; and requiring prompt reporting of needed maintenance and repairs.
- Further, Policy 409.05 restricts vehicle and equipment idling except in certain circumstances such as operating auxiliary safety equipment, providing heat or air conditioning necessary for passenger safety, and in accordance with a manufacturer's recommendation.
 - Both the Police and Fire Departments have established internal policies that address when excessive speeding is authorized due to first responder operations.
- Despite being installed in most City vehicles, telematics devices are not used to consistently monitor driver behavior. No formal expectations for using this technology have been established.
 - The Fleet Division began installing telematics devices in City vehicles shortly after the Comprehensive Driving and City Vehicle Use Policy was updated in 2022. Apart from prohibiting tampering, usage of telematics devices and associated driver behavior data are not discussed in the Policy.
 - All operating divisions have at least one Fleet Division liaison. The Fleet Division indicated that these liaisons are responsible for identifying any disabled or malfunctioning telematics devices; however, this responsibility is not formalized in a policy, procedure, or service level agreement. Similarly, the Fleet Division indicated that operating divisions were responsible for monitoring driver behavior data and promptly addressing issues, but this responsibility is not formalized.
 - The City currently has two active vehicle telematics systems that provide driver behavior information, including vehicle location, unnecessary idling, hazardous maneuvers, seat belt non-compliance, and excessive speeding. A review of the log-in histories for both systems as of May 2026 found some operating divisions had no access while most divisions showed inconsistent and infrequent use, confirming that behavior monitoring is not occurring regularly.
 - Collected driver behavior data has not been incorporated into vehicle accident reviews and is not used to help promote a safe-driving culture.
 - According to staff, neither the Risk Management nor Safety Divisions consistently review driver behavior telematics to identify unsafe driving behaviors or driving culture trends.
 - According to staff, when a vehicle accident occurs, driver behavior telematics are not requested and are only reviewed by the Safety Division if proactively provided by the operating division. Similarly, Risk

Management Division staff indicated they only review video footage of an accident if it is available, and do not request related driver behavior telematics.

- City policy does not address the usage of telematics data when addressing safety concerns or when reviewing safety incidents.
- Unsafe driving behaviors are occurring for non-emergency operations, though they are generally trending downwards.
 - From October 2023 to March 2026, first responders excessively speed during four percent of their drive time on average.¹³ About 12 percent of non-first responder vehicles speed at least half as often as first responders, with an average of almost 80 instances of excessive speeding per vehicle annually. Figure 10 further outlines speeding metrics between first responder and non-first responder vehicles.

Figure 10: Avg. Drive Time Excessively Speeding

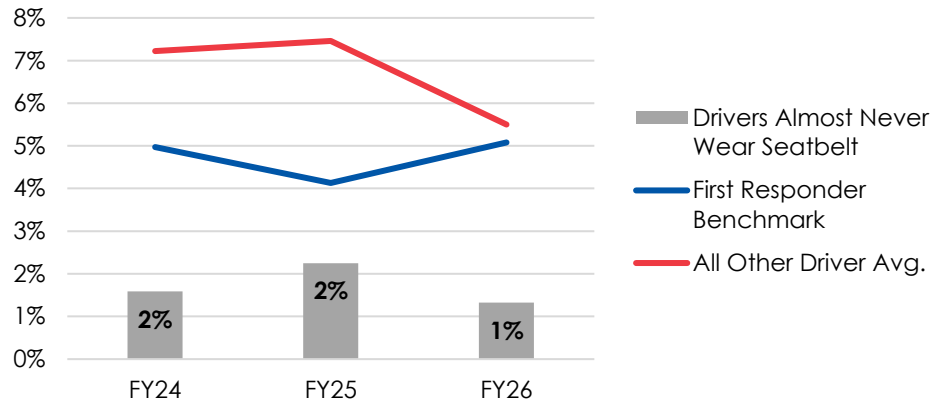


- Similarly, a review of seat belt violations over the same period found that about one-thirds of City vehicles never had a seatbelt violation, but about two percent of drivers rarely wear a seatbelt.¹⁴ Figure 11 further outlines seatbelt non-compliance metrics between first responders and non-first responder vehicles.

