

# ***Final Audit Follow-Up***

***As of January 31, 2013***



**T. Bert Fletcher, CPA,  
Interim City Auditor**

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

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

**Report #1313**

**May 7, 2013**

### ***Summary***

This is the third and final 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. 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 (1) contained assumptions that were not supported or otherwise explained, (2) were not completed in accordance with the policy, and (3) included items that do not appear to be correct. We noted one or more of these conditions in 63 of the 86 forms reviewed. The remaining 23 forms submitted by the Fire and Police Departments and Electric Utility complied with the policy. At that time management had removed take home privileges for an additional 66 vehicles.

In light of the issues with the assigned take-home vehicle approval forms reviewed in the first follow-up, we conducted a second follow-up focused solely on the forms submitted for the 2011 year (Report #1119, dated September 28, 2011). In our review of those forms, we again noted issues with the forms used to support the approval for assigned take-home vehicles. Specifically, we noted two main issues that carried over from the prior follow-up.

First, for several forms completed by the Electric Utility, we reported that we did not agree with management's assertion that savings accrue to the City as a direct result of not paying an employee on-call compensation when the employee has an assigned take-home vehicle. As with the initial follow-up engagement, we reported that it was not

appropriate to offset the cost of a take-home vehicle with avoided on-call compensation, because employee compensation is not related to the cost of an employee taking a vehicle home. The decision on whether to allow an employee to take a vehicle home should, instead, be based on whether there is a real and demonstrated need for an employee to have a vehicle after hours for emergency situations. Other potential benefits (i.e., other than having a vehicle to respond to emergencies and/or to facilitate protection of the public's health, safety, and welfare) could be cost savings attributable to lack of commute time during working hours, such as when an employee is able to arrive earlier and/or remain later at his/her assigned work location.

The second reoccurring issue we noted was that the forms were not completed and submitted to the Fleet Division within the time period required by the take-home vehicle policy.

As a result of the continued issues with the forms for the approval of assigned take-home vehicles, we determined it was appropriate to conduct a third and final follow-up on the Audit of Take-home Vehicles.

For this final follow-up we reviewed available forms for the 2012 and 2013 take-home vehicle reporting time periods. In this review we noted the two issues identified in the second follow-up continued. Specifically we noted that (1) avoidance of on-call compensation continued to be listed by some departments as a benefit of providing assigned take-home vehicles and (2) forms for assigned take-home vehicles were not timely completed and submitted to the Fleet Division as required by policy.

To address those issues we recommend (1) on-call compensation avoidance no longer be included as a benefit of assigning take-home vehicles and (2) management submit completed forms on an annual basis as required by policy.

Furthermore, to provide more meaningful information to management, we recommend the current “Designated Assigned Take-home Vehicle Form” be revised to clearly show not only the number of days and related cost for normal commuting between work and the employee’s home; but, also the number of days and related costs pertaining to instances where the take-home vehicle is actually used in after hour circumstances and emergencies.

### ***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 #1313***

This is our third and final 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 2012 and 2013 calendar years. To obtain information and assess the status, we interviewed key City staff and reviewed relevant documentation.

### ***Background***

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.

### **2010 Take-home Vehicle Follow-up**

On May 7, 2010, we issued our first follow-up report (Report #1015). In that report we noted that management had completed all the action plan steps identified in the original audit. In addition to verifying the completion of the action plan steps, we conducted detailed reviews of the forms submitted to support the approval of assigned take-home vehicles. During the review of the forms we noted and reported on the following issues in one or more forms:

- Forms were not completed and/or submitted to the Fleet Division within the time period prescribed in the policy relating to take-home vehicles.
- The avoidance of paying on-call compensation was shown as a benefit of assigning a take-home vehicle; we disagreed with that management assertion as employee compensation is separate from the need for an employee to take a vehicle home.
- While increased productivity was shown as a benefit of assigning take-home vehicles to employees, we recommended additional information be provided to support the increased productivity claims when the forms are next completed.

In response to our follow-up, management stated that they would improve the quality of supporting documentation required by the take-home vehicle policy and make changes as required.

### **2011 Take-home Vehicle Follow-up**

On September 28, 2011, we issued a second follow-up report (Report #1119) on the Audit of Take-home Vehicles. The purpose of that follow-up was to review the forms submitted for assigned take-home vehicles for the 2011 year. In that follow-up report we noted issues similar to those identified in the first follow-up. Specifically, we noted (1) not all City departments with

assigned take-home vehicles completed the forms supporting the approval of the assignment of vehicles for take-home purposes and (2) the avoidance of paying on-call compensation was again shown as a benefit of providing an assigned take-home vehicle on some forms. As with the previous follow-up, we took exception with the inclusion of on-call cost avoidance in the cost/benefits section of the forms.

