



Vehicle Rental Contract Utilization Review

September 18, 2017

Office of Internal Audit and Compliance



Missouri State[™]

U N I V E R S I T Y

DATE: September 18, 2017

TO: Dr. Helen C. Reid, Dean, College of Health and Human Services
Dr. David L. Hough, Dean, College of Education
Dr. Joye H. Norris, Associate Provost for Access and Outreach
Kyle Moats, Director of Athletics

CC: Stephen C. Foucart, Chief Financial Officer
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VEHICLE RENTAL CONTRACT UTILIZATION REVIEW

BACKGROUND

The State of Missouri has vehicle rental services contracts with Enterprise Rent-a-Car and Hertz. Missouri State University utilizes these contracts for vehicle rental services. The University uses Enterprise as the vendor of choice for vehicle rental services because of price, location, availability and convenience. During the year ended June 30, 2017 Missouri State University paid Enterprise Rent-a-Car approximately \$116,000.

OBJECTIVE AND SCOPE

The objectives were to review controls and procedures related to Enterprise vehicle rentals and compare select employee mileage payments to the cost of renting a vehicle to determine the most efficient method of transportation for University employees. The scope included, but was not necessarily limited to, the two fiscal years ended June 30, 2017.

SUMMARY

Our review concluded that together the College of Health and Human Services and the College of Education could have saved approximately \$16,000 during the two years ended June 30, 2017 if vehicles would have been rented for long distance business trips (over 250 miles) instead of paying employees mileage to drive their personal vehicles. Based upon our analysis, the University should revise Operating Policy 8.22-4 Methods of Transportation to include information instructing employees to utilize the state's contract with Enterprise for long distance business trips.

Our review of vehicle rental expenses identified \$1,170 in overcharges, duplicate payments and personal vehicle

rental charges that were reimbursed to the University as a result of this audit.

Our review identified an employee who rented vehicles for weeks and months at a time between July 2016 and May 2017 costing **\$5,182**, and appears to have often used these vehicles for personal use. This employee left employment with the University shortly after our review.

Finally, our review noted some coaches were provided rental vehicles costing a total of \$9,871 in lieu of courtesy vehicles from the University Foundation when employment contract language does not specify rental vehicles will be provided.



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OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Using Rental Vehicles Could Save Money

The University could save money by encouraging employees to use the State of Missouri's contract with Enterprise Rent-A-Car more frequently when traveling long distances.

During our review, we utilized the Missouri Office of Administration's Trip Optimizer to help determine the most cost effective travel option. The Trip Optimizer is an internet-based portal provided by the State of Missouri that compares the cost of paying an employee 37 cents per mile for using their personal vehicle to the cost of paying for a rental car with fuel expenses. According to the Trip Optimizer, the University would start saving money by renting vehicles for trips that exceed approximately 100 miles per day. While the savings for a 100-mile daily trip is small, our review noted numerous long distance trips that would save the University significantly more.

We selected large mileage payments to employees of the College of Health and Human Services (CHHS) and the College of Education (COE) to review and calculate savings. Our review concentrated on trips with mileage exceeding 250 miles. We identified the following:

College of Health and Human Services

For the two years ended June 30, 2017, we reviewed 70 long distance trips (over 250 miles) with mileage payments to CHHS employees totaling **\$16,375**. Using the trip optimizer, we calculated the potential savings of using a rental vehicle to be approximately **\$8,000** (49 percent). Individual trip savings ranged from a low of approximately \$51 to over \$600 per trip.

- For example, a CHHS employee was paid \$441 in mileage to travel 1,192 miles for a 3-day trip to Minnesota. According to the trip optimizer, the cost of renting a compact sedan and paying for fuel would have been approximately \$169. The University could have saved **\$272** on this trip.
- In another example, a CHHS employee was paid \$512 in mileage to travel 1,384 miles for a 5-day trip to Texas. According to the trip optimizer, the cost of renting a compact sedan and paying for fuel would have been approximately \$243. The University could have saved **\$269** on this trip.

We also noted instances where CHHS employees combined a business trip with a personal trip and received a large mileage reimbursement for driving their personal vehicle. However, the cost to rent a vehicle and pay for fuel for the business portion of the trip would have resulted in significantly less cost to the University. In the two trips noted below, the University could have saved **\$830** if the employees would have only received payment in an amount matching the cost option that was lowest for the University. In these situations, the University should not incur excessive costs because the employee chooses to combine a business trip with a personal trip and takes their personal vehicle.