¹³ Per the established system parameters, a speeding violation is recorded when a vehicle moves 10 miles per hour or more over the posted speed limit. Percent of drive time is calculated by dividing the distance a vehicle was speeding by the total distance driven.

¹⁴ Per the established system parameters, a seat belt violation is only recorded when a vehicle exceeds 6.2 miles per hour. Percent of drive time is calculated by dividing the distance a vehicle registered a seat belt was not being worn by the total distance driven.

Figure 11: Avg. Drive Time Without a Seat Belt



- Vehicle idling among operating divisions could be further reduced.
 - Based on a comparison of the total maintenance costs of high idling vehicles to vehicles of the same type and age with lower idling rates, high idling vehicles cost about \$15,000 more over its life than lower idling vehicles. These results support best practices research that stated idling should be minimized to reduce costs.
 - Although the City's driving policy restricts idling unless there is a critical need, there is no clear requirement for operating divisions to monitor idling times.
 - Review of vehicle idling data from October 2023 to March 2026 found that idling is a regular practice for multiple non-emergency or safety-related operations.¹⁵ Of the 23 departments reviewed, the average idling duration was 31 percent of the total engine hours.
- The take-home vehicle program does not have a centralized administrator and responsibilities including usage monitoring are not clearly defined in the Citywide driving policy.
 - Policy 409.05 outlines the City's Take-Home Vehicle program. Based on comparison to best practices as outlined in Table 8, the City's program is not centrally administered and does not set a maximum allowable commute distance.

¹⁵ Per the established system parameters idling percentage is calculated based on the relationship between idling duration and total engine hours. For example, if a vehicle idles for two hours out of four total engine hours, the idling percentage is 50 percent.

Table 8: Comparison of Take-Home Vehicle Best Practices to City Policy

Best Practice	Policy Requirement
Centrally Administered	- Take-Home Vehicle Form authorized by supervisor and department director; and HR Director and City Manager if commute is more than 15 miles. - Forms retained by the Fleet and Risk Management Divisions.
Routinely Monitored	- Annual review of actual call-outs, job duties, and commute-related mileage by operating division. - Updated lists provided to Fleet and Risk when requested.
Tied to Organizational Needs	- Temporary or Periodic On-Call Duty with short response times; or - Frequent Emergency Response.
Maximum Allowable Commute Distance	None.

- Neither the Fleet nor Risk Management Divisions had a comprehensive list of Take-Home Vehicle authorizations, and not all forms were signed as required by the policy. Specifically, of the 106 available Take-Home Vehicle Authorization Forms, most were signed by the supervisor (97 percent) and department director (91 percent), but only ten percent of the 38 authorization forms for employees who commuted more than 15 miles were signed by the City Manager.
- Although no maximum allowable commute distance is established in Policy 409.05, City Policy 106.06 "Response Time and On-Call Duty" lists required response times for different operating divisions. Based on review of the 106 available Take-Home Vehicle Authorization Forms, geographic mapping found that 73 percent of the recorded home locations complied with the Response Time and On-Call Duty Policy requirements. On average, non-compliant home locations were about 10 minutes over the required response time.
- Based on review of the available Take-Home Vehicle Authorization Forms, the average round trip commute is roughly 30 miles. Assuming an employee takes a vehicle home once a week, this adds about 1,500 miles of usage annually—or about 1.5 percent of a vehicle's useful life that would otherwise not be used.

Why It Matters

Due to their unique nature, vehicles expose organizations to additional risk and so should be regularly monitored to reduce financial liability and discourage misuse. Despite collecting driver behavior information for most vehicles, the City has not formally established acceptable uses for this data or clear monitoring

requirements. Updating existing policy would help to ensure that driver expectations are clear and that employees are held accountable for any unsafe or inappropriate behavior.

