

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

Prepared for:

Russell M. Pry
Audit Committee

Approved by Audit Committee
March 24, 2014



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

Lisa L. Skapura, Director
Meredith Merry, Deputy Director
Jaime Vedrody, Internal Auditor
Brittney Manfull, Internal Auditor

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

Table of Contents

GENERAL BACKGROUND..... 3

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 3

DETAILED COMMENTS 4

Summit County Executive Office
Department of Law, Insurance and Risk Management
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, 2012 through November 30, 2013.

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 Office
Department of Law, Insurance and Risk Management
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
- IRS Publication 15-B for 2013
- IRS Taxable Fringe Benefit Guide, January 2013

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 five judgmentally selected departments were reviewed for the period December 1, 2012 through November 30, 2013 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 Department of Law, Insurance and Risk Management and compared to the vehicle log data to confirm that employees operating a county vehicle are authorized to do so.

The following issues were noted:

1. Issue:

Upon review of policies and procedures for vehicle mileage logs, IAD noted insufficient or no written policies and procedures for the Department of Environmental Services and the Department of Insurance and Risk Management.

Recommendation:

IAD recommends that the Department of Environmental Services and the Department of Insurance and Risk Management create and disseminate to applicable personnel policies and procedures to include the processes for vehicle logs (e.g., completion of vehicle log, approvals, payroll deductions, IRS references, etc.). In addition, reference to Codified Ordinance 169.25 and IRS Publication 15B should be made in order to properly document the criteria for such processes. This will help to ensure compliance with respective legislation.

Management Action Plan:

Management Action Plan: The Director and Deputy Director of Risk Management will draft written policies for the vehicle logs. This policy will be completed by June 1, 2014. Human Resources is updating Cod. Ord. 169.25 to incorporate the payroll deduction provisions required by the Internal Revenue Service. Upon final

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

implementation of the new vehicle log database with DOES, the Director of Law, Insurance and Risk Management will work with the Director of DOES to finalize formal procedures which can then be applied to other departments who will be utilizing the system. This process should be complete by 12/31/14.

2. Issue:

Upon review of the Records Retention Schedule (RC-2) for the Executive Office Department of Community and Economic Development, Building Standards Division and the Engineer's Office, it was noted that vehicle usage logs were not included on the schedule.

Recommendation:

IAD recommends that the Department of Community and Economic Development and the Engineer's Office review and update their RC-2 to include all records maintained by the department specific to vehicle logs. This will help to ensure compliance with the Ohio Sunshine Laws.

Management Action Plan:

The Department of Community and Economic Development has adopted an appropriate entry in their RC-2, but they are awaiting state approval (Records Commission approved in February 2014). The Director will work with Denise Longstreth of the Engineer's office and Teresa Corall of the Records Center to ensure that the Engineer develops an appropriate records series and has it approved by the Records Commission in August 2014.

3. Issue:

Upon comparison of the electronic vehicle log data for the period December 2012 through November 2013 to the SambaSafety driver reports, IAD noted four (4) of two hundred and seventy-five (275) instances where a driver was not verified/authorized to operate a County vehicle.

Additionally, one hundred and forty-eight (148) of two hundred and seventy-five (275) instances were noted where a driver was verified only once throughout the year. Per best practice, drivers should be verified no less than twice a year.

Recommendation:

IAD recommends that all drivers be verified semi-annually by the Department of Law, Insurance and Risk Management, in accordance with best practices. This will help to ensure that drivers operating County vehicles have been properly verified and authorized, and reduce potential liability to the County.

Management Action Plan:

Beginning in 2013 BMV reports have been pulled in February and July of each year. The Director and Deputy Director will draft a policy and procedure by June 1, 2014.

4. Issue:

During detailed testing of the 2013 vehicle usage logs, IAD identified the following exceptions:

- Three hundred seventy-nine (379) out of one thousand five hundred five (1505) instances where the Vehicle Log was not complete.

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

- One hundred forty-one (141) out of one thousand three hundred sixty-nine (1369) instances where mileages gap were unidentified during supervisory review.
- One hundred thirty-seven (137) out of five hundred fifty-eight (558) instances where the vehicle was taken home and the proper deduction was not taken out.

Recommendation:

IAD recommends that all of the vehicle logs be completed and submitted to the respective supervisor for review and approval. Additionally, IAD recommends that the supervisor review the logs for mileage gaps and document the reason on the log. This will help to ensure that all vehicle mileage is accounted for and reviewed by a supervisor in accordance with the Codified Ordinance.

Management Action Plan:

The Deputy Director has been working with the Fiscal Office IT dept. to complete a database application that can be accessed by each department having vehicles (pool or assigned) to ensure that accurate mileage data and, in the case of assigned vehicles, take-home usage is properly documented and reported. Each department will be added into the system separately. The first department to go onto the system is DOES. It will serve as the model for policies and procedures. The entire roll-out of the system should be completed by 12/31/2014.

5. Issue:

Upon discussion with the Executive's Office Executive Assistant 2, IAD noted an Executive Order assigning designated vehicles was not completed in 2013, nor was information provided for such completion, in accordance with Codified Ordinance 169.25(f)(2).

Recommendation:

IAD recommends that the Department of Insurance send information for designated vehicles to the Executive's Office at the beginning of each year so the Executive Order can be created. This will help to ensure compliance with applicable legislation.

Management Action Plan:

The Director and Deputy Director will establish comprehensive vehicle policies and procedures that will include ensuring that the Designated Driver Executive Order is prepared each year in January. Concurrent with this document, the authorized driver list will also be updated, which will trigger the February BMV checks. The comprehensive policies (with the exception of final policies on the vehicle logs) will be completed by June 1, 2014.