

**Summit County Executive's Office:
Department of Insurance and Risk Management
Vehicle Usage Log
Audit Report**

PREPARED FOR:

**Russell M. Pry
Audit Committee**

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

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

*Bernard F. Zaucha, Director
Lisa L. Skapura, Assistant Director
Meredith Merry, Internal Auditor
Benjamin Franjesevic, Internal Auditor*

Summit County Vehicle Usage Logs
Executive's Office: Department of Insurance and Risk Management
Audit Report
Table of Contents

I. General Background.....3

II. Objectives and Methodology.....3

III. Scope.....4

IV. Detailed Comments.....5-6

Summit County Executive's Office – Department of Insurance and Risk Management
Vehicle Usage Logs
Audit Report
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.

Summit County Executive's Office – Department of Insurance and Risk Management
Vehicle Usage Logs
Audit Report
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.

Summit County Executive's Office – Department of Insurance and Risk Management
Vehicle Usage Logs
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
- 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.

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

Upon discussion with the Assistant Administrator of Insurance, IAD noted that vehicle log data is currently being maintained on the hard drive of the Assistant Administrator's computer and is therefore not being backed up.

Recommendation

IAD recommends that vehicle log data be stored on a department network share drive. This will help to ensure that data is backed up and recoverable in the event of a disaster as well as help to ensure that data is accessible in the absence of the Assistant Administrator.

Summit County Executive's Office – Department of Insurance and Risk Management
Vehicle Usage Logs
Audit Report
Detailed Comments

Management Action Plan

The Assistant Administrator of the Department of Insurance and Risk Management originally told an Internal Auditor that the mileage log database & files were residing on his hard drive & not a network drive. That was incorrect. It is being stored on the I-drive (insdept on zeus). Per the attached email from the Software Engineering Administrator a full backup is conducted every week. An incremental backup is conducted daily. It is also accessible to anyone on the I-drive.

2. Issue

Upon discussion with the Assistant Administrator of Insurance, there is currently no process in place to ensure that vehicle logs are received from all of the respective departments for each month and that they are received timely. Additionally, through testing, IAD confirmed that vehicle logs have not been submitted each month in 2010 for all vehicles.

Furthermore, upon review of the 2010 vehicle log data, IAD noted numerous instances where fields were blank (e.g., driver name, vehicle VIN, purpose of trip, etc.). Therefore, the vehicle log data is not complete.

Recommendation

IAD recommends that the Department of Insurance put a process in place to help ensure that complete vehicle log data is received from each of the respective departments for each month. This will help to ensure that the Department of Insurance is maintaining a complete population of vehicle log data, as mandated by Codified Ordinance 169.25, and that a comprehensive evaluation and analysis can be performed, if deemed necessary.

Management Action Plan

A checklist has been created to ensure all departments are submitting their logs in a timely manner. Each log will be inspected to make sure no fields have been omitted. If logs are not received by the 15th of the month following the month being reported, the appropriate department will be notified. Logs with omitted fields will be emailed back to the department for correction.

3. Issue

Upon discussion with the Assistant Administrator of Insurance, IAD noted that mileage gap analysis is currently being performed; however, no follow-up is conducted when mileage gaps are identified.

Recommendation

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

Management Action Plan

The mileage gaps will be identified by the process the Assistant Administrator of the Department of Insurance and Risk Management established and has shown to an Internal Auditor. This process is quite cumbersome and time consuming, but gets the job done. Logs with mileage gaps will be emailed back to the appropriate department for correction.