- For example, a CHHS employee was paid \$807 in mileage to travel 2,182 miles to Arizona. According to the employee, this trip was in combination with a personal trip to California and the University reimbursed the employee for round trip mileage for the business portion of the trip. Based upon the trip optimizer, the cost of renting a vehicle and paying for fuel for the business portion of this trip would have been approximately \$302. The University could have saved **\$506** on this trip.
- In another example, a CHHS employee received \$576 in mileage to travel 1,558 miles to Colorado for a conference. The employee decided to go to Colorado a week early and take a vacation prior to the conference. According to the trip optimizer, the cost of renting a vehicle and paying for fuel would have cost the University \$252. Since the employee combined the business trip with a personal vacation, it

was necessary for the employee to drive their personal vehicle; however, the amount reimbursed to the employee should not have exceeded the \$252. The University could have saved **\$324** on this trip.

The CHHS has not routinely utilized the State of Missouri contract with Enterprise, as the CHHS only paid approximately \$2,800 for vehicle rental costs during the two years ended June 30, 2017.

College of Education

Similar results were noted during our review of 70 long distance trips (over 250 miles) with mileage payments to COE employees totaling **\$15,326**. Using the trip optimizer, we calculated the potential savings of using a rental vehicle to be approximately **\$7,800** (51%). Individual trip savings ranged from a low of approximately \$51 to over \$550.

For example, a COE employee was paid \$824 in mileage to travel 2,226 miles for a 4-day trip to Wyoming to present at a conference. According to the trip optimizer, the cost of renting a compact sedan and paying for fuel would have been approximately \$265. The University could have saved **\$559** on this trip.

In another example, a COE employee was paid \$541 in mileage to travel 1,462 to Columbia, Lake Ozark and Jefferson City, Missouri for five days. According to the trip optimizer, the cost of renting a compact sedan and paying for fuel would have been approximately \$249. The University could have saved **\$292** on this trip.

The COE has also not routinely utilized the contract with Enterprise, as the COE only paid approximately \$2,200 for vehicle rental costs during the two years ended June 30, 2017.

Other University Departments

While our review of mileage payments concentrated on the CHHS and the COE, we also noted other areas that could save money by utilizing rental vehicles more for travel. For example, some coaches who are not provided courtesy vehicles should consider renting vehicles when driving long distances to recruit and some administrative departments should consider renting vehicles for long distance business trips.

Our above calculations through the trip optimizer generally included the use of a compact sedan; however, the cost of upgrading to an intermediate or a full size sedan only costs an additional \$2 and \$4 per day, respectively. If it was clear from trip documentation that several individuals traveled, then the cost of a larger vehicle was included in the calculations. Additionally, our calculations included an extra day's rental if the trip required an early departure or a late return time.

University Policy Changes

Considering the potential savings noted above, University Operating Policy 8.22-4 Methods of Transportation should be revised to include information instructing employees to utilize the state's contract with Enterprise for long distance business trips.

Recommendation:

The CHHS and the COE, as well as other University departments, should more frequently utilize rental vehicles through the State of Missouri's contract with Enterprise Rent-A-Car when traveling on long distance trips. Additionally, the CHHS should better monitor employee travel to ensure the University is not incurring excessive mileage costs when an employee combines a business trip with a personal trip. Finally, the University's Methods of Transportation policy should be revised to include information instructing employees to utilize the state's contract with Enterprise for long distance business trips.

Management Response:

Dr. Helen C. Reid, College of Health and Human Services Dean provided the following response:

The CHHS agrees that University departments should utilize rental vehicles more frequently through the State of Missouri's contract with Enterprise Rent-A-Car when traveling on long distance trips instead of using private vehicles. The CHHS Dean and Budget Officer will arrange training for CHHS Department Heads/School Directors in the use of tripoptimizer.mo.gov to determine the most cost-effective mode of travel and will direct them to communicate this information to faculty and staff during October 2017. Additionally, CHHS Department Heads/School Directors will better monitor reimbursement for CHHS employees who combine business and personal travel to ensure that payments do not exceed the cost for the business portion calculated at the lowest cost option.

