

OFFICE OF THE CITY CONTROLLER



**ADMINISTRATION AND REGULATORY AFFAIRS DEPARTMENT
VEHICLE ALLOWANCE PROGRAM AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor

Report No. 2009-15



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

October 7, 2008

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Administration and Regulatory Affairs Department
Vehicle Allowance Program Audit (Report No. 2009-15)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Administration and Regulatory Affairs Department (Department). 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 Departmental Standard Operating Procedures.

The report, attached for your review, concluded that the Department was generally in compliance with AP 2-2 and EO 1-41, except for the findings presented in the body of the report. The Views of Responsible Officials as to actions being taken are appended to the report as Exhibit I.

We commend Department management for their timely efforts to take action to remedy the deficiencies identified by the audit team. We also appreciate the cooperation extended to our auditors by Department 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
Alfred J. Moran, Jr., Director, Administration and Regulatory Affairs Department
Michelle Mitchell, Director, Finance Department

CONTENTS

LETTER OF TRANSMITTAL	i
PURPOSE AND SCOPE	2
AUDIT PROCEDURES	2
CONCLUSION	2
INTRODUCTION	3
 FINDINGS AND RECOMMENDATIONS	
I. COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS	3
II. PERIODIC AUDITS OF COMPLIANCE WITH AP 2-2.....	3
VIEWS OF RESPONSIBLE OFFICIALS.....	EXHIBIT I

PURPOSE AND SCOPE

The Office of the City Controller has completed an audit of the Vehicle Allowance Program (Program) within the Administration and Regulatory Affairs Department (Department). 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 Departmental Standard Operating Procedures.

The audit scope included Department employees currently receiving a vehicle allowance. The work did not constitute an evaluation of the overall internal control structure within the Department. 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.

Departmental management is responsible for establishing and maintaining a system of internal controls to adequately account for vehicle allowances as an integral part of the Department'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.

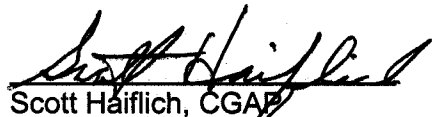
AUDIT PROCEDURES

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

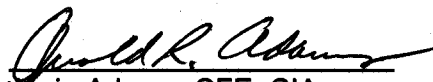
- Completion, proper approval, and maintenance of required forms
- Determination of driver qualifications
- Correctness of approved allowance rates
- Semi-annual reviews of mileage logs to adjust allowance rates when necessary
- Implementation of disciplinary action for non-compliance with AP 2-2 and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

CONCLUSION

Based on the results of our audit, we concluded that the Department was generally in compliance with AP 2-2 and EO 1-41, except for the findings presented in the body of the report.



Scott Häiflich, 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, the Department had four 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 COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS

BACKGROUND

AP 2-2, Section 8.3, requires that the Department, 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 Department management revealed that MVRs have not been obtained annually. The Department requested MVRs from the Texas Department of Public Safety in preparation for the audit.

RECOMMENDATION

Annual MVRs should be ordered from the Texas Department of Public Safety for all Department 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.

II 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 the Department head and shall be audited periodically for compliance.

FINDING

Department files did not contain evidence of periodic auditing for compliance with AP 2-2 related to vehicle allowances. The Department began preparing a database for continuous monitoring of compliance with AP 2-2 and EO 1-41.

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

Administration and Regulatory Affairs Department

Interoffice

Correspondence

To: Annise D. Parker, City Auditor
City Controller's Office

From: Alfred Jay Moran, Jr., Director
Administration and Regulatory Affairs

Date: September 25, 2008

Subject: Vehicle Allowance Audit

In regards to the findings recognized on June 23, 2008 by Mr. Scott Halflich with the Controllers Office, the Administration & Regulatory Affairs Department is pleased to respond with the following:

Finding I - illustrates a need for an annual motor vehicle report to be obtained for each employee. Previously, the Administration & Regulatory Affairs Department would draw on the information that was made available through the use of the Rumba DMV Screen. This resource supplied the required monitoring of employee's motor vehicle information, which was received by management, whom determined if any action was necessary. Reports were run annually up until 2007.

The Rumba DMV Screen was a locally controlled program that would electronically request and upload data from the Texas Department of Motor Vehicles database. While this feature still exists within the DMV system, with the advent of SAP on our end, interfacing the two programs was no longer an option. Though the capability of this electronic exchange is possible within a SAP platform, a properly configured interface remains forthcoming from the ERP team. All indications suggest that this feature will not be available for some time. The alternative means of requesting this data is employed through the old fashioned means of a personal request. These requests are capped at 10 records per day.

Due to the current unavailability of the Rumba DMV Screen, no resource instituted to replace this process and severe limitations on the maximum amount of documents that can be obtained at one time through the DMV; it had already been identified, previous to this audit, that a new procedure must be created. The creation of this procedure directly relates to Finding II and will be explained in further detail below.

It is important to note, employees that drive regularly, like the Transportation Division for example, have always been scrutinized and documentation is always up to date. These records are maintained within the division.

Finding II - refers to the absence of periodic auditing of items outlined within the AP 2-2 and EO 1-41. Having already identified the procedural discrepancy created by the burden that the DMV applied, along with other processes that were in need of a centralized reporting system, it was established approximately one month before the audit took place that a new approach to monitoring was required. In response to this realization and through analysis of current procedures, we began to fashion an Access database that will record, track and red flag all department actions as it applies to vehicles, driving procedure and required documentation.

**Views of Responsible
Officials**

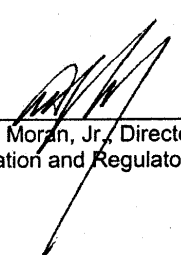
EXHIBIT I

Page 2

Due to the scale of such a large endeavor, the database continues to be a work in progress. However, the Administration & Regulatory Affairs Department does currently perform periodic auditing to my satisfaction under policy. The method used is through verbal reporting from direct reports that relay information from all supervisors, who, by policy, maintain these records as found in AP 2-2.

I hope this has answered your questions to your satisfaction. If you have any questions, please call Annabelle Chen at (713) 837-9651.

Best Regards,



Alfred Jay Moran, Jr., Director
Administration and Regulatory Affairs

AJM/AC:il

**Views of Responsible
Officials**