Finally, while take-home vehicle programs may improve operational efficiency, they can lead to increased costs of ownership and so should be appropriately balanced based on the organization's goals. While the City has established some Take-Home Vehicle Program parameters, decentralized program administration and unclear requirements hinder evaluation of the program's costs versus benefits. Updating the policy to require improved data and monitoring would help to ensure that this balance is maintained.

Recommendations:

9. Update Policy 409.05 to clarify use of driver behavioral data captured by installed telematics devices, including: defining allowable uses for behavioral telematics data such as monitoring driver behavior to reduce financial liability or detect vehicle misuse; and clarifying monitoring responsibility for behavioral telematics data. Consider developing guidance for operating divisions on how to use the vehicle telematics system in ways that align with the updated Policy 409.05, including how to review behavioral data at the time of an accident or safety incident. mileage reimbursement programs to reduce the need for City-owned vehicles

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Fleet will work with Risk (policy owner), HR, and Safety to support updates and provide operational input.*

10. Update the vehicle take-home program to ensure it continues to meet operational needs while minimizing associated costs, including: centralizing program administration responsibility; establishing a maximum allowable commute distance; maintaining a list of all take-home vehicles that clearly indicates relevant vehicle assignments; and requiring documented regular reviews of authorized take-home vehicles and associated costs.

Fleet Services Comments: *The Fleet Services Division will evaluate, refine, and document the process to comply with this recommendation. Implementation requires coordination with Risk (policy owner), HR, Legal, and operating divisions.*

Audit Project Background

The City Auditor's Office is responsible for providing: (a) an independent appraisal¹⁶ of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Objectives, Scope, and Methodology

The City Auditor's Office has completed an audit of the City of Denton's vehicle management program including needs assessment, acquisition, maintenance, and usage monitoring. This report is intended to provide assurance that the vehicle management program ensures the City has a fleet adequate to achieve its objectives while minimizing the total cost of vehicle ownership.

Audit fieldwork was conducted during April, May, June, and July of 2026. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation to develop criteria including documented policies, industry standards, City requirements, and best practices;
- Developed process narratives to identify current vehicle management program control activities;

¹⁶ The City of Denton Internal Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

- Interviewed staff from the Fleet Division and Finance Department;
- Compared fleet needs assessment processes, including vehicle replacement criteria, to industry standards;
- Verified that employees who receive a car allowance did not receive a mileage reimbursement between October 2023 and March 2026;
- Estimated the value of non-training-related mileage reimbursements to City employees from October 2023 through March 2026;
- Compared Fiscal Year 2025 vehicle sale information to total ownership costs to calculate cost recoupment percentages;
- Estimated active vehicle resale values based on industry standards and calculated repair cost to resale value ratios;
- Estimated average additional borrowing costs for vehicles purchased with certificate of obligation proceeds and verified that proceeds were used and repaid timely;
- Assessed the reasonableness of vehicle replacement decisions, including deferrals, for Fiscal Year 2024-25 and Fiscal Year 2025-26 based on Fleet Division replacement criteria and informal prioritization practices;
- Surveyed the 45 operating division fleet liaisons to obtain division-specific feedback on vehicle management practices;¹⁷
- Compared active vehicle useful life expectations established by the Fleet Division to actual age;
- Calculated average annual repair costs for active light- and heavy-duty vehicles and identified assets with annual repair costs that were double the relevant average;¹⁸
- Calculated the average deployment time for vehicles acquired after October 2023;
- Compared key performance indicator goals and metrics established by the Fleet Division to industry-suggested performance benchmarks;
- Calculated the average time each vehicle spent with an open repair work order each year and the average labor time used for each repair work order and compared trends between October 2023 and March 2026;

¹⁷ Survey received a representative response of about 60%, indicating information is generally reliable.

¹⁸ Active assets managed by the Fleet Division were categorized into six categories to simplify analysis and review: (1) Light-Duty, (2) Heavy-Duty, (3) Alternative Vehicles, (4) Forklifts, (5) Motorcycles, and (6) Trailers and Attachments. Trailers and Attachments were excluded from the audit scope.