Dr. David Hough, College of Education Dean provided the following response:

I have shared the draft audit report, findings, and recommendations that pertain to the College of Education with department heads and associate deans. While some individuals have been using rental vehicles, others have not. All persons in a supervisory position within the College have agreed to encourage using rental vehicles through the State of Missouri's contract with Enterprise Rent-A-Car when traveling long distances. While this will not be practical in all situations, primarily within the State of Missouri, it will be practical in most. Moreover, no College employee will be reimbursed for private automobile travel to out-of-state conferences unless special circumstances warrant same and are approved prior. Trips to Jefferson City for meetings that begin prior to 10:00 a.m. will generally make it impractical to use a rental vehicle. Even so, whenever in-state meetings do, in fact, make it practical to use a rental vehicle, COE employees will be asked to do so.

Steve Foucart, Chief Financial Officer provided the following response:

A member of my staff is currently working with Internal Audit to revise the University's Operating Policy on Methods of Transportation.

2. Reimbursements

During our review of vehicle rental expenses, we requested and received reimbursements totaling **\$1,170** relating to overcharges, duplicate payments, and personal vehicle rentals. The following situations were identified:

- Enterprise reimbursed the University **\$604** for charges in excess of amounts authorized by contract, **\$72** for a double payment and **\$64** for excess fuel costs identified during the course of this audit.
- An athletic employee claimed the cost of an Enterprise rental vehicle on their expense reimbursement report and Enterprise billed the University directly. The University paid both the employee and Enterprise for the rental. As a result, this employee was asked to repay **\$204** to the University.
- A faculty member rented a vehicle from Enterprise to attend a conference in Louisiana; however, this faculty member kept the vehicle for an additional 6 days after the end of the conference for the purpose of taking a personal vacation. Internal Audit requested the faculty member reimburse the University **\$159** for the personal portion of the trip.
- An athletic employee was reimbursed for an Uber ride to a downtown entertainment district late in the evening while on a recruiting trip. Since a business purpose was not documented for the Uber ride, the employee reimbursed the University **\$67**.

Recommendation:

None. During the course of this audit, Internal Audit requested and received reimbursements totaling **\$1,170** for the University.

3. Personal Use of Vehicle Rentals by Outreach Department Employee

Between July 2016 and May 2017 a Criminology Instructor/Outreach employee rented vehicles from Enterprise for weeks and months at a time to perform recruiting duties costing the University **\$5,182**. It appears these vehicles were often used for personal use.

Our review noted that for every day from July 11, 2016 through November 7, 2016, this instructor had a rental vehicle costing the University **\$2,888**. There are no mileage logs documenting the business miles driven during this period of time and expense reports for the reimbursement of fuel do not adequately document the destinations traveled. Considering this instructor had a rental vehicle during weekends and holidays it is unlikely that all of the rental costs paid by the University were for business purposes only.

At Internal Audit's request, this instructor recreated business mileage logs for 2017. Our review of these logs noted the following:

- A Chrysler Pacifica was rented for 32 days during January/February 2017 costing the University **\$752** in rental fees. According to the business mileage logs, the vehicle was only used on 10 days during this period for business purposes. The University's cost for 10 days of rental would have been **\$358**. A difference of **\$394**.
- A Jeep Patriot was rented from February 20-25, 2017 costing the University **\$179**. There were no entries on the mileage log of business miles driven during this period.
- A Ford F150 was rented for 22 days (March 29, 2017 through April 19, 2017) and driven 2,430 miles costing the University **\$796** in rental fees. Business mileage logs indicate the vehicle was only used for business purposes on 10 days and driven 1,661 business miles during this time period. If this vehicle had been rented only on the days it was needed for business purposes, the rental fee would have been **\$530**. The University would have saved **\$266**.

During a discussion with Internal Auditors, this instructor indicated he drove rental vehicles to commute to/from home/work. He indicated that he was unaware that he was required to account for each mile driven in a rental car and believed that since the rental contract with Enterprise was for unlimited mileage he only had to justify the need for the vehicle. Our review also noted that over time the type of vehicle rented changed from fuel-efficient midsize vehicles to larger, more expensive vehicles like full size pickups and suburbans. The instructor indicated he began renting larger vehicles to carry his recruiting supplies. A few days after our discussion the instructor resigned his position at the University.

