



Report of the State Comptroller of Israel |
November 2022

Ministry of Finance

Government Vehicle Administration



Government Vehicle Administration

Background

The Government Vehicle Administration (the Vehicle Administration or the Administration) is a unit in the Assets, Procurement, and Logistics Division of the Accountant General's Department of the Ministry of Finance (the Accountant General). It provides vehicle services to all government ministries and their auxiliary units. The Vehicle Administration budget is based on budgetary participation from the government ministries. It is designated for four expenses: vehicle purchase, vehicle maintenance, insurance, and Administration's overhead – administrative expenses. According to the Administration's financial statements, in 2021, the Administration's expenses were NIS 178 million, and the government vehicle fleet was about 5,100 vehicles, which about 12,000 drivers are authorized to drive. The Assignment Committee, headed by the Accountant General or someone on his behalf, assigns vehicles to officeholders in a government ministry¹.

1 The committee members are: Senior Deputy to the Accountant General, Director of the Assets and Logistics Division (acting chairman), Senior Deputy of the Accountant General, Director of the Wages and Service Conditions Division Director of the Government Vehicle Administration, Deputy Budgets Commissioner or his representative.



Key Figures

**NIS 226
million**

the annual average of the Vehicle Administration's expenses in 2011–2021, according to the financial statements

40%

of the active vehicles' age exceeds the vehicle age model set by the Administration (more than 2,000 vehicles out of approximately 5,200 active vehicles)²

**over NIS
500
million**

the one-time potential income from the transition of the passenger vehicle fleet to the leasing method. The finance sources are the sale of the state's fleet of passenger vehicles, the transfer of the Renewal Fund funds accrued in respect thereof to the State Treasury, and the reduction of the airbags at Inbal Insurance Company Ltd.

**about NIS
6 million**

the State Comptroller's Office estimation of the potential annual financial savings between the Vehicle Administration method and the leasing alternative due to the service improvement and the vehicles³ age reduction

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- 2 According to the data of the Merkava system (a comprehensive trans-organizational system in government ministries) as of January 2022, the Vehicle Administration has approximately 5,200 active vehicles, of which approximately 1,000 are prison service vehicles that are purchased and sold by the Administration, but are not maintained by it.
- 3 Based on a conservative assumption that the average age of the Administration's vehicles is 2 years, not 5 years (average age of active passenger vehicles, as of January 2022).



only 3 vehicle safety officers

responsible for about 4,500 vehicles used by about 12,000 drivers, including about 480 buses and heavy and medium trucks. In 2018–2021, the Administration did not perform annual safety and standardization audits

NIS 371 million

the unexplained difference, as of January 2022, between the existing capital in the Renewal Fund⁴ (according to the financial statements) and the Fund's commitments to the government ministries (according to the data of the Merkava system)


2.6 and 2.9 (out of 5)

areas where the ministries' satisfaction is the lowest, according to the satisfaction questionnaire sent by the State Comptroller's Office. Regarding the time required to receive a response from the Assignment Committee and for the transparency and clarity of the budget accounting (respectively)

NIS 246,000

total fines for 202 traffic reports given to government vehicles not assigned to the drivers who committed the offenses and paid by the government ministries (in 2019–2021)






Audit Actions

 From April 2021 to January 2022, the State Comptroller's Office examined the management and operation of the government vehicle fleet, mainly at the Vehicle Administration in the Accountant General Department. Completion examinations were conducted at the Inbal Company, the Government Housing Administration in the Accountant General Department, the Budgets Division at the Ministry of Finance, and the National Fire and Rescue Authority. Furthermore, questionnaires were sent to 35 government ministries.

⁴ The Renewal Fund was established by the Accountant General in 2011, and its purpose is to accumulate funds received from government ministries before the actual purchase of the vehicles and to purchase and renew vehicles with funds that are outside the budget. The amount of the annual charge is equal to about 25% of the value of the vehicle net of the value of the scrap value at the end of four years from the date of its purchase.




Key Findings


-  **Waiting Time for the Assignment Committee Discussions** – the Assignment Committee is appointed by the Minister of Finance to discuss the criteria for assigning vehicles to government officials and approve them. In 2018–2021, the Committee received an average of 450 appeals each year, and the waiting days for their discussions are rising and reaching an average of 56 days in 2021. A negative correlation was found between the number of Committee meetings per year and the waiting days for the discussion. The Assignment Committee does not increase the number of meetings to adapt to the number of pending applications or the ministries' waiting time for their discussion.
-  **Comparison Between the State's Payment Expenses for State Employees Vehicle Allowance and the Cost of the Vehicles in the Vehicle Administration** – the Assignment Committee does not compare the cost of providing assigned vehicles to state employees versus the alternative of vehicle allowance cost in the employees' wages. Although, in each service level, particularly the higher service levels (3rd and 4th), some vehicles whose monthly cost is lower over NIS 1,000 per month than the cost of vehicle allowance component in the wage.
-  **The Age of the Administration's Vehicles** – the Vehicle Administration vehicle fleet is mainly old. Over 2,000 vehicles (about 40% of the active vehicles) should be replaced so the age of the vehicles will meet the desired age set by the Administration. The average age of all Administration vehicles, as of January 2022, is six years (the average age of passenger vehicles is five years⁵). Moreover, about 200 vehicles are relatively new but have traveled over 200,000 km.
-  **Electric Vehicles** – the Vehicle Administration active passenger vehicle fleet is based on polluting vehicles, and 75% of the passenger vehicles are not hybrid or electric. Furthermore, only six charging stations for electric vehicles are installed at the government ministries, making it difficult to fully meet the government resolutions to transit to electric vehicles as of 2025.
-  **Safety** – since 2018, the Vehicle Administration has not carried out safety examinations in the government ministries, did not investigate traffic accidents committed in the Administration's vehicles, did not collect a damage deductible due to negligent driving, and has not examined complaints due to unusual driving. At the audit completion, three

