

Audit Follow-Up

As of September 30, 2009



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Audit of Take-home Vehicles

(Report #0809, Issued May 28, 2008)

Report #1015

May 7, 2010

Summary

This is the first follow-up on the action plan steps originating from the Audit of Take-home Vehicles (Report #0809) issued on May 28, 2008.

In response to that audit, management developed three action plan steps to address issues identified. Those action plan steps were:

- 1) Review the City policy governing employees taking City vehicles home.
- 2) Consideration will be given to policy guidance/directives provided by the City Commission and recommendations included in this audit.
- 3) The policy governing employees taking vehicles home will be revised as applicable.

Our review of the actions taken to complete the action plan steps showed that all three of the action plan steps have been completed. We noted that the policy developed for take-home vehicles did not include TPD vehicles taken home by officers, as use of those vehicles may be part of the collective bargaining agreement with the police officers union.

Our review of forms completed pursuant to the newly revised policy showed inconsistency in implementation of the revised take-home vehicle policy approved by the City Commission. Specifically, some forms completed to support the continuation of vehicles being taken home by employees contained assumptions that were not supported or otherwise explained, were not completed in accordance with the policy, and included items

that do not appear to be correct. We noted one or more of the conditions in 63 of the 86 forms reviewed. We believe the 16 forms submitted for the fire and police departments and seven from the Electric Utility comply with the newly revised policy.

We recommend management complete take-home vehicle approval forms that demonstrate compliance with the revised policy approved in April 2009.

Scope, Objectives, and Methodology

We conducted the original audit and this subsequent follow-up audit in accordance with the International Standards for the Professional Practice of Internal Auditing and 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.

Original Report #0809

The objectives of the audit were to: 1) identify all vehicles that were taken home by a City employee during the audit period; 2) identify and analyze related data including the types of vehicles, distances traveled, and costs associated with commuting; 3) review and determine the adequacy of policies and procedures associated with commuting; and 4)

provide recommendations for management to consider that will create savings and efficiencies in commuting costs.

Report #1015

This is our first follow-up on action plan steps identified in audit report #0809. The purpose of this follow-up is to report on the progress and status in completing the action plan steps due for completion as of September 30, 2009. To obtain information and assess the status, we interviewed key City staff, and reviewed relevant documentation.

Background and Analysis

We issued our report on the Audit of Take-home Vehicles on May 28, 2008. In that report we identified the vehicles taken home by employees, the miles driven that could be attributed to commuting, and estimated the

cost that could be attributed to commuting. We also reviewed the City policy that governed employees taking vehicles home and made recommendations as to changes that could be made to improve the policy. Additionally, we also provided examples of policies from other municipalities that addressed employees taking vehicles home. In response management developed an action plan that was designed to improve the control and management of vehicles taken home by employees. The action plan developed was broad in nature and provided management the flexibility to address the issue of employees taking vehicles home in a manner that would best serve the customers of City services while also attempting to control costs associated with employees taking vehicles home. Table 1 below shows the action plan steps and action taken by management to complete the action plan steps.

**Table 1
Action Plan Steps from Report #0809
Due as of September 30, 2009, and Current Status**

Action Plan Steps Due As of September 30, 2009	Current Status
To better track overtime worked on holidays and type of leave taken	
<ul style="list-style-type: none"> Review the City policy governing employees taking City vehicles home. 	<p>3 A task force was developed to review the current policy concerning take-home vehicles. The task force consisted of the Human Resources Director, the Assistant City Manager of Utilities, Director of the Electric Utility, the Chief of Police, and a representative of the Office of Budget and Policy.</p>
<ul style="list-style-type: none"> Consideration will be given to policy guidance/directives provided by the City Commission and recommendations included in this audit 	<p>3 The task force obtained copies of the audit report and copies of policies from other municipalities referenced in the audit report. That information was used to assist in the development of the City take-home vehicle policy.</p>
<ul style="list-style-type: none"> The policy governing employees taking vehicles home will be revised as applicable. 	<p>3 A policy specifically relating to City employees taking vehicles home (with the exception of police officers) was</p>

