



AUDIT REPORT



DATE August 18, 2017

NO. 2017-004

CHARLOTTE COUNTY

TAKE-HOME VEHICLES

INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of Charlotte County take-home vehicles. The purpose of this audit was to assess the adequacy of the current practices related to the use of take-home vehicles and to determine that proper internal controls exist in those practices. As part of the audit we also reviewed the “pooled” vehicles that are utilized by County personnel who are “on-call”.

This report details the current practices and includes our comments and recommendations. Management responses have also been included.

The report was discussed with Mr. Ray Sandrock, County Administrator, on August 16, 2017. Mr. Sandrock stated that he will ask the County Attorney’s office to review the report findings to ensure compliance with the IRS Regulation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "D. Mitchell".

Diane Mitchell
Internal Audit Director

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND	1
AUDIT OBJECTIVES.....	2
SCOPE AND METHODOLOGY	3
COMMENTS AND RECOMMENDATIONS.....	4
CONCLUSION.....	6
ACKNOWLEDGEMENT	6

EXECUTIVE SUMMARY

We performed an audit of Charlotte County take-home vehicles. During the audit, we evaluated internal controls governing the use of those vehicles, analyzed costs and reviewed compliance with Internal Revenue Service (IRS) fringe benefit rules.

All vehicles identified, which also included “pooled” vehicles that are used by “on-call” employees, were only used for business purposes and their personal use was prohibited except for commuting to/from work and de minimis (minimal) personal use. Internal Audit ascertained that use for commuting greater than 1 day a month qualifies as above minimal personal use, and must be tracked, recorded, and reported, per IRS requirements.

Our review determined the following;

- Vehicle usage by employees is not recognized and reported as a fringe benefit
- Costs are not transparent to justify take-home vehicle usage
- Take-home vehicles are not adequately documented
- Authorizations for individuals assigned take-home vehicles are not documented
- Policies are inconsistent for reviewing employee driving records

BACKGROUND

County Administration has allowed authorized individuals to use County vehicles for transportation to and from their place of residence and their work place or in response to situations that occur outside of normal work hours.

Take-home vehicles are often associated with personal and business travel. However, the County has curtailed the practice of granting such privileges. The last person to have a take-home vehicle for personal and business travel terminated their employment on October 27, 2015.

Likewise, **County Administrative Code 8.06** Usage of County Vehicles, Equipment and Property states the following under Take-Home Vehicle Policy:

“Employees shall not operate County vehicles for the purpose of conducting a private business or enterprise or for any other personal use.”

Yet **County Administrative Code 8.06** continues as follows:

“It is, however, recognized that a minimal amount of personal use of a County vehicle may be required for those employees that are assigned a take-home vehicle. This personal use shall be limited to: commuting to and from work, performing small errands during the drive to and from work providing there is no deviation from the regular route taken by the employee and personal emergencies if no personal vehicle is available and the department director grants approval.”

IRS Publication 15-B “Employer’s Guide to Fringe Benefits 2017” states the following:

De minimis (minimal) benefits:

“Some examples of benefits that are not excludable as de minimis fringe benefits ... commuting use of an employer provided automobile or other vehicle more than one day a month.”

Therefore, commuting to and from work regularly in a County vehicle is a fringe benefit.

Fringe benefit valuation rules – commuting rule:

“Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. That amount must be included in the employee’s wages or reimbursed by the employee.”

“You can use the commuting rule if all the following requirements are met”:

- You provide the vehicle to an employee for use in your trade or business and ...you require the employee to commute in the vehicle
- You establish a written policy under which you don’t allow the employee to use the vehicle for personal purposes other than for commuting or for de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee’s home)
- The employee does not use the vehicle for personal purposes other than commuting or de minimis personal use
- If the vehicle is an automobile (any four-wheeled vehicle, such as a car, pickup truck, or van)

The exceptions to the commuting rule are qualified non-personal use vehicles.

Qualified non-personal use vehicles are as follows:

“All of an employee’s use of qualified non-personal use vehicle is a working condition benefit. A qualified non-personal use vehicle is any vehicle the employee isn’t likely to use more than minimally for personal purposes because of its design. Qualified non-personal vehicles generally include all of the following vehicles”:

- Clearly marked, through painted insignia or words, police, fire, and public safety vehicles
- Unmarked vehicles used by law enforcement officers if the use is officially authorized
- An ambulance or hearse used for its specific purpose
- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds
- Delivery trucks with seating for the driver only, or for the driver plus a folding jump seat
- A passenger bus with a capacity of at least 20 passengers used for its specific purpose
- School buses
- Tractors and other special purpose farm vehicles
- Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flatbed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks

Fire/EMS vehicles are generally considered qualified non-personal use vehicles. All other departments were queried for qualified non-personal use vehicles that fit the above criteria.