5 Had the turnover of the passenger vehicles been carried out in accordance with the Vehicle Administration's vehicle replacement model, every 4 years, the average age of the passenger vehicles would be 2 years and not the actual average of 5 years.




safety officers were employed in the Vehicle Administration. The Administration did not appoint 9 vehicle officers under the Ministry of Transport and Road Safety guidelines from April to May 2021. As a result, the three vehicle officers are responsible for about 4,500 vehicles used by about 12,000 drivers, including about 480 buses and heavy and medium trucks.

 **Vehicle Maintenance** – by the State Comptroller's questionnaire, the satisfaction level of the government ministries and drivers with the service quality of the service center and the maintenance work at the garages was 3.5 (out of 5). Furthermore, although the Vehicle Administration has been working since 2018 to establish a service level agreement with Inbal and the garages, thus far, no binding agreement has been settled between them, including service norms in vehicle maintenance and accident repair.

 **Sale of Vehicles** – in 2018–2020, 3,411 vehicles were sold to 535 buyers through the Vehicle Administration tenders, at about NIS 138 million, i.e., about NIS 40,000 per vehicle on average. It was found that vehicle dealers purchased 92% of the vehicles, and 16 large dealers (3% of the total bidders) purchased 34% of the vehicles. Furthermore, 64% of the sales were at prices lower by 70% than the price list, and 15% of the sales were at prices lower by 50% than the price list. Thus, even after a reduction of 30% from the price list of government vehicles (compared to the price list customary in the market), the selling price of these vehicles is lower than the price list relevant to government vehicles.

 **Purchase of Vehicles (Renewal Fund)** – by the Merkava system records, the ministries' credit balance in the Renewal Fund as of January 2022 is about NIS 516 million. However, by the financial statements, the ministries' credit balance in the Renewal Fund is about NIS 145 million, plus NIS 100 million, which was transferred in 2017 to the Budget Division according to the budgetary agreement – and in total, NIS 245 million. I.e., there is a difference of About NIS 371 million between the data held in the Merkava system and the data in the financial statements. Furthermore, the withdrawal in favor of the Budget Division at NIS 100 million, which was anchored in a budgetary agreement from 2018 signed by the Budget Division and the Accountant General Department, fundamentally changes the financing method of the vehicles purchase. Thus, it creates a dependency on the state budget and is inconsistent with the Chief Accountant's order from 2011, according to which the funds accrued in the Renewal Fund should not be transferred for other purposes.

 **Pooling Vehicles** – pooling vehicles are used by government ministries only on their operation days and are not assigned to one person. As of January 2022, there are 1,161 passenger-type pooling vehicles, and their annual cost is about NIS 32 million per year. 48% of pooling vehicles examined by the Audit Division of the Accountant General Department, have savings potential by transitioning to a daily rental method. The maximum savings rate for this transition is estimated at 21% of the expenses on the pooling vehicles (about NIS 6.8 million in annual savings).



Economic Examinations of the Leasing Alternative – the Vehicle Administration and the Accountant General Department conducted economic tests examining the viability of the leasing alternative based on assumptions that do not correspond with reality. For example, costs to the leasing companies of about NIS 3,000 per year per vehicle (about NIS 250 per month) were unnecessarily added, and services at about NIS 14,000 per year (approximately NIS 1,150 per month) provided by the leasing companies only, were not incorporated. By the State Comptroller's Office cost comparison, including the service comparison, the Vehicle Administration cost is about 10% higher than the cost of the leasing alternative.



Transition to the Tender Method – under the shortcomings that the Administration identified in the tender method for purchasing vehicles, and to shorten the procurement processes and increase competitiveness in the tenders, the Administration published a new tender in 2021 for the purchase of vehicles using the tender method. However, the work procedure on the subject has not yet been updated.

Key Recommendations



It is recommended that the Accountant General Department consider formulating a comprehensive policy regarding the extent of public sector employees' use of private vehicles, encouraging the transition of public sector employees to public transportation and reducing travel on the country's roads. It is further recommended that the Assignment Committee set reasonable waiting time for discussing a request and adapt the frequency of its meetings to the appeals waiting for a Committee hearing and the length of waiting time for the appeals hearing in the Committee.