	<p>developed and approved by the City Commission on April 22, 2009. As part of the City Commission’s approval of the policy, there were 86 take-home vehicle assignments identified for evaluation as to whether the assignment should continue.</p> <p>Note: As part of this follow-up report we also reviewed the substance of the policy as well as management actions to implement and demonstrate compliance with the policy approved by the City Commission. Our discussion of the substance and implementation of the policy is addressed in the subsequent sections of this report under the heading of “Policy Implementation”.</p>
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Table Legend:

- Issue addressed in the original audit
- ✓ Completed

Policy Implementation

As part of this follow-up report we conducted an additional review of the new take-home vehicle policy and its implementation.

Our review of the policy showed that vehicles taken home by employees were segmented into two classifications: (1) assigned on-call vehicles, and (2) designated assigned vehicles.

Assigned on-call vehicles are vehicles that are taken home by employees only on the days that they are on on-call status. Typically these vehicles are rotated among several employees depending on which one is assigned on-call duties to allow for after hours emergency response. These employees are entitled to on-call pay, are normally non-managerial employees and are tasked with the responsibility for responding to after-hour emergencies.

Designated assigned vehicles are vehicles that are assigned to a specific employee and driven home by that employee every day. The stated purpose of designated assigned vehicles is for use when an employee is called back to work

after hours to provide immediate customer response.

We focused our additional review on the take-home vehicle policy and employees that completed the designated assigned vehicle approval forms.

The policy addressing take-home vehicles incorporates many of the recommendations that were made in our audit of take-home vehicles. Those recommendations addressed areas that include:

- Development of criteria to assist in determining when take-home vehicles should be authorized;
- Defining terms that are subjective in nature;
- Requiring that documentation supporting take-home vehicle decisions be developed and retained;
- Setting a level of management where take-home vehicle decisions will be made;
- Setting limits as to how far employees will be authorized to travel for commuting purposes; and

- Delineating responsibilities of the parties involved in the take-home vehicle process.

The new policy successfully incorporates all of the above items.

The policy includes the requirement that a cost/benefit analysis be developed and included with the approval form for each designated assigned vehicle. The policy also places final approval authority for assigned vehicles to executive management, which for the most part is the City's three Assistant City Managers.

As noted in the third action plan step in Table 1 above, there were 86 designated assigned vehicles specifically identified for review and completion of approval forms and cost benefit analyses. The City Commission agenda item in which the new take-home vehicle policy was approved, provided for a 30-day period in which the approval forms and cost benefit analysis were to be completed and submitted to the Fleet Division (Fleet) for retention. After the 30-day period we requested copies of the forms from Fleet. Our initial review showed 75 forms had been submitted for designated assigned vehicles. After this discrepancy was brought to the attention of management, the remaining 11 forms were submitted.

Once all the forms were submitted as required, we reviewed those forms for completeness, accuracy and reasonableness. Our review, by department, showed there were areas where improvements need to be made.

Electric Utility (15 vehicles, 13 approved)

The forms submitted by the Electric Utility were, in general, complete and accurate. We did however note there were assumptions shown on some forms that were either not explained or were not accurate.

Many of the forms submitted by the Electric Utility included costs avoided due to the

elimination of the need to pay an on-call bonus to employees taking vehicles home. This was accomplished through the design and creation of a pool of employees where any of the employees in the pool are eligible to be recalled to work to address any emergencies that may arise, but none of the pool employees receive an on-call bonus and none are solely required to be available to be recalled.

Upon inquiry, we were told there were two employees that were part of the pool who reside outside Leon County and received on-call compensation but not a vehicle to take home on a daily basis. The new City policy governing taking vehicles home does not allow for vehicles to be taken home by employees that live outside Leon County (with the exception of TPD staff in the law enforcement collective bargaining unit). The employees in question had take-home vehicles prior to the implementation of the new policy. However, because they did not live within the county they were no longer allowed to take a vehicle home.