Specifically, for the Electric Utility we reported for the ten applicable forms that the cost/benefit worksheets used in justifying the take-home vehicle included an amount for costs avoided by not paying an on-call bonus to the employees. In response, we stated the following in report #1119:

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 the Fair Labor Standards Act (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.

In the response to that second follow-up report, management stated there is a real savings to citizens by offsetting the cost of having the employee take the vehicle home against the on-call compensation management claims would have to be paid if the vehicle was no longer taken home by that employee. In our response, we reiterated our position that the

payment (or non-payment) of on-call compensation should not be related to the need for an employee to take a vehicle home.

In summary, the two main issues in our first two follow-ups on the audit of take-home vehicles have been (1) not complying with policy relating to the timely and appropriate completion and submission of assigned take-home vehicle forms and (2) the inclusion of on-call compensation avoidance as a benefit of assigning a vehicle for take-home purposes.

### *Review of 2012 and 2013 Take-home Vehicle Forms*

For this third and final follow-up, we waited two years after the second follow-up period to provide management adequate time to address the issues identified in the two previous follow-ups. For this third and final follow-up engagement, we asked the Fleet Division to provide us with copies of the forms supporting the approval of the assigned take-home vehicles for both the 2012 and 2013 years. The Fleet Division made all forms, which had been submitted to them, available for our review.

#### **Forms Not Timely Completed as Required by Policy**

In January 2013, we requested from the Fleet Division forms completed by applicable City departments for the 2012 and 2013 years. Forms for the 2012 year were provided. However, forms for the 2013 year were not available as applicable City departments had not submitted their forms, although such forms were due to the Fleet Division by November 2012. Therefore, as also noted in previous follow-up reports, assigned take-home vehicle forms were not being timely completed and submitted as prescribed by policy. Accordingly, our review was limited to forms submitted for the 2012 year. To demonstrate compliance with the City's Take-home Vehicle Policy and to timely document justification of take-home vehicles, we again recommend management require applicable City departments to complete and submit required forms within the timeframes established by policy. If a decision is made to not follow the policy requirement to submit timely forms, we recommend management seek approval from the City Commission to change the policy reporting requirement.

#### **On-Call Compensation Avoidance**

In our review of the 2012 forms, we noted the forms submitted by the Electric Utility and Public Works still included avoidance of paying on-call compensation as a

benefit of providing an assigned take-home vehicle (i.e., in the cost benefit section of the forms). We continue to believe that the inclusion of on-call avoidance in the forms is not appropriate and should be discontinued as employee compensation is independent of whether an employee is assigned a vehicle for take-home purposes.

As noted in previous follow-up reports, the inclusion of on-call compensation avoidance can potentially raise issues related to the City's compliance with the Fair Labor Standards Act (FLSA) and the nonpayment of on-call compensation to employees. The FLSA provides that an employee entitled to on-call compensation must be paid that compensation. The FLSA does not allow such compensation to be offset (or avoided) by providing a take-home vehicle to the employee.

We again recommend management no longer include avoidance of on-call compensation as a benefit of providing take-home vehicles.

### **Recommended Form Enhancement**

Our review showed available forms generally demonstrated the number of days and related costs for use of the vehicle by the employee for commuting purposes. However, those forms did not demonstrate the number of days (instances) and related costs when the applicable assigned employee used the take-home vehicle after normal working hours to respond to an emergency or similar situation (e.g., was called in to work). Accordingly, to enhance the current "Designated Assigned Take-home Vehicle Form," we recommend the form be revised to clearly show not only the number of days and related cost for normal commuting between work and the employee's home; but, also the number of days and related costs pertaining to instances where the take-home vehicle is actually used after hours for work circumstances and emergencies.

## ***Conclusion***

In our follow-up process on the Audit of Take-home Vehicles we are pleased to note that all action plan steps identified in the original audit report were completed in the first follow-up period. However, our follow up reviews have shown that, contrary to policy, applicable City departments often have not timely submitted required annual forms justifying take-home vehicles for applicable employees. Furthermore, our follow up reviews have shown where avoidance of on-call compensation has, in our opinion, been inappropriately included as a benefit associated with take-home vehicles.

We appreciate the cooperation and assistance provided to us by all City departments involved in the City's assigned take-home vehicle program during the audit follow-up process.

## ***Appointed Official's Response***

### **City Manager:**

I thank the Audit Office for their detailed review and consistent follow up on our take-home vehicle policy compliance, and am glad we were able to complete all of the action plan steps identified in the initial audit. I would like to also extend my sincere thanks to all the departments for their full cooperation with the Audit Office on this review.

Copies of this final audit follow-up #1313 or audit report #0809 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.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  
T. Bert Fletcher, CPA, Interim City Auditor