While the use of a rental vehicle can be very cost efficient for the University when an employee travels long distances, the contract with Enterprise Rent-A-Car indicates the employee must rent the vehicle for official state use only. Additionally, the personal use of University provided vehicles is considered taxable compensation to the employee. There is no indication on this employee's personal action form that he was entitled to this additional compensation.

Recommendation:

The Outreach Department should ensure employees use rental vehicles for business use only. Additionally, mileage logs should be maintained when vehicles are rented for extended periods of time that include several business trips and the employee's travel expense report information is not sufficient to document the use of the vehicle.

Management Response:

Dr. Joye H. Norris, Associate Provost for Access & Outreach provided the following response:

In response to the audit report of September 18, 2017, it came to the attention of Outreach that the mileage recorded by Enterprise was not necessarily accurate, as different mileage was reported for the same

periods in different reports. When discussed with Enterprise, the executive stated that it was an internal training problem and that he would be talking with Enterprise employees to correct the issue. The employee stated that he drove the vehicles to his home, as he felt it was necessary when he loaded materials the day before and left early the next morning. Additionally, he stated that he felt unsafe unloading vehicles at night in downtown Springfield upon his return. Following the discussion with the internal auditor, it is understood that rental of vehicles by state employees is not for the convenience of employees but solely for the purpose of cost savings. This is an important distinction that will be adhered to by Outreach in the future.

Later in the 2016-17 academic year, the employee upgraded to larger vehicles without justification or approval. At that time, he was assisting with the establishment of a Public Safety Training Center as a recruiting tool for the criminal justice program and helped by moving equipment including power washers to clean the bay area. However, he did not need a pick-up for an extended period of time.

Outreach is now aware that logs are to be maintained when vehicles are rented for an extended period of time. The issues highlighted in this report have been corrected.

4. Athletic Vehicle Rentals

Our review noted some coaches were provided rental vehicles in lieu of courtesy vehicles from the University Foundation and some coaches did not always utilize the Enterprise Rent-A-Car contract when renting vehicles out of state.

- A. Employment agreements/contracts for some coaches provide the coach with an automobile for business and personal use. Contract language indicates that automobiles are provided as long as the University and/or Foundation receives sufficient automobiles (via trade-out with automobile dealers in relation to memberships in The Bears Fund) to fulfill all of the University's commitments to provide automobiles to employees. Contracts further state that if insufficient automobiles are available, the University has sole discretion to determine which employees will receive automobiles.

Our review noted that when insufficient vehicles were available from donors, coaches were provided long-term rental vehicles from Enterprise Rent-A-Car costing the University \$716 per month. During the year ended June 30, 2017 the University paid **\$9,871** to Enterprise for this additional benefit for coaches.

Employment contract language does not guarantee automobiles will be available to coaches; as a result, the long-term use of University paid rental vehicles for coaches is not addressed in the contracts. Further, the employment contracts require most coaches to provide insurance and maintenance on vehicles provided by the University; however, Enterprise provides these services through the contract with the University, thus resulting in an extra benefit to the coach. Finally, the contract with Enterprise indicates, "the employee must rent the vehicle for official state use only," while courtesy vehicles provided through the University Foundation can be utilized for personal use.

Athletic administrators should either review employment contract language and make changes to reflect the current practice of providing rental vehicles or cease the practice of providing rental vehicles when one is not available through the Foundation.

- B. During our review, we noted several instances when vehicles were rented from rental companies other than Enterprise Rent-A-Car. When this occurred, the daily rental rate was significantly more than the University's contracted rate with Enterprise. For example, a men's basketball coach rented a vehicle from Budget Car Rental for \$149 per day and a women's basketball coach rented a vehicle from Hertz Car Rental for \$165 per day. These vehicle rentals compare with the University's contracted rate with Enterprise of \$36 per day. Additionally, when employees rent from providers other than Enterprise additional fees and insurance costs are applied to the rental.

If there are circumstances when vehicles cannot be rented through Enterprise, the coach should note the reasons and attempt to negotiate the lowest possible rate for the University. After this review,

Internal Auditors attended a monthly coach's meeting and explained the benefits of using Enterprise Rent-A-Car and what to document when it was necessary to use a different provider.