AUDIT OBJECTIVES

The objectives of this audit were to:

1. Assess take-home vehicle practices
2. Determine if the County reports vehicle usage in compliance with IRS requirements
3. Evaluate the system of internal control over vehicle usage

SCOPE AND METHODOLOGY

The scope of this audit was 100% department testing and analysis for the twelve month period ending February 2017.

We surveyed all County departments to identify vehicles under their responsibility that can be taken home. We cross referenced those vehicles with “Policy 8.06 Vehicle Use – Take Home List” available from both County Administration and the County Human Resources Department. For departments identified with vehicles that can be taken home, we requested:

- department vehicle use policies
- lists of employees and vehicles utilized
- employee acknowledgements of commuting responsibilities and policy understanding
- any cost benefit studies performed or justifications for take-home vehicle use
- vehicle usage tracking (time and trip logs to identify inspections required during commute)

We analyzed data for the twelve month period ending February 2017. We used the following methodology to estimate program costs:

Number of take-home vehicles or pooled vehicles (used by on-call personnel);

Miles driven annually and commuting (Annual mileage calculation = current miles – miles at purchase / the # of years in service and Commuting mileage was calculated by Department or by using Map Quest);

Maintenance costs per vehicle using an average from www.edmunds.com (\$0.06/mile);

Fuel costs – average cost per mile (\$0.12/mile based on average gallon cost = \$2.19);

EPA miles per gallon rating for the type of vehicle used (19 MPG City);

Number of days during period (240 days = 260 minus holidays, vacation, sick, etc.).

The following table provides an estimate of the annual cost of both take-home vehicles and “pooled” vehicles that are utilized by department personnel who are “on-call”. The (16*) Community Development vehicles are take-home vehicles and, for this analysis, Community Development provided actual mileage. For all other departments, we used the annual mileage calculation as described above.

<u>Department</u>	<u>Vehicles</u>	<u>Average Annual Miles</u>	<u>Average Commute Miles</u>	<u>Average % Commute</u>	<u>ESTIMATED Annual Commute Cost</u>		
					<u>Maintenance</u>	<u>Fuel</u>	<u>Total</u>
Fire/EMS	7	90,561	50,592	56%	\$3,036	\$6,071	\$9,107
Emergency Management	2	27,200	18,864	69%	1,132	2,264	\$3,396
Community Development	16*	403,440	84,144	21%	5,049	10,097	15,146
Animal Control	5	80,557	24,624	28%	1,477	2,955	4,432
CCU – WW	6	62,446	33,158	53%	1,989	3,979	5,968
CCU – WD	19	211,104	139,872	66%	8,392	16,785	25,177
CCU – TR	5	37,740	17,424	46%	1,045	2,091	3,136
PW – M & O	1	7,016	4,368	62%	262	524	786
PW – Lighting	4	47,411	6,461	14%	388	775	1,163
PW – Signage/Marking	6	43,793	4,830	11%	290	579	869
TOTAL	71	1,011,268	384,337	38%	\$23,060	\$46,120	\$69,180

CCU = Charlotte County Utilities, WW = Wastewater, WD = Water Distribution, TR = Treatment Facilities;
 PW = Public Works, M & O = Maintenance and Operations

COMMENTS AND RECOMMENDATIONS

1. There is no documented evidence on file that employees are aware of the County’s “Usage of County Vehicles, Equipment and Property”, Section 8.06 of the Administrative Code.

There is no indication that employees who drive County vehicles are aware of Administrative Code, Section 8.06. They are aware of the County’s Policies and Procedures Manual which states that “if you don’t find information here, please go to the Administrative Code”.

We recommend that employees be informed of the “Usage of County Vehicles, Equipment and Property”, Section 8.06 of the Administrative Code, and that this be acknowledged by the employees (via signature).

2. Vehicle usage by employees (including those employees who are on-call) is not recognized and reported as a fringe benefit.

Our surveys determined that the 71 take-home and “pooled” vehicles that are utilized by employees, including those on-call, are not monitored for reasonableness and IRS purposes.

IRS Publication 5138 Fringe Benefits – Government-Owned Vehicles states, “The personal use of a government-owned vehicle is generally a taxable fringe benefit...Personal use includes the value of commuting in a government-owned vehicle, even if the vehicle is take home for the convenience of the employer...The employee is usually allowed to take the vehicle home because he is “on call”.

Under the commuting rule, defined earlier in this report, the fringe benefit value is \$1.50 multiplied by each one-way commute.

IRS Publication 5138 (2014) Quick Reference Guide for Public Employers states, under the Commuting Rule, “You can use the commuting rule if all of the following requirements are met...You require the employee to commute in the vehicle...You establish written policy in which you don’t allow the employee to use the vehicle for personal purposes other than commuting or de minimis personal use...The employee doesn’t use the vehicle for personal purposes other than commuting or de minimis personal use...”. An employee acknowledgement protects the County by showing the employee is aware of specific policy.

