

OFFICE OF THE CITY CONTROLLER



**HOUSTON EMERGENCY CENTER
VEHICLE ALLOWANCE PROGRAM AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

September 18, 2008

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Houston Emergency Center
Vehicle Allowance Program Audit (Report No. 2009-11)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Houston Emergency Center (HEC). The audit objective was to determine whether the allowances were administered in compliance with Administrative Procedure 2-2 (Motor Vehicle Assignment and Use), Executive Order No. 1-41 (Executive Vehicle Assignment/Allowance), and HEC Standard Operating Procedures.

The report, attached for your review, concluded that the Department was not in compliance with AP 2-2 and EO 1-41. The four findings and recommendations are presented in the body of the report. The Views of Responsible Officials as to actions taken are appended to the report as Exhibit I.

We commend HEC management for their timely efforts to take action during the audit to remedy the deficiencies identified by the audit team. We also appreciate the cooperation extended to our auditors by HEC personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker
City Controller

xc: City Council Members
Anthony Hall, Chief Administrative Officer
Michael Moore, Chief of Staff, Mayor's Office
Dennis Storemski, Director, Mayor's Office Public Safety and Homeland Security Division
David Cutler, Director, Houston Emergency Center
Alfred Moran, Jr., Director, Administration and Regulatory Affairs Department
Michelle Mitchell, Director, Finance Department

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PURPOSE AND SCOPE

The Office of the City Controller has completed an audit of the Vehicle Allowance Program (Program) within the Houston Emergency Center (HEC). Our objective was to determine whether the Program was operating in compliance with Administrative Procedure 2-2, Motor Vehicle Assignment and Use (AP 2-2), Executive Order No. 1-41, Executive Vehicle Assignment/Allowance (EO 1-41), and HEC Standard Operating Procedures.

The audit scope included HEC employees currently receiving a vehicle allowance. The work did not constitute an evaluation of the overall internal control structure within the HEC. The audit procedures were designed to: assess the level of compliance with procedures; determine adequacy of internal controls related to the Program; and provide recommendations for improvement where appropriate.

HEC management is responsible for establishing and maintaining a system of internal controls to adequately account for vehicle allowances as an integral part of HEC's overall internal control structure. The objectives of the system are to provide management with reasonable, but not absolute, assurance that administration of vehicle allowances complies with all applicable procedures, orders, and laws.

Due to the inherent limitations found in any system of internal controls, errors or irregularities may occur and may not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with procedures may deteriorate.

AUDIT PROCEDURES

Audit procedures included development of an attribute checklist used to test compliance with AP 2-2 and EO 1-41, such as:


- Completion, proper approval, and maintenance of required forms
- Determination of driver qualifications
- Correctness of approved allowance rates
- Semi-annual reviews of mileage logs to adjust allowance rates when necessary
- Implementation of disciplinary action for non-compliance with AP 2-2 and EO 1-41

CONCLUSION

Based on the results of our audit, we concluded that HEC was not in compliance with AP 2-2 and EO 1-41. The four findings are presented in the body of the report.


Scott Haiflich, CGAP
Auditor-in-charge


Arnie Adams, CFE, CIA
Audit Manager


Steve Schoonover, CFE
City Auditor

INTRODUCTION

According to a report generated from the payroll system and provided by the Administration and Regulatory Affairs Department, as of February 22, 2008, HEC had one Executive employee and two Non-Executive employees receiving vehicle allowances.

EO 1-41 establishes a policy of vehicle assignment or allowance for City Executive staff who use a vehicle or incur transportation expenses while engaged in the performance of City business. This EO also requires that vehicle allowances for Department Directors and Deputy Directors be approved by the Office of the Mayor.

AP 2-2 provides uniform operating rules and procedures to help ensure driver and passenger safety, protection of the public, disciplinary equity, and efficient use and maintenance of vehicles.

FINDINGS AND RECOMMENDATIONS

I. SEMI-ANNUAL REVIEWS OF VEHICLE MILEAGE REPORTS

BACKGROUND

AP 2-2, Section 5.1.3, requires that Department heads conduct semi-annual reviews of quarterly mileage reports (prepared from monthly trip logs) and adjustments be made to vehicle allowance amounts when actual mileage reported places the recipient in a different rate category. Vehicle allowances are reimbursed at the following rates:

Monthly Mileage	Monthly Allowance
300-450	\$151.88
451-600	\$212.83
601-750	\$273.58
Over 750	\$354.58

FINDING

The two non-executive employees receiving vehicle allowances were not preparing and maintaining trip logs on Form CA (Department Vehicle Use Report – Car Allowance), and semi-annual reviews of vehicle allowances were not conducted. Failure to perform semi-annual reviews could result in under and/or over-payments to vehicle allowance recipients.

