

**Summit County Veterans Service Commission
Vehicle Usage Logs Audit Report
For the Two Quarters Ended June 30, 2012**

Prepared For:

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Audit Committee**

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



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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. An approved Transportation Policy and Procedure was obtained and reviewed to confirm that processes for the completion, approval, and submission of vehicle logs were included.

A copy of an approved Records Management and Retention Schedule (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.

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 Veterans Service Commission vehicle logs was made in order to determine that a vehicle log was completed for all vehicles assigned to the Veteran Service Commission. 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. Countywide testing was performed within the fringe benefits section of the audit to confirm that proper payroll deductions are being taken 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 which was 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:

IAD obtained and reviewed a copy of the Transportation Policy and Procedure from the Project Manager of the Veteran Service Commission and noted no policies and procedures for vehicle log usage, in accordance with Codified Ordinance 169.25. Additionally, there was no reference to the \$1.50 per each one-way commute, in accordance with IRS Publication 15-B.

Recommendation:

IAD recommends that Veterans Services update the transportation 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:

A thorough review of Codified Ordinance 169.25 and IRS Publication 15-B will be conducted and proper language will be included and referenced in the Veterans Service Commission policies and procedures for transportation guidelines. This shall include but is not limited to \$1.50 per each one-way commute and proper authorization for such commuting purposes. Comprehensive policy and procedures for vehicle log guidelines will be in place no later than January 31, 2013

2. Issue:

During detailed testing of the 2012 vehicle usage logs for the four departmental pool vehicles, IAD noted the following exceptions:

- Two (2) out of twenty-four (24) instances where one or more drivers' signature was not present.
- Nine (9) out of twenty-four (24) instances where a supervisor approved their own vehicle usage.

Recommendation:

IAD recommends that all vehicle usage logs be properly completed to include employee/driver signatures and a supervisor independent of the vehicle usage review and sign off on the logs. This will help to ensure that the vehicle logs are properly completed and approved.

Management Action Plan:

Management will take immediate steps to ensure that all authorized drivers are trained on how to properly fill out vehicle pool logs. In addition, a training module currently being developed to facilitate annual training and review of the agency's transportation procedures. All authorized drivers will need to sign-off on required training before given authorization to drive an agency vehicle.

Management will take immediate steps to ensure that two supervisors review vehicle pool logs to prevent supervisors from authorizing their own travel. Steps to ensure completeness and accuracy of vehicle pool logs will be included in the agency's policy and procedures vehicle log guidelines.

3. Issue:

Upon comparison of the vehicle logs for the period of January through June 2012 to the 2012 authorized driver listing, IAD noted one (1) out of thirteen (13) employees who operated a county vehicle but was not authorized by the Department of Law, Insurance, and Risk Management.

Recommendation:

IAD recommends that vehicle logs be periodically reviewed to confirm that individuals operating county vehicles are included on the authorized driver listing, maintained by the Department of Law, Insurance and Risk Management. This will help to ensure that vehicles are operated solely by authorized individuals.

Management Action Plan:

Management will take immediate steps to review logs, during weekly vehicle inspections, to ensure completeness and accuracy of vehicle logs. An openly posted list of authorized drivers, where drivers sign out vehicle keys, to inform all employees and volunteers who is authorized to drive agency vehicles.