

# Audit Follow-Up

**As of March 31, 2011**



Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP  
City Auditor

## **Audit of Take-home Vehicles**

**(Report #0809, Issued May 28, 2008)**

Report #1119

September 28, 2011

### **Summary**

This is the second follow-up on the Audit of Take-home Vehicles (Report #0809) issued on May 28, 2008.

In our first audit follow-up (Report #1015, dated May 7, 2010) we noted that all three of the action plans that were developed in response to that audit had been completed.

In our first follow-up we also reviewed the take-home vehicle approval forms completed pursuant to the newly revised policy. That review 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.

In light of the issues with the assigned take-home vehicle approval forms reviewed in our last follow-up, we reviewed the forms submitted for the current (2011) year.

Our review of the forms initially submitted to support the continued use of the vehicles for take-home purposes showed only the signature pages of the forms were submitted (i.e., one of the three pages that make up the Designated Assigned Vehicle Evaluation and Approval Form). When we brought that issue to the attention of management, three departments (Electric Utility, Underground Utility, and Police) resubmitted their forms for our consideration in this follow-up.

We noted the following in our review of the 2011 forms:

- Electric Utility revised the cost/benefit analysis and made assertions in four of the forms which do not appear to be appropriate.
- Underground Utilities only partially completed their resubmission of the approval forms as cost/benefit analyses were not included.
- Energy Services eliminated all take-home vehicles; as such no forms were required or submitted.
- The Fire Department only submitted the signature page.
- The Police Department resubmitted the forms and we did not note any issues with their resubmission.

- The Fleet Division only submitted the signature page.
- Public Works only submitted the signature page.
- Solid Waste did not resubmit their form.

In total, we noted issues with 39 of the 56 forms submitted for approval for continuation of take-home vehicle responsibilities. Those issues are discussed in further detail in the body of this follow-up report.

### **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 #1119**

This is our second follow-up on audit report #0809. The purpose of this follow-up is to report on the assigned take-home vehicle forms submitted for the 2011 calendar year. To obtain information and assess the status, we interviewed key City staff and reviewed relevant documentation.

### **Background and Analysis**

We issued our initial 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.

**Review of Take-Home Vehicle Forms**

As part of the first follow-up report we conducted a detailed review of the forms submitted for assigned take-home vehicles. We also made recommendations when there were issues with the forms, as submitted.

As noted in our first follow-up, we limited our review of take-home vehicle forms to those forms relating to vehicles identified as designated assigned vehicles. 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.

Management identified 86 designated assigned take-home vehicles across nine departments to be considered for take-home vehicle purpose. In the first follow-up (2010) we noted that management recommended and approved 69 of the 86 identified vehicles for further use as designated assigned take-home vehicles. The focus of this second follow-up is to evaluate the changes (if any) in number of take-home vehicles and the forms submitted for the 2011 year.

For 2011, there were 56 vehicles recommended and approved by management for use as assigned take-home vehicles across seven departments. The following table shows which departments have approved assigned take-home vehicles and how many vehicles in each department. A summary of our findings, by department, follows the table.

Department	Number of Vehicles		
	Initial Authorization	Mgt. Approved 1 <sup>st</sup> (2010) Reporting Period	Mgt. Approved 2 <sup>nd</sup> (2011) Reporting Period
Electric Utility	15	13	12
Underground Utility	44	30	23
Energy Services	5	5	0
Fire Department	8	7	7
Police Department	8	8	9
Fleet Division	1	1	1
Public Works	3	3	3
Solid Waste	1	1	1
UBCS	1	0	0
<b>Total</b>	<b>86</b>	<b>68</b>	<b>56</b>

**General Comment**

For the second (2011) reporting period, the departments initially submitted only the signature page from the Designated Assigned Vehicle Evaluation and Approval Form. On the one page of the forms that were submitted there was the signature of the applicable Assistant City Manager (ACM) signifying approval for the vehicle to continue to be taken home by the applicable employee and the name of the employee. No other details were provided to support the continued use of the vehicle for take-home purposes. When we notified management of our concerns with the current year forms not addressing the issues identified in the first follow-up, some departments updated and/or revised the forms and resubmitted them for our

consideration. Because it is not practicable to continually update our report as forms are submitted, we will conduct another follow-up to this audit when all forms needing to be revised for 2012 are re-submitted.

**Electric Utility**

The Electric Utility initially submitted the signature page (as previously described) for 12 employees to continue take-home vehicle responsibilities. When the forms were resubmitted there were only 10 forms submitted as two positions had become vacant between the time of the initial completion of the single signature page and the resubmission of the forms.

Our review of the ten resubmitted forms showed that, for the most part, the forms were completed in accordance with the policy. The forms indicated that the vehicles were justified for multiple reasons. Those reasons include, public safety, visibility of the employee/vehicle as a City employee, improved response time to call backs, and the ability to respond to call backs with required specialty equipment.

Our review of these ten submissions also showed each of the forms further included a cost/benefit worksheet justifying the take-home vehicle which included an amount for costs avoided by not paying the employees an on-call bonus. An on-call bonus is an amount paid to employees for being available after hours to respond to emergencies and other events.

Whether or not an employee should be paid an on-call bonus is a two-part decision. The first is based on the level of restriction that is placed on the employee during their non-working hours. If the level of restriction is sufficient, the employee must be paid the on-call bonus. If the level of restriction does not severely restrict what the employee may do in their non-working hours, an on-call bonus is not required. The second is based on the classification of the employee under the Fair Labor Standards Act (FLSA). Employees that are classified as supervisory or professional are classified as exempt and there is no Federal requirement to pay those employees an on-call bonus regardless of the restriction placed on their non-working hours.