It is recommended that the Vehicle Administration prepare organizationally and budgetarily to purchase and deliver new vehicles to the extent required to refresh the vehicle fleet according to the desired vehicle age model. Thus, implement the government resolution to transition to non-polluting vehicles and electric vehicles.



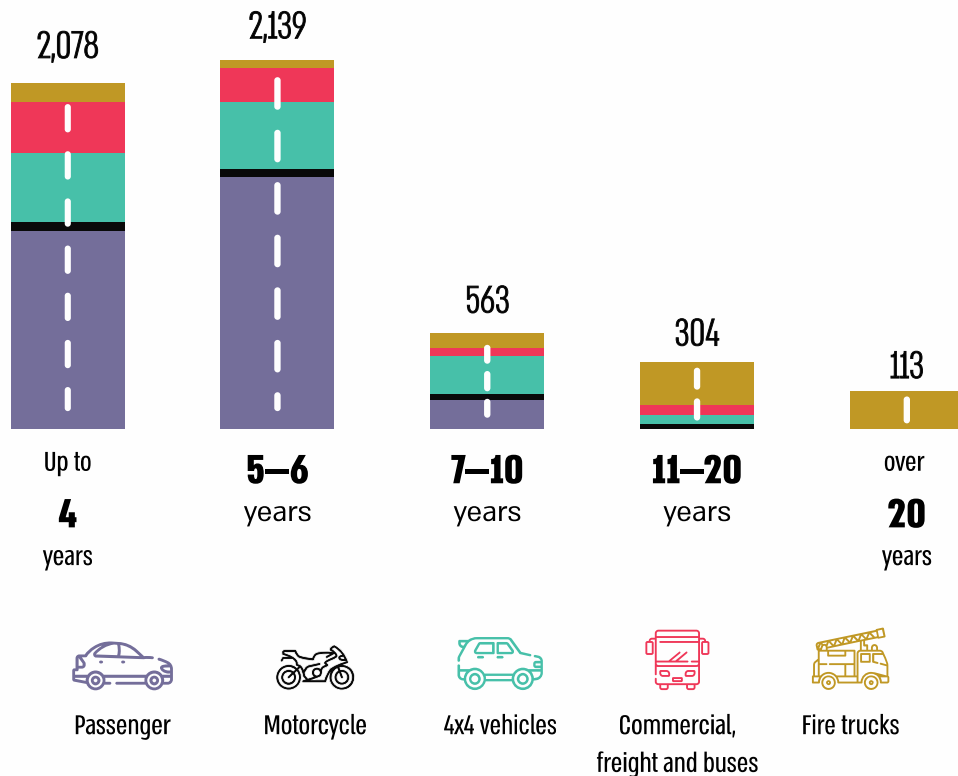
It is recommended that the Housing Administration promote the establishment of electric charging stations in government ministries in a scope that will support the increase in the number of electric vehicles in the government fleet. Given the current difficulties in setting up charging stations, it is recommended that the Vehicle Administration, in cooperation with the Ministry of Energy, examine the conditions for allocating electric vehicles to entitled employees and implement the government resolution to entirely transition to electric vehicles from 2025.



-  The Vehicle Administration should audit safety and standardization in the ministries as part of its routine work plan and according to the Finance and Economy Regulations provisions to optimize the government vehicles' competence and contribute to their driving safety. In addition, the Vehicle Administration should recruit safety officers and investigate accidents involving Administration vehicles.
-  It is recommended that the Vehicle Administration and the Budget Division examine the reasons for creating surpluses in the Renewal Fund. Whether the funds' source is from the ministries' over-collection or a temporary surplus due to partially implementing the replacement program model. In addition, it is recommended that the Vehicle Administration and the Budget Division ensure that these funds are used for the intended purpose – renewal of vehicles – according to the Chief Accountant's instructions.
-  It is recommended that the Accountant General Department and the Vehicle Administration re-examine the leasing alternative based on calculations and assumptions consistent with the existing data and the actual situation, considering the types of vehicles feasible for such a model. Consider a partial or full transition to the leasing model, depending on the examination results.



The Number of the Vehicle Administration's Active Vehicles, According to the Vehicle's Age and Type January 2022



According to the Vehicle Administration data (including prison service vehicles), processed by the State Comptroller's Office.



Summary

Deficiencies were raised regarding the Government Vehicle Administration, responsible for providing vehicle services to government ministries. Regarding the government vehicle fleet, which includes about 4,500 active vehicles, there is a considerable deviation from the government resolution regarding the desired age of the vehicles, and that the vehicle fleet is based on polluting vehicles. Moreover, the provisions of the Finance and Economy Regulations of safety, standardization, and budget management are not implemented, resulting in high financial costs that can be saved. The Vehicle Administration should improve the operation of the vehicle fleet, including compliance with the established vehicle age model; Improve the sales mechanism; and supervise and control the vehicle fleet and the drivers authorized to drive it. It is also recommended that the Administration incorporate electric vehicles in its vehicle fleet and consider alternatives to manage the vehicle fleet, including transition to the leasing method. This includes cost savings and improving the quality of active vehicles and the quality of service given to drivers.

