

**Summit County Executive's Office:
Department of Environmental Services (DOES)
Vehicle Usage Log
Audit Report**

Prepared For:

**Russell M. Pry
Audit Committee**

**Approved by Audit Committee
March 22, 2011**

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Background, Objectives and Methodology

GENERAL BACKGROUND

Summit County Codified Ordinance Section 169.25 states that all employees who are designated or who operate a County 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 for the respective employees in accordance with IRS Publication 15B.

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.

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Scope

Specific Objectives:

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

Scope:

All vehicle logs completed and submitted to the Department of Insurance and Risk Management from January 1, 2010 through November 2010.

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.
3. Obtain electronic vehicle log information from the Department of Insurance and Risk Management. Review listing for gaps and to determine that employees submitting logs are on the authorized driver list.
4. Trace and agree the vehicle make/model, license plate number, and/or serial number to the Summit County vehicle listing. Verify logs are collected for all vehicles and have been submitted timely.
5. Select a sample of departments with designated vehicles and obtain departments' vehicle logs. Determine that the standard log is utilized and that each log contains a supervisor's/manager's signature of approval.
6. Generate a Banner report of all Summit County employees who are currently receiving the appropriate payroll deduction for a designated vehicle.
7. Verify that all employees with a designated vehicle are paying the appropriate per day rate for the vehicle.
8. Investigate discrepancies and summarize results.
9. Make recommendations where appropriate.

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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 10-045
- IRS Publication 15-B for 2010
- IRS Taxable Fringe Benefit Guide, January 2010

An interview was conducted with the Assistant Administrator of the Department of Insurance and Risk Management to gain an understanding of the current processes in place regarding vehicle logs. Electronic vehicle log information for 2010 was obtained for review and testing.

The 2010 Authorized Driver list was obtained from the Department of Insurance and Risk Management and compared to the electronic vehicle log data to verify that all employees submitting vehicle logs are authorized to operate a County vehicle.

A listing of all Summit County vehicles was obtained from the Executive's Department of Human Resources to select a sample for detailed testing. The list was then filtered to exclude vehicles that would not require logs to be submitted based on qualifications from IRS Publication 15-B, including Sheriff's Office vehicles, trailers, dump trucks, flatbeds, etc. Vehicle log data from 2010 was obtained from the Assistant Administrator of the Department of Insurance and Risk Management and imported into ACL. The data was summarized on VIN number to obtain a listing of all vehicles that logs have been submitted for. IAD then imported the listing of vehicles obtained from the Executive's Department of Human Resources into ACL and compared it with the vehicle log data to generate a listing of vehicles for which logs had not been submitted.

The standard designated and pool vehicle log forms were obtained from the Summit County intranet (SCENE) to gain an understanding of the forms which are to be utilized. A sample of five departments was selected for detailed testing. 2009 and 2010 Vehicle log forms were obtained and reviewed to verify that the standard log form is being utilized and that the logs contained evidence of supervisor review and approval

A WebFocus report of all Summit County employees who are currently receiving the county car reimbursement payroll deduction (deduction code 997) was generated by pay period 2010. IAD traced and agreed drivers on the 2010 Designation of Vehicles Executive Order (10-045) to the payroll deduction report to verify that all employees with a designated vehicle are receiving a deduction. IAD issued a memo to the Fiscal Office notifying them of the testing performed and corresponding issues as they would constitute fringe benefit issues and possible IRS violations.

The following issues were noted:

1. Issue

During testing of the vehicle logs, IAD noted twenty out of two hundred and thirty instances where there was no evidence of supervisor approval on the vehicle logs.

Recommendation

IAD recommends that all vehicle logs be reviewed and approved by the respective employee's supervisor. This will help to ensure that all logs are being properly approved by the appropriate personnel.

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Management Action Plan

Based on the results of the audit, the Department recently designated the position of Human Resources Administrator as the responsible person for checking the vehicle logs for completeness prior to filing of the vehicle logs. The Human Resources Administrator will perform a detailed review of each individual vehicle log to ensure full compliance with the applicable ordinance, executive orders and / or IRS requirements. In the instance where a vehicle log is incomplete, the Human Resources Administrator will return the vehicle log to the appropriate supervisor to obtain the necessary revisions.

During 2010, the Department deployed a vehicle tracking solution for vehicles assigned to Department employees ("take home vehicles"). This solution is referred to as Automatic Vehicle Location (AVL). AVL is a means for automatically determining the geographic location of a vehicle and continuously transmitting the information to approved users. The location of the vehicle is determined using global positioning system (GPS) technology. The location of the vehicle is updated and reported in two minute increments throughout each day and serves as the Department's tool for finding and / or reviewing the route and location of Department vehicles.

The data generated by the AVL solution has been reviewed by the Summit County Department of Insurance and IAD. Based on these reviews, it has been determined that the data can likely be used as a replacement for the daily vehicle logs. Use of the data for reporting purposes was planned for late 2010 but has been delayed. The Department anticipates to begin using and testing the data by the end of the first quarter of 2011. It is anticipated that full implementation and use of this data for assigned vehicles will eliminate the vehicle logs. However, since the Department's full fleet of vehicles does not yet have AVL, the vehicle log sheet will still be required for any vehicle without AVL. These vehicle logs will continue to be reviewed for completeness by the Human Resource Administrator.