A further examination of the employment classification of the employees in question showed that the City's Human Resources Department (H/R) has classified each of the employees in question as exempt under FLSA guidelines. This means that the City is not legally required to pay an on-call bonus. However, City policy 704.6 E indicates that the City will pay an on-call bonus to the employees in question, based on their classification by H/R. As a result the City's policies are more generous than legally required under FLSA for payment of an on-call bonus.

We believe that the needs of the City (for an employee to respond to an emergency during non-business hours) would not change if a vehicle was not provided to the employee. We also believe the decision to pay or not to pay an on-call bonus is one to be made by each Department in accordance with FLSA and City policy. For the ten forms reviewed, the cost/benefit analysis shows the commuting cost of the take-home vehicle being reduced by on-call pay avoided. In our view, whether or not to pay on-call pay is a decision that should be made separate from the need for an employee to be assigned a take-home vehicle and should not be part of the take-home cost/benefit analysis. We also believe the primary criteria for assigning an employee a take-home vehicle should be to timely respond to emergency calls or other events to serve the health, safety, and welfare needs of the public. The decision to pay or not to pay an employee

an on-call bonus is a compensation issue and should not be part of the decision to provide a vehicle to respond to emergencies and other events.

Therefore, we recommend that the Electric Utility remove the savings shown for the avoidance of paying an on-call bonus from the cost/benefit analysis from the ten forms that were submitted. We also recommend that the Assigned Vehicle Policy be revised such that on-call bonus avoidance is not a consideration for justifying a vehicle to be taken home on a daily basis.

### **Underground Utility**

Underground Utility completed the designated assigned vehicle forms for 23 vehicles. Our review of the resubmitted forms showed that the forms were partially complete as the cost/benefit analysis had not been completed or included. Without the inclusion of the cost/benefit analysis we were unable to determine if the issues identified in the first follow-up were addressed.

We recommend that the Underground Utility complete and submit the cost/benefit analysis for the current year's partially completed forms.

### **Energy Services**

For the current year Energy Services eliminated all five assigned take-home vehicles. As such, there were no forms submitted.

### **Fleet Division**

There was one employee in the Fleet Division with a designated assigned vehicle. As noted in the general comments above only a signature page from the Designated Assigned Vehicle Evaluation and Approval Form was submitted and an updated or revised form was not submitted for the 2011 year. Therefore the issues we noted in the prior follow-up were not addressed.

We recommend that management revise the Designated Assigned Vehicle Evaluation and Approval Form for this employee to address the previously identified issues.

### **Public Works**

Public Works has three designated assigned take-home vehicles. As noted in the general comments above only a signature page from the Designated Assigned Vehicle Evaluation and Approval Form was submitted and an updated or revised form was not submitted for the 2011 year. Therefore the issues we noted in the prior follow-up were not addressed.

We recommend that management revise the Designated Assigned Vehicle Evaluation and Approval Form to address the previously identified issues.

### Solid Waste

Solid Waste has one employee that takes a vehicle home every night. During the 2010 year that employee was replaced and a new employee now has assigned take-home vehicle responsibilities. A new form was not submitted for the new employee.

We recommend that Solid Waste complete a Designated Assigned Vehicle Evaluation and Approval Form for the employee that now has take-home vehicle responsibilities.

### Fire Department

There were seven assigned take-home vehicles approved for 2010. As noted in the general comments above only a signature page from the Designated Assigned Vehicle Evaluation and Approval Form was submitted and an updated or revised form was not submitted for the 2011 year. Therefore the issues we noted in the prior follow-up were not addressed.

We recommend that management revise the Designated Assigned Vehicle Evaluation and Approval Form for these seven employees to address the previously identified issues.

### Police Department

Our review of the resubmitted forms showed that the Police department completed the forms in accordance with the policy.

## Conclusion

For forms revised for the next follow-up period, we recommend that management clearly show: (1) the need for the employee to have a take-home vehicle as it relates to the health, safety, and welfare of the public; (2) the commuting cost for the employee to have a take-home vehicle; and (3) any additional benefits important to the decision to provide the take-home vehicle. Furthermore, based on the inclusion of a savings based on on-call avoidance we recommend that the Assigned Vehicle Policy be revised to eliminate the consideration of on-call bonus avoidance.

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.

## Appointed Official's Response

### City Manager:

I appreciate the time that the Auditor's staff spent on this issue. As noted in the audit, we continue to take a critical look at the use of assigned vehicles and have continued the reduction in their use over time. While I understand the concerns raised with respect to the use of on-call bonus in the economic evaluation, I do not agree with the recommendation to modify the assigned vehicle policy. While there is not a direct relationship between on-call bonus and vehicle assignments, the ability to offset the potential cost of the on-call bonus by using an assigned vehicle results in real savings to our citizens, while ensuring that we are able to respond during emergency situations.

### City Auditor's Response to City Manager:

The City Manager, in part, takes issue with our recommendation to delete on-call bonus pay avoided from the vehicle cost/benefit analysis. While agreeing there is not a direct relationship between on-call bonus and vehicle assignments, the City Manager supports the ability to offset the potential cost of an on-call bonus by using an assigned vehicle thereby resulting in real savings to our citizens.

We do not agree. The primary and necessary determination of whether to assign a City marked vehicle to an employee to take home should be based upon the need for the employee to have a vehicle at all times to protect the health, safety, and welfare of citizens. Whether the City chooses to pay an employee an additional amount for on-call bonus is a compensation issue, not a vehicle assignment issue.

Copies of this audit follow-up #1119 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](mailto:auditors@talgov.com)).

Audit follow-up conducted by:  
Dennis Sutton, CPA, CIA, Sr. IT Auditor  
Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP, City Auditor