- Observed work order documentation completion practices while evaluating work order timeliness;
- Estimated Fleet Division resource needs, including number of technicians and vehicle bays, based on industry standards and compared to actual resources;
- Evaluated driver behavior data from the City's telematics system to identify trends related to vehicle idling, excessive speeding, and seat belt usage from October 2023 through March 2026;
- Compared the repair costs of high-idling vehicles to similar lower-idling vehicles; and
- Compared the City's take-home vehicle program to industry standards and assessed Take-Home Vehicle Authorization Forms compliance with program requirements.

Appendix A: Management Response Summary

The following summarizes the recommendations issued throughout this report. The auditors found that staff and the Division were receptive and willing to make improvements to controls where needed. Management has provided their response to each recommendation.

1	Formalize responsibilities for vehicle acquisition decision-making, including verifying reasonableness of requested fleet additions and identifying vehicle replacements to ensure the City's fleet size is sustainable while meeting organizational needs.	Agree
Responsibility:	Fleet Director	Expected Completion: FY27, Quarter 4
2	Provide guidance to operating divisions on conducting vehicle needs assessments, including available new vehicle purchase alternatives.	Agree
Responsibility:	Fleet Director/Human Resources	Expected Completion: FY27, Quarter 4
3	Incorporate vehicle usage pattern evaluations into the annual needs assessment process. Additional funds may be needed for telematics devices to ensure accurate utilization data is available for all vehicles.	Agree
Responsibility:	Fleet Admin Analyst	Expected Completion: FY27, Quarter 4
4	Develop a plan to minimize funding vehicle acquisitions through debt issuance and present it to City Council for consideration. Consider creating a vehicle acquisition reserve fund that operating divisions contribute to regularly to increase sustainability while continuing to spread vehicle purchase prices over their useful life.	Agree
Responsibility:	Fleet Director/Finance	Expected Completion: FY27, Quarter 4
5	Establish a process to consistently document vehicle replacement decisions to improve acquisition cost accountability and improve replacement deferral impact tracking.	Agree
Responsibility:	Fleet Director	Expected Completion: FY27, Quarter 4
6	Establish a process to ensure vehicles are deployed timely and are consistently tested: setting target deployment timeframes; clarifying quality control standards for "make ready" inspection and upfitting	Agree

project work orders; and requiring periodic quality assurance reviews for vehicle deployments.			
Responsibility:	Fleet Manager	Expected Completion:	FY27, Quarter 1
7	Evaluate ways to review and act on error codes captured by existing telematic devices to ensure critical mechanical and electrical issues are addressed promptly.		Agree
Responsibility:	Fleet Admin Analyst	Expected Completion:	FY27, Quarter 2
8	Establish a process to ensure maintenance work orders are completed timely and consistently including: formalizing work order planning priorities to guide supervisors; periodically reviewing open work orders; clarifying work order documentation standards for preventative maintenance and repair project work orders; and requiring warranty checks.		Agree
Responsibility:	Fleet Manager	Expected Completion:	FY27, Quarter 2
9	Update Policy 409.05 to clarify use of driver behavioral data captured by installed telematics devices, including: defining allowable uses for behavioral telematics data such as monitoring driver behavior to reduce financial liability or detect vehicle misuse; and clarifying monitoring responsibility for behavioral telematics data.		Agree
Responsibility:	Fleet Director/Human Resources/Risk & Safety	Expected Completion:	FY27, Quarter 4
10	Update the vehicle take-home program to ensure it continues to meet operational needs while minimizing associated costs, including: centralizing program administration responsibility; establishing a maximum allowable commute distance; maintaining a list of all take-home vehicles that clearly indicates relevant vehicle assignments; and requiring documented regular reviews of authorized take-home vehicles and associated costs.		Agree
Responsibility:	Fleet Director/Human Resources/Risk & Safety	Expected Completion:	FY27, Quarter 4