RECOMMENDATION

As required by AP 2-2, non-executive employees receiving a vehicle allowance should complete Form CA and submit it monthly to management. HEC should begin preparing quarterly reports, conducting semi-annual reviews of those reports, and adjusting vehicle allowance amounts as necessary. The two non-executive employees began submitting monthly trip logs (Form CA) prior to the issuance of this report.

II. COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS

BACKGROUND

AP 2-2, Section 8.3, requires that City Departments, at least annually, obtain and review the motor vehicle record (MVR) of each employee who drives on City business to determine if the employee is qualified to drive on City business in accordance with the policy.

FINDING

Discussion with HEC management revealed that MVRs have not been obtained annually. HEC requested MVRs from the Texas Department of Public Safety prior to the issuance of this report.

RECOMMENDATION

Annual MVRs should be ordered from the Texas Department of Public Safety for all HEC employees who drive on City business. When received, the MVRs should be reviewed and, if necessary, appropriate action taken. The MVRs should be filed in employee files to support compliance with AP 2-2.

III. COMPLIANCE WITH DEFENSIVE DRIVING COURSE REQUIREMENTS

BACKGROUND

AP 2-2, Section 14.2, requires that any employee who drives on City business complete a defensive driving course (DDC) prior to driving on City business and that the DDC be repeated every 36 months.

FINDING

Audit testing revealed that all three HEC employees receiving vehicle allowances had not completed a DDC as required by AP 2-2. All three HEC employees receiving a vehicle allowance completed a DDC prior to the issuance of this report.

RECOMMENDATION

Upon completion of the DDC, HEC should attach the certificate of completion to Form D, Request for Vehicle Allowance, and submit the documentation to Central Payroll. In the future, management should require that the DDC be completed and the related certificate submitted with the original Form D, prior to driving on City business, and that the course be repeated every 36 months.

IV. PERIODIC AUDITS OF COMPLIANCE WITH AP 2-2

BACKGROUND

AP 2-2, Section 16.4.2, requires that copies of all car allowance requests, approvals, mileage reports, and Petty Cash transactions be maintained by City Department heads and shall be audited periodically for compliance.

FINDING

HEC files did not contain evidence of periodic auditing for compliance with AP 2-2 related to vehicle allowances.

RECOMMENDATION

We recommend that audits be conducted periodically as required by AP 2-2. We also recommend that checklists be developed, used, and maintained in employee files to document compliance with the auditing requirement.

EXHIBIT I



CITY OF HOUSTON

Houston Emergency Center

Bill White

Mayor

David F. Cutler
Director
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Houston, Texas 77251-1562

T. 713-884-4610
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To: Annise D. Parker
City Controller

From: David F. Cutler, Director
Houston Emergency Center

Date: August 29, 2008

Subject: Vehicle Allowance Program
Audit Report Response

A handwritten signature in blue ink, appearing to read "DFC", is written over the "From:" field.

In the spring of 2008, your office conducted a review of the City's vehicle allowance program within the Houston Emergency Center (HEC). The subsequent audit report determined that HEC was not in compliance with Administrative Procedure 2.2, Motor Vehicle Assignment and use, and Executive Order No. 1-41, Executive Vehicle Assignment/Allowance. Specifically, deficiencies were found in the following areas:

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CONTROL ROOM'S

- HEC has 2 employees (both assistant directors) receiving non-executive car allowances. These employees failed to maintain monthly trip logs as required by City policy.
 - Action taken to remedy deficiency: When it was discovered that these employees were not submitting monthly trip logs, they were required to submit them on a monthly basis to the HEC Director's Office for review. These non-executive car allowances will be adjusted according to the current non-executive vehicle allowance schedule.
- HEC has not been performing annual motor vehicle record reviews of each employee authorized to drive a vehicle on City business.
 - Action taken to remedy deficiency: HEC now performs annual reviews of the motor vehicle record of each employee authorized to drive a vehicle while on City business, taking appropriate action where necessary.
- HEC had 3 employees receiving a vehicle allowance who had not recently completed a defensive driving course.
 - Action taken to remedy deficiency: These 3 employees were required to immediately complete a defensive driving course, with re-certification being completed every 3 years, as required.
- HEC did not perform periodic audits of car allowance requests, approvals, and mileage reports to ensure compliance with the aforementioned policies.
 - Action taken to remedy deficiency: HEC has compiled a file with a checklist for each employee receiving a vehicle allowance. This will allow for periodic audits of these files to ensure compliance with the aforementioned policies.

Views of Responsible Officials

If you have any questions regarding this response, please contact me at 713-884-4510.

Council Members: Toni Lawrence Jarvis Johnson Anne Clutterbuck Wanda Adams Michael Sullivan M.J. Khan, P.E. Pam Holm Adrian Garcia
James Rodriguez Peter Brown Sue Lovell Melissa Noriega Ronald C. Green Jolanda Jones Controller: Annise D. Parker