

**Summit County Executive's Office
Department of Finance and Budget
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 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, 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.

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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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. 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.
2. Confirm that the department's current RC-2 includes vehicle logs.
3. Obtain vehicle logs 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 2011,
- IRS Taxable Fringe Benefit Guide, January 2011.

A meeting was held with the vehicle log coordinators to gain an understanding of the current processes and procedures for the handling of vehicle logs. The Summit County Employee Policy and Procedure manual for the Executive's Office was obtained to confirm if processes for the vehicle log forms was included. Additionally, contact was made with each coordinator to confirm if departmental procedures were in place.

A copy of the Records Retention Schedule (RC-2) was obtained and reviewed to confirm if all records specific to the vehicle logs and vehicle log database was included in accordance with the Ohio Sunshine Laws.

All vehicle logs for the period January through October 2011 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 Department of Finance and Budget vehicle logs was made in order to determine that a vehicle log was completed for all vehicles assigned to the department. Vehicle logs were also reviewed for instances where a pool vehicle was taken home and compared to a Banner payroll deduction report to confirm that the proper deduction was made to the respective employee's payroll, in accordance with IRS Publication 15B. 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.

In addition, a sample of ten (10) vehicle logs was selected, five (5) for each vehicle log coordinator, and traced and agreed to the vehicle log data spreadsheet maintained by the Department of Law, Insurance and Risk Management to confirm the accuracy of data submitted.

The following issues and recommendations were noted during testing:

1. Issue:

Upon discussion with the Senior Administrator for the Department of Finance and Budget, 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 15B.

Recommendation:

IAD recommends that the Department of Finance and Budget put an approved written policy and procedure in place to include the above noted processes for vehicle log forms. In addition, reference to Codified Ordinance 169.25 and IRS Publication 15B should be made in order to properly document the criteria for such processes. This will help to ensure compliance with respective legislation.

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Detailed Comments

Management Action Plan:

A written policy and procedure was adopted by the Department of Finance and Budget on 12/5/11. The newly adopted policy and procedure addressed the \$1.50 each one-way commute, in accordance with IRS Publication 15B.

2. **Issue:**

Upon review of the Department of Finance and Budget Records Retention Schedule, it was noted that vehicle usage logs are not included in the schedule.

Recommendation:

IAD recommends that the Department of Finance and Budget review and update their Records Retention Schedule to include all records maintained by the department specific to vehicle logs. This will help to ensure compliance with the Ohio Sunshine Laws.

Management Action Plan:

The vehicle usage logs will be added to the Department of Finance and Budget Records Retention Schedule. The Department of Finance will add this for the Record Commission meeting that should be held in May, 2012.

3. **Issue:**

During detailed testing of the 2011 vehicle usage logs for the Department of Finance and Budget, IAD identified the following exceptions:

- a. Three (3) out of thirty (30) instances where an employee/driver signature was not present,
- b. Thirty (30) out of thirty (30) instances where supervisor approval was not present.

Recommendation:

IAD recommends that all vehicle usage logs be properly completed to include an employee/driver signature, certifying that the information is accurate, that they have a valid driver's license, and that miles traveled were for county business. Additionally, IAD recommends that all vehicle logs be submitted to the respective supervisor for review and approval. This will help to ensure that the vehicle usage logs are complete and approved.

Management Action Plan:

The authorized staff member responsible for reviewing the vehicle logs will continue to check for the employee/driver signature and will sign the logs for verification that it was reviewed on all future vehicle logs.