We are aware that this pool was created prior to the adoption of the take-home vehicle policy in April 2009. Also, the Electric Utility was not aware that by having some pool employees receiving on-call compensation and some not it may give the appearance of a conflict with Fair Labor Standards Act (FLSA) rules.

The receiving of on-call compensation rather than taking a vehicle home, for these two employees, results in the appearance that the on-call compensation was being received in-lieu of taking a vehicle home. We consulted with the City Attorney's Office and with the City's Human Resources Department and based on their interpretation of the FLSA, none of the members of the pool are eligible for FLSA required "on-call" pay, but they all should be treated the same.

Because two members of the pool live outside Leon County and are no longer permitted to take a vehicle home, Electric Utility attempted to create equity in the pool by providing the two out-of-county employees on-call pay.

Several options to address this issue were identified and discussed. We recommend that the Electric Utility address this issue when the forms and cost/benefit analyses are next completed.

Our review of the forms completed by the Electric Utility showed significant effort in completing the forms accurately and transparently and they are completely in agreement to address the issues.

Underground Utility (44 vehicles, 30 approved)

Underground Utility completed the designated assigned vehicle forms for 44 vehicles. We reviewed the first set of forms that were completed and did not agree with assumptions that were included in the forms. We discussed the issues with Underground Utility staff and the Assistant City Manager for Utilities. In response, Underground Utilities revised the forms to address the main issue, which related to showing on-call compensation avoidance as one of the benefits of the use of a vehicle for driving to and from work on a daily basis. Accordingly, revised forms were resubmitted. However, in our review of the revised forms we noted a new issue that was not present in the initial forms.

In the updated forms Underground Utilities included a cost for lost productivity in the cost benefit analysis. The cost of lost productivity was two hours per workday times the hourly rate of the applicable employee. There was no explanation or support provided to explain how the elimination of the use of a take-home vehicle would result in a two-hour loss of productivity for employees with take-home vehicle responsibilities. This assumption was

made for all vehicles even though some employees lived within a close proximity of their normal work site. We recommend that Underground Utility provide additional explanation and support for assumptions (i.e., two hours of lost productivity per day) when the forms are updated as provided for by the take-home vehicle policy.

Energy Services (5 vehicles, 5 approved)

Energy Services completed the designated assigned vehicle approval forms. However, a cost benefit analysis was not completed. A benefit of a 20%-25% increase in productivity (that was not supported or explained) was noted in the approval form. We recommend that Energy Services complete a cost/benefit analysis for each of the five employees that currently take vehicles home on a daily basis. (Note: Energy Services has recently prepared a sample revised cost/benefit analysis and has requested an opportunity to meet with us to discuss the analysis and seek feedback on how the analysis can be improved prior to their revision of all Energy Services' vehicle approval forms. We will meet with Energy Services and discuss the analysis prior to the next follow-up audit.)

Fleet Division (1 vehicle, 1 approved)

There was one employee in the Fleet Division with a designated assigned vehicle. Our review of that form showed there were many issues with the information included in the form.

The first issue noted was the use of a cost rate other than that prescribed by the policy; the policy states that the IRS cost per mile rate of 55 cents per mile will be used. The second issue was the inclusion of on-call expenses in the cost/benefit analysis. The employee to whom the vehicle is assigned is not eligible for on-call compensation based on the employee's managerial status. The third issue noted was the inclusion of overtime in the cost/benefit analysis. As noted above the employee to

whom the vehicle is assigned is a managerial level employee and therefore ineligible for overtime compensation.

We recommend that the Fleet Division complete a new designated assigned vehicle approval form. The form should include a cost benefit analysis as required by policy.