Recommendation:

- A. If the University intends to rent automobiles for the coaches' personal and business use when vehicles are not available through the Foundation, Athletic Administrators should update employment contract language and determine the appropriate avenue to provide rental vehicles considering the restrictions for official state use in the current contract with Enterprise.
- B. When vehicles cannot be rented through Enterprise, coaches should attempt to negotiate the lowest possible rate for the University and document the reasons why it was necessary to rent a vehicle outside of the contract with Enterprise.

Management Response:

Casey Hunt, Senior Associate Director of Athletics provided the following responses:

- A. *A unique situation occurred in 2017 where a donor of courtesy vehicles was bought out by another corporation and courtesy vehicles used by some coaches had to be returned with very short notice. We decided it was best to place those coaches in rental vehicles until we were able to find another dealer to assist with courtesy/leased vehicles through the foundation. We will consult with University's General Counsel regarding contract language and determine the best avenue moving forward should something like this occur again.*
- B. *We concur and will implement this recommendation.*

The following table represents current rental rates with Enterprise Holdings, Inc. which may be utilized at any Enterprise or Nationwide rental location in the continental United States.

Vehicle Type	Short Term Rates**			Long Term Rates**		
	Daily (per day)	Weekly (per week)	30 days (per month)	31-90 days (per day)	91-160 days (per day)	161+ days (per day)
Sedans						
Compact	\$31.30	\$156.51	\$626.05	\$20.36	\$19.35	\$18.73
Standard/Intermediate	\$33.20	\$166.00	\$664.01	\$21.52	\$21.11	\$20.30
Full Size	\$35.79	\$178.94	\$715.78	\$23.28	\$22.23	\$21.72
Passenger Vans						
Mini-Van	\$53.72	\$268.62	\$1,074.48	\$34.51	\$33.50	\$32.48
12-Passenger Van	\$100.91	\$504.56	\$2,018.23	\$64.37	\$61.14	\$59.22
SUV's						
Small SUV (5-passenger)	\$54.77	\$273.85	\$1,095.39	\$34.51	\$33.50	\$32.48
Large SUV (7-passenger)	\$84.63	\$423.15	\$1,692.61	\$54.10	\$51.39	\$49.77
Green Vehicles						
Hybrid	\$47.37	\$236.85	\$947.40	\$30.82	\$29.27	\$28.35
Alternative Fuel	\$47.37	\$236.85	\$947.40	\$30.82	\$29.27	\$28.35
Pick-Ups/Cargo						
Small Pick-up	\$48.89	\$244.46	\$963.40	\$31.47	\$29.94	\$28.93
Large Pick-up	\$53.05	\$265.27	\$1,061.08	\$34.00	\$32.48	\$31.47
Cargo Van	\$43.07	\$215.33	\$861.33	\$27.41	\$26.14	\$25.38

*Specialty vehicles such as 15-Passenger vans and XL-SUVs are not part of the contract between the University and Enterprise Holdings, Inc.; however, a special account has been created to allow a discounted rate. When renting these vehicle types you must pay damage waiver and liability insurance costs in addition to the identified rental rate.

**Additional surcharges apply for rentals in some areas of California, Texas, Vermont, New York and Alaska. In addition, additional taxes and fees apply for rentals from airport based locations.

Enterprise rental locations in Missouri include:

Affton	Ellisville (4)	Kansas City (12)	Sedalia
Arnold	Eureka	Kirksville	Sikeston
Aurora	Farmington	Kirkwood	Springfield (7)
Ballwin	Fenton (2)	Ladue	St. Charles
Belton (2)	Ferguson	Lebanon	St. Joseph
Berkeley	Festus	Lee's Summit	St. Louis (17)
Blue Springs	Florissant (2)	Liberty	St. Robert
Branson	Gladstone (2)	Maplewood	St. Peters (2)
Bridgeton (3)	Grandview	North Kansas City	Sullivan
Cape Girardeau (2)	Harrisonville	O'Fallon	Troy
Chesterfield	Hazelwood (2)	Perryville	Warrensburg
Clayton (2)	Herculaneum	Platte Woods	Washington
Columbia (3)	Independence (5)	Poplar Bluff	Wentzville
Creve Coeur (3)	Jefferson City (2)	Raytown	West Plains
Dexter	Joplin (2)	Rolla	