

**Post-Audit Review 18-01:
Take Home Vehicles**

December 2018

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

Barry Teague, CPA, CFE, CGFM





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

December 31, 2018

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Take Home Vehicles Audit (Report #18-01)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2018 Take Home Vehicles report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. There were violations of the Take Home Vehicle policies, including take home vehicles in use when eligibility criteria had not been met and employees utilizing take home vehicles without proper approvals;
2. Guidance on qualifications for take home vehicles lacks measurable criteria to aid in determining some eligibility factors;
3. The policy lacks key elements to ensure the proper assignment and use of take home vehicles; and,
4. IRS regulations for take home vehicles were not currently being followed.

The audit had fourteen recommendations to improve efficiency and effectiveness of take home vehicle management. At the time of this Post-Audit Review, eleven recommendations were not implemented and three were partially implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
 Stacy Richardson, Chief of Staff
 Maura Sullivan, Chief Operating Officer
 Daisy Madison, Chief Financial Officer
 Justin Holland, Public Works Administrator
 Beverly Moultrie, Chief Human Resources Officer
 Gary Franks, Fleet Director
 Phil Noblett, City Attorney
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (11)

Recommendation	Actions Taken
1 We recommended all sworn personnel living within the City (or County) be required to drive their vehicle home or those choosing to use their vehicle be required to pay commuting charges.	This recommendation has not been implemented.
2 We recommended all non-sworn employees with take-home vehicles be charged commuting mileage.	This recommendation has not been implemented. No commuting charges are levied for commuting miles within the City.
3 We recommended the take home vehicle policy be revised to require documentation of eligibility criteria on a standard form. In addition, the policy should be revised to contain quantitative measures that justify a take home vehicle. At a minimum, the policy should mandate an average number of after-hours callbacks per month to qualify as meeting the “frequent” callback requirement.	This recommendation has not been implemented.
4 We recommended the policy be enforced by department/division heads and revised to require written approval of both the department head and CFO prior to issuance of a take home vehicle. Approvals could be documented on the recommended standard eligibility form.	This recommendation has not been implemented.
6 We recommended the EIG be revised to require drivers’ of take home vehicles personal insurance policy include a rider with the City as an additional insured with minimum liability figures as stated in T.C.A. 29-20-403. The policy should require documentation of this rider be provided to the Fleet Director and the Risk Analyst (City Attorney’s Office). In addition, the recommended eligibility form should include an acknowledgement of this requirement.	This recommendation has not been implemented. Public Works proposed this recommendation in the draft <i>Vehicle Use Policy</i> submitted to Human Resources on June 25, 2018. However, this recommendation is not included in the revised EIG anticipated to be presented to Council on January 8, 2019.

7 We recommended the eligibility form include acknowledgement by the employee they understand all vehicle use provisions of the EIG and they specifically understand their responsibility to: Provide an annual (current) insurance rider; Use the vehicle only for commuting and City business; Notify their supervisor, the Risk Analyst and the Fleet Director of any traffic violations, driver license suspensions/revocations, or any accident involving a City Vehicle; Verify vehicle safety daily; Ensure proper preventive maintenance; and Ensure the vehicle is always properly secured. A copy of this form should be maintained in the department level employee file, the Human Resources Department employee file and the original should be provided to the Fleet Director prior to delivery of the take home vehicle to the employee. The Fleet Director should be authorized and required (by policy) to take possession of any take home vehicle lacking the required eligibility form or lacking a current insurance rider on file.

This recommendation has not been implemented.

8 We recommended the take home vehicle policy be revised to clarify the requirement that personal use of vehicles is not allowed. The various statements on pages 150, 151 and 153 of the EIG should be consolidated into one clear policy statement. In addition, the Fleet Division should implement a periodic review process to ensure employees with take-home vehicle privileges are complying with the policy.

This recommendation has not been implemented. Public Works requested revision of the EIG to address this issue. The requested revision is included in the revised EIG anticipated to be presented to Council on January 8, 2019. The Fleet Division has not implemented a review process to ensure employees with take-home vehicles are complying with the policy.

9 If the EIG is not revised to prohibit all personal use of City vehicles. We recommended the policy require mileage logs be maintained and forwarded to the Payroll Division of the Finance Department monthly. The Fleet Division should develop a standard mileage log for detailing commuting, business and personal trips. In addition, City Code Section 2-756 must be revised prior to any such policy revision.

This recommendation has not been implemented. A mileage log has not been developed. City code section 2-756 has not been revised.

- | | |
|---|---|
| <p>11 We recommended the EIG be revised to require an employee's driving record be reviewed by the Risk Analyst in the City Attorney's Office prior to issuance of a take home vehicle. Take home vehicle assignment should only occur upon recommendation of the Risk Analyst.</p> | <p>This recommendation has not been implemented.</p> |
| <p>12 We recommended the Fleet Division design a report format, and department administrators be required to submit a list of take home vehicles in their departments immediately. Department heads should file the required report by July 1 of each year going forward. A reminder notice to department heads from the Fleet Director in June of each year will help ensure compliance.</p> | <p>This recommendation has not been implemented.</p> |
| <p>14 We recommended the correct IRS mileage rate be used to calculate commuting mileage deductions from income. The rate should be updated annually.</p> | <p>This recommendation has not been implemented. Commuting mileage outside the City continues to be charged at \$0.30 per mile, as was the case when the audit was published.</p> |

RECOMMENDATIONS PARTIALLY IMPLEMENTED (3)

Recommendation	Actions Taken
5 We recommended the Fleet Director immediately compile a complete list of employees currently provided with a take home vehicle and ensure the standard eligibility form is completed for each. A deadline should be established for completion of this initial determination.	A listing of take home vehicles is in place in both Fleet and CPD. However, the eligibility form has not been developed, nor has there been preapproval of eligibility based upon qualifying standards for non-sworn personnel.
10 We recommended the Fleet Director and the Risk Analyst in the City Attorney's Office lead an effort to ensure all City driver's files are updated, as well as ensuring periodic review takes place of driving history for employees with take home vehicles.	Both the Fleet Division and CPD have updated driver files. Provision for periodic review of driving histories is assigned to HR in section IX. B. of the revised EIG anticipated to be presented to the Council for approval January 8, 2019. However, this provision does not mandate such reviews be performed.
13 We recommended the take home vehicle policy be enforced with no take home vehicles being used for commuting outside Hamilton County. Employee address information should be a part of the recommended eligibility form. As a supplemental control, the Fleet Director could periodically cross reference the take-home vehicle listing to employee address information in the Oracle system.	This recommendation was addressed in PW's draft <i>Vehicle Use Policy</i> , however, it was not included in the revised EIG anticipated to be presented to Council on January 8, 2019. The draft EIG states, "Take-home vehicles may not be used for commuting travel outside Hamilton County." As mentioned above, an eligibility form has not been developed. The Fleet Director has checked the addresses of sworn officers with take home vehicles.

City of Chattanooga Fraud, Waste, and Abuse Hotline

Internal Audit's Fraud, Waste, and Abuse Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any City facility or department.

Internal Audit contracts with a hotline vendor, The Network, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

To make a report, call 1-877-338-4452 or visit our website:
www.chattanooga.gov/internal-audit