Public Works (3 vehicles, 3 approved)

Public Works completed the incorrect form for the three designated assigned vehicles. The form that was completed was for on-call take-home vehicle assignments and should have been the form for designated assigned vehicles. We reviewed the forms as submitted and noted that, similar to other departments, a cost savings was included in the cost benefit analysis based on avoiding on-call compensation. It is not clear that this cost avoidance should be included as a savings in the analysis. We recommend that Public Works utilize the correct form and address the propriety of including on-call pay in the cost benefit analysis when the forms are updated.

Solid Waste (1 vehicle, 1 approved)

Solid Waste has one employee that takes a vehicle home every night. The department completed the appropriate designated assigned vehicle form. Our review of the form showed that a cost benefit analysis was not completed. However, benefits to the City were documented to help support the approval of the vehicles use as a take-home vehicle. We recommend that Solid Waste complete a cost/benefit analysis when the designated assigned vehicle form is updated.

Fire Department (8 vehicles, 7 approved)

We reviewed the forms submitted by the Fire Department. We did not note any issues with the forms submitted.

Police Department (8 vehicles, 8 approved)

The Police department does not need to complete forms for vehicles used by officers that are part of the police collective bargaining agreement. However, there are vehicles used by command staff (the chief, majors, and captains) that need to have forms completed to support their use as take-home vehicles. Our review of the forms submitted by the police department showed that all the elements of the forms required by policy were included. However, we noted that the cost benefit/analysis that was prepared was a combined analysis where all the applicable vehicles were grouped into one document. A separate cost/benefit analysis should be prepared for each vehicle separately when the forms are updated.

General Comment

In our review of the designated assigned vehicle policy, we noted the purpose of assigning a vehicle to an individual is for use when an employee is called back to work after hours to provide immediate customer response. In our review of the forms completed, we noted that in general the forms did not identify the number of times the employee was called back to work after hours in a given period (i.e., a month or year). Management should address this criteria and include this information on forms submitted. In discussions with management regarding the definition of a designated assigned vehicle, we were informed that factors in addition to responding back to work after hours should be considered. Management identified increased productivity through the use of mobile communications to allow an employee to go directly to a work-site from home as an example of an additional factor that should be considered. Accordingly, management indicated that the definition of designated assigned vehicle will be expanded upon to

better reflect the actual use and benefits when the take-home vehicle policy is next revised.

In the course of reviewing the forms we noted the cost benefit analysis generally showed a monetary savings to the City to support the continued use of the vehicles for take-home purposes. As stated in the original audit report, the circumstances and needs of the City should be the basis for decisions regarding employees taking vehicles home. A cost/benefit analysis is an important component but needs to be weighted against health, safety, and other considerations. We recommend that when management believes those other considerations outweigh cost, the forms clearly describe the logic and rational supporting approval for the designated assigned vehicle.

Conclusion

We would like to thank City staff for their assistance in this follow-up, especially the Fleet Division for their assistance in accumulating the vehicle approval forms.

Based on the results of our review of the implementation of the designated assigned vehicle forms, we will conduct another follow-up audit when the forms are next submitted. The take-home vehicle policy provides for the vehicle approval forms to be updated and/or reauthorized in November of each year. The City's Human Resources Department issued a memo that clarified when the take-home vehicle approval forms would next be revised. That memo stipulates that vehicle reauthorizations were not required as of November 2009 because the policy was not in effect for a full year. Therefore, the next required reauthorization would be in November 2010. As such, we will conduct our next follow-up for the period ended November 2010.

Appointed Official's Response

City Manager:

Implementation of the Take-home Vehicle Policy is an initiative that has been in place less than a year. It should be noted that at the time of implementation, 66 take home vehicle privileges had already been terminated and 86 vehicles were recommended as meeting the criteria for take home vehicle policy review. As a result of that review 24 vehicles have been removed from the program. We will continue to improve and refine those areas of the policy that need to be changed. We will also improve the quality of supporting documentation required by the assigned vehicle policy and make changes as required. We appreciate the work of staff in the Auditor's Office as we continue cooperatively, to refine effective and efficient ways to document the appropriate use of these vehicles.

Copies of this audit follow-up #1015 or audit report #0809 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing/auditreports.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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