

**Summit County Engineer's Office
Vehicle Usage Logs Audit Report
For the Two Quarters Ended June 30, 2012**

Prepared For:

**Alan Brubaker
Audit Committee**

**Approved by Audit Committee
December 18, 2012**



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

*Lisa L. Skapura, Director
Meredith Merry, Deputy Director
Jon Keenan, Senior Auditor
Lucas Immel, Internal Auditor
Jaime Vedrody, Internal Auditor
Adam Schmitt, Auditor Intern*

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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 AND METHODOLOGY

The primary focus of this review was to provide reasonable assurance, based on the testing performed, that vehicle logs are being properly 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.

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Specific Objectives:

To ensure compliance with Codified Ordinance 169.25, Executive Order 07-320, and IRS Publication 15-B.

Scope:

All vehicle logs completed and submitted to the Department of Insurance and Risk Management from January 1, 2012 through June 30, 2012.

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.

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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,
- Summit County Executive Order 11-067,
- IRS Publication 15-B for 2012,
- IRS Taxable Fringe Benefit Guide, January 2012.

A meeting was held with the Assistant Director of Administration of the Department of Law, Insurance and Risk Management to gain an understanding of the current processes and procedures for the handling of vehicle logs. Additionally, contact was made with the Director of Public Service to confirm that departmental procedures were in place.

A copy of an approved Records Management and Retention Schedule (RC-2) for the Engineer's Office was obtained and reviewed to confirm that all records specific to the vehicle logs were included in accordance with the Ohio Sunshine Laws.

All vehicle logs for the period January 1, 2012 through June 30, 2012 were selected and detailed testing was performed to confirm that the standard logs were utilized and that each log contained the appropriate driver and supervisor signature. A comparison of the county vehicle listing to the Engineer's vehicle logs was made in order to determine that a vehicle log was completed for all vehicles assigned to the Engineer's Office. Vehicle logs were also reviewed for instances where a pool vehicle was taken home and compared to Banner to confirm that the proper deductions were made to the respective employee's payroll, in accordance with IRS Publication 15-B. Countywide testing was performed within the fringe benefits section of the audit to confirm that proper payroll deductions are being made for employees assigned a designated vehicle.

An authorized driver listing was obtained from the Deputy Director of 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 during detailed testing:

1. Issue:

Upon discussions with the Director of Public Service for the Engineer's Office, there are no written policies and procedures for vehicle log usage, in accordance with Codified Ordinance 169.25. Additionally, there is no reference to the \$1.50 per each one-way commute, in accordance with IRS Publication 15-B.

Recommendation:

IAD recommends that the Engineer's Office create and disseminate to applicable personnel a policy and procedure to include the processes for vehicle log forms. In addition, reference to Codified Ordinance 169.25 and IRS Publication 15-B should be made in order to properly document the criteria for such processes. This will help to ensure compliance with the respective legislation.

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Detailed Comments

Management Action Plan:

The Engineer's Office concurs with the IAD recommendation to create and disseminate a policy and procedure statement outlining the processes for vehicle log forms.

2. Issue:

Upon discussion with the County Executive Records Manager, it was noted that vehicle usage logs are not included on the Records Management and Retention Schedule (RC-2).

Recommendation:

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

Management Action Plan:

The Engineer's Office will add the Vehicle Usage Logs to our next revision of the RC-2 with a proposed retention period of 2 years.

3. Issue:

During detailed testing of the 2012 vehicle usage logs, IAD identified the following exceptions:

- Twenty-one (21) out of one hundred twenty-eight (128) instances where the correct log was not used.
- Sixteen (16) out of one hundred twenty-eight (128) instances where one or more drivers' signatures was not present.
- Twenty-eight (28) out of one hundred twenty-eight (128) instances where a supervisor approval signature was not documented.
- Nine (9) out of one hundred twenty-eight (128) instances where a mileage gap was identified.
- Four (4) out of eighteen (18) instances where the commute fee was not deducted when a pool vehicle was taken home by an employee.

Recommendation:

IAD recommends that the Engineer's Office complete the respective standard vehicle mileage log to include all vehicle/driver information (e.g., whether the vehicle was taken home, driver's signature, and supervisor's signature). 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 the vehicle usage logs are complete and approved in accordance with legislation, as well as help to ensure that necessary payroll deductions are made, when applicable.

Management Action Plan:

The Engineer's Office will address the IAD recommendations as part of its policy and procedure statement addressing Issue 1 of this report.

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Detailed Comments

4. Issue:

Upon review of the vehicle log scans obtained from the Assistant Administrator of the Department of Law, Insurance and Risk Management, IAD noted that vehicle logs were not scanned and submitted to the Department of Insurance for the period of February 2012 through June 2012.

Recommendation:

IAD recommends that the Engineer's Office scan and submit vehicle logs to the Department of Insurance, at least quarterly, in accordance with the Codified Ordinance. This will help to ensure compliance with applicable legislation.

Management Action Plan:

The Engineer's Office will include scanning and submitting vehicle logs to the Department of Insurance as part of its policy and procedure statement addressing Issue 1 of this report.