

Summit County Executive's Office
Department of Law, Insurance and Risk Management
2014 Vehicle Usage Log Audit Report

Prepared for:

Russell M. Pry
Audit Committee

Approved by Audit Committee
March 25, 2015



Summit County
Internal Audit Department
175 South Main Street
Akron, Ohio 44308

Lisa L. Skapura, Director
Meredith Merry, Assistant Director
Jaime Mayo, Senior Auditor
Brittney Manfull, Internal Auditor
Brandon Schmidt, Internal Auditor
Jordan Duncan, Internal Auditor

Summit County Executive's Office
Department of Law, Insurance and Risk Management
2014 Vehicle Usage Log Audit Report

Table of Contents

GENERAL BACKGROUND..... 3

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 3

DETAILED COMMENTS 4

Summit County Executive's Office
Department of Law, Insurance and Risk Management
2014 Vehicle Usage Log Audit Report

GENERAL BACKGROUND

Summit County Codified Ordinance Section 169.25 states that all employees who are assigned a designated vehicle or who operate a county pool vehicle shall complete a usage log for the vehicle and submit the logs to the Department of Insurance and Risk Management on a quarterly basis. On October 4, 2007, Summit County Executive Russell M. Pry issued Executive Order 07-320 stating that all employees utilizing vehicles for the purpose of commuting will be subject to the IRS regulations regarding taxable fringe benefits. In addition, it states that Internal Audit will randomly audit logs to determine compliance with the Executive Order and IRS regulations.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this audit was to provide reasonable assurance, based on the testing performed, that vehicle logs are being properly complete, approved, submitted, and maintained in accordance with legislation; and that payroll deductions are being made, if appropriate, for the respective employees, in accordance with IRS Publication 15-B.

We conducted this performance audit in accordance with 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.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Disclaimer:

We recognize that the Internal Audit Department (IAD) utilizes county pool vehicles on a minimal basis and completes the vehicle log appropriately. Therefore IAD is unable to audit its own vehicle log use in order to maintain objectivity. Based on this fact, IAD vehicle log use is excluded from testing and review.

Objectives:

To ensure compliance with Codified Ordinance, Executive Order, and IRS Regulations.

Scope:

All vehicle logs completed and submitted to the Department of Insurance and Risk Management from December 1, 2013 through September 30, 2014.

The following were the major audit steps performed:

OBJECTIVE 1 – TO ENSURE COMPLIANCE WITH CODIFIED ORDINANCE, EXECUTIVE ORDER, AND IRS REGULATIONS

1. Obtain and review appropriate legislation.
2. Meet with the appropriate personnel to obtain an understanding of the current processes and procedures for the handling of vehicle logs. Confirm that there are policies and procedures in place regarding vehicle log usage.
3. Confirm that the department's current RC-2 includes vehicle logs.
4. Obtain vehicle log data and perform detailed testing to assure compliance with legislation and IRS regulations.
5. Investigate discrepancies and summarize results. Make recommendations where appropriate.

Summit County Executive's Office
Department of Law, Insurance and Risk Management
2014 Vehicle Usage Log Audit Report

DETAILED COMMENTS

IAD obtained and reviewed the following legislation to gain an understanding of the requirements for completing, submitting, and maintaining vehicle logs; and the applicable IRS regulations:

- Summit County Codified Ordinance §169.25
- Summit County Executive Order 07-320
- 2014 IRS Publication 15-B
- 2014 IRS Taxable Fringe Benefit Guide

The Summit County Employee Policy and Procedure manual for the Executive Office was obtained and reviewed to confirm that processes for the vehicle log forms were included. A copy of an approved Schedule of Records Retention and Disposition (RC-2) was obtained and reviewed to confirm that all records specific to the vehicle logs were included in accordance with the Ohio Sunshine Laws. Additionally, policies and procedures regarding vehicle logs and RC-2s were obtained for each department selected for detail testing.

An interview was conducted with the Deputy Director of Law, Insurance and Risk Management to gain an understanding of the current processes in place regarding vehicle logs.

Vehicle logs for four (4) haphazardly selected months were reviewed for all departments for the period December 1, 2013 through September 30, 2014 and detail testing was performed to confirm that the standard logs were utilized and that each log was completed (e.g., driver name, mileage information, vehicle taken home, signatures, etc.). A comparison of the county vehicle listing to the vehicle logs was made in order to determine that a vehicle log was completed for all vehicles assigned to each department selected for detail testing. Vehicle logs were also reviewed for instances where a pool vehicle was taken home and compared to Banner to confirm that the proper deduction was made to the respective employee's payroll, in accordance with IRS Publication 15-B.

An authorized driver listing was obtained from the SambaSafety web portal and compared to the vehicle log data to confirm that employees operating a county vehicle were authorized to do so.

The following issues were noted:

1. Issue:

During detailed testing of vehicle usage logs for the audit period, IAD identified the following exceptions:

- One hundred ninety-six (196) of seven hundred seven (707) instances where the vehicle log was not complete (28% error rate):
 - One hundred sixty-four (164) instances where the log was not completed in its entirety
 - Thirty-two (32) instances where a vehicle log was not completed
- Sixty-seven (67) out of six hundred and forty-two (642) instances where mileage gaps were unidentified during supervisory review (10% error rate).

Recommendation:

IAD recommends that the Department of Law, Insurance and Risk Management ensure that completed mileage logs are received for all vehicles, to include supervisory review identifying mileage gaps with documentation of the reason on the log. This will help to ensure that all vehicle mileage is accounted for and properly reviewed, in accordance with the Codified Ordinance 169.25.

Summit County Executive's Office
Department of Law, Insurance and Risk Management
2014 Vehicle Usage Log Audit Report

Management Action Plan:

Shortly after the closing conference with Internal Audit, all departments which needed to have access to the vehicle tracking database via the Sharepoint site were given access. Training for all departments not yet trained will be completed by July 1, 2015. This database will not accept a form as final until the supervisor has electronically checked it. This will ensure compliance with 169.25. Thereafter, for the purpose of continued verification during the vehicle log audits, IAD will also have access to the database.

2. Issue:

Upon comparison of vehicle log data for the audit period to the 2014 SambaSafety driver report, IAD noted eighteen (18) out of four hundred and twenty-three (423) drivers who operated a county vehicle with no evidence of verification by the Department of Law, Insurance, and Risk Management (4% error rate).

Recommendation:

IAD recommends that the Department of Law, Insurance and Risk Management verify all drivers semi-annually in accordance with best practices. This will help to ensure that vehicles are operated solely by authorized individuals.

Management Action Plan:

Currently the Samba safety report is pulled semi-annually. This will continue. Additionally, when a department notifies us of a new hire that will be expected to drive, a report is immediately pulled and the department is notified if there is an issue.