

**Summit County Executive Office
Department of Law, Insurance and Risk Management
Vehicle Usage Logs Audit Report
For the Ten Months Ended October 31, 2011**

PREPARED FOR:

**Russell M. Pry
Audit Committee**

**Approved by Audit Committee
December 19, 2011**

**Summit County
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Background, Objectives and Methodology
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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 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.

A separate memo was issued to the Summit County Fiscal Officer regarding vehicle usage fringe benefits testing that was performed as it concerns the Fiscal Office Payroll Department.

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.

Currently one of IAD's auditors is working under a Memorandum of Understanding with the Department of Law, Insurance and Risk Management Department, therefore this auditor was not assigned to this audit and did not perform any audit services included this audit program.

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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, 2011 through October 31, 2011.

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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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 2011,
- IRS Taxable Fringe Benefit Guide, January 2011.

A meeting was held with the Assistant Administrator for the Department of Insurance and Risk Management (Department of Insurance) to gain an understanding of the current processes and procedures for the handling of vehicle log data. Codified Ordinance 169.25 and the Summit County Employee Policy and Procedure manual for the Executive's 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.

All vehicle log data for the period of January 1 through September 30, 2011 was selected for detailed testing. October data was unable to be included in testing as the logs were not submitted to the Department of Insurance during the time of fieldwork. Detailed testing was performed to confirm that gaps in mileage were detected and that the respective departments were notified.

An authorized driver listing was obtained from the Deputy Director of the Department of Insurance which was compared to the vehicle log data to confirm that employees operating a county vehicle are authorized to do so. In addition, the 2011 county vehicle listing was traced and agreed to the 2011 vehicle log data to confirm that vehicle logs were submitted for all county vehicles during the period reviewed.

The following issues were noted during detailed testing:

1. Issue:

Upon discussion with the Assistant Administrator of the Department of Insurance and through detailed testing, IAD noted that mileage gap analysis is currently being performed; however, the respective departments were not notified of errors and no follow-up was conducted when mileage gaps were identified.

Recommendation:

IAD recommends that the Department of Insurance follow-up on all identified mileage gaps with the respective departments. This will help to ensure that the most complete data is maintained as well as help to ensure that mileage gaps are being addressed and corrected with the respective departments.

Management Action Plan:

As the Department of Law, Insurance and Risk Management no longer maintains the database, the Appointing Authority's designee will be responsible for auditing the vehicle logs for mileage gaps, proper signatures, and errors. That person would communicate with the departmental supervisor to

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correct any problems before the logs are scanned and emailed to Department of Law, Insurance and Risk Management. The Department of Law, Insurance and Risk Management will then maintain an electronic copy of the files.

2. Issue:

Upon discussion with the Assistant Administrator of the Department of Insurance and review of the current tracking sheet, there is currently no process in place to ensure that vehicle logs are completed and received for each county vehicle. Additionally, through testing, IAD confirmed that vehicle logs have not been submitted for thirty-four (34) county vehicles for the period of January through September 2011, where applicable. Furthermore, upon review of the 2011 vehicle log data, IAD noted numerous instances where data was incomplete (e.g., driver name, purpose of trip, etc.).

Recommendation:

IAD recommends that the Department of Insurance put a process in place to ensure that complete vehicle log data is received for all county vehicles. This will help to ensure that the department is maintaining a complete population of vehicle log data, as mandated by Codified Ordinance 169.25.

Management Action Plan:

For the period from January through September of 2011, the Department of Law Insurance and Risk Management will undertake to accumulate the missing 34 vehicle logs. In addition, until the end of the year, the Department will verify that logs come in for all of the vehicles. The Department of Law, Insurance and Risk Management will continue to maintain the list of vehicles and their assigned drivers that is incorporated into the annual executive order. Commencing January 1, 2012 each department should be responsible to verify that a log is turned in for each vehicle assigned to that department or appointing authority using the list of vehicles/assigned drivers from the executive order as a checklist. Each department/appointing authority will continue to be responsible to notify the Department of Law, Insurance and Risk Management of any changes to its list of authorized drivers along with their assigned vehicles. The checklist can be scanned and emailed, along with logs, to the Department of Law, Insurance and Risk Management.

3. Issue:

Upon comparison of the electronic vehicle log data for the period of January through September 2011 to the 2011 authorized driver listing, IAD noted six (6) employees who operated a county vehicle but were not authorized by the Department of Insurance. Additionally, it was noted that individuals not employed by the county operated a county vehicle on a routine basis in 2011 on behalf of a county employee.

Recommendation:

IAD recommends that the Department of Insurance contact all departments/agencies each year to confirm that drivers are authorized to operate a county vehicle and are included on the authorized driver listing. Additionally, IAD recommends that vehicle logs be periodically reviewed to confirm that individuals operating county vehicles have been authorized. This will help to ensure that employees using county vehicles are authorized to do so.

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Management Action Plan:

As part of the process of establishing policies and procedures for the Insurance portion of the Department of Law Insurance and Risk Management, policies and procedures regarding authorized used of county vehicles will be developed that will encompass times that it may be appropriate for a non-employee to have use of a county vehicle. These will be completed by April 1, 2012.