We recommend the County track vehicle use for take-home and on-call employees for reporting of fringe benefits.

3. Program costs are not transparent to justify take-home vehicle usage & assignment.

The annual program costs detailed earlier under the audit Scope and Methodology are based on estimates since after-hours calls, vehicle usage, maintenance and fueling costs and commuting miles are not recorded. The **risks** of not monitoring program costs are as follows:

- **Costs of the program are unknown.** Estimated program costs are \$69,180 per year. This is only an estimate since costs for mileage, maintenance and fueling are not recorded.
- **Vehicles are largely used for commuting.** More than 40% of the vehicles appear to be used (more than 50%) for commuting. Other than Community Development, departments could not provide annual mileage information.

- **Out of County assignment of vehicles.** 40% of the vehicles are assigned to employees who reside outside of the County. Inquiries determined that the employees take the vehicles home and do not park them at County facilities as required by administrative procedures, due to the importance of response times. 7% of these are for Supervisory personnel, which may justify the assignment.

Program costs are not transparent because employees are not keeping daily logs. IRS Publication 5138 (2014) Quick Reference Guide for Public Employers states, “To conform to the accountable plan rules, employees using a vehicle for business purposes (regardless of which special valuation rule is used) should keep daily records of business miles by keeping a log showing the date, mileage, destination, business purpose, and personal use (including commuting) mileage”.

We recommend the County track the use of take-home vehicles along with maintenance and fueling costs to justify usage and assignment.

4. Vehicles taken-home are not adequately documented.

There is no control listing of vehicles that are taken home. Departments designate as many take-home vehicles as they see fit. In addition, Fleet Management does not have a listing of these vehicles because departments do not inform them as to which vehicles are taken home. In some cases, the take-home vehicle is not designated, it depends on vehicle availability.

Personal use of a government owned vehicle is a fringe benefit, even if simply commuting to one’s residence. Tracking of take-home vehicles along with associated costs provides both accountability of employees with take-home vehicles and completeness of costs associated with the take-home vehicles.

We recommend departments report take-home vehicles to Fleet Management for accountability and tracking purposes.

5. Authorizations of those individuals assigned take-home vehicles are not documented.

Both Human Resources and County Administration provided the auditor an employee listing titled “Policy 8.06 Vehicle Use – Take Home List 2/19/15” which is not current. 43 employees identified by the individual departments interviewed by the auditor were not on this list and 40 of 120 employees included on this Take Home List were not taking vehicles home per the departments. Internal Audit identified employees by the honor system, where Department Directors and Supervisors self-reported upon inquiry.

County Administrative Code 8.06 does not provide definitive guidelines by stating “County vehicles are not to be taken home overnight except for those classifications on a take-home vehicles list approved by the County Administrator or his designee, or those with permission from the Division Manager, Assistant Director, or Department Director.”

We recommend that the Vehicle Use – Take Home List be revised and that it be reviewed and updated on a yearly basis.

6. Policies are inconsistent for the review of employee driving records.

Policy 8.06 USAGE OF COUNTY VEHICLES, EQUIPMENT AND PROPERTY of the Administrative Code states, “The Risk Manager will annually obtain and review the driving record of each authorized vehicle operator, and report discrepancies to the appropriate Department Director.” Policy 3.28 DRIVERS LICENSE of the Human Resources Manual states “The Human Resources Department shall request a Motor Vehicle Record Check on every County employee (required to operate any type of motor vehicle in the performance of their job duties) at least once a year. The costs of such report(s) shall be incurred by the Risk Management Division.”

The policies name different departments. There may be question of who will obtain the annual driving record of each authorized motor vehicle operator.

We recommend establishing agreement between Policies 8.06 and 3.28 for obtaining/requesting employee driving records.

CONCLUSION

Our review determined that the County vehicles currently being taken-home and those vehicles used by on-call employees need to be tracked, recorded, and reported, per IRS requirements.

ACKNOWLEDGEMENT

We would like to thank the various County Departments and the Clerk of the Circuit Court Comptroller’s Division for their assistance in the completion of this audit.

Audit performed by:
Dan Revallo
Senior Internal Auditor



MEMORANDUM

DATE: August 3, 2017

TO: Diane Mitchell, Internal Audit Director

FROM: Hector Flores, Assistant County Administrator *HF*

SUBJECT: Take-Home Vehicle Program Card Audit

Thank you for meeting with us to review your audit report. Our action steps and responses to the Comments and Recommendations for items 2, 3, and 4 are provided below.

#2 – Vehicle usage by employees (including employees who are on-call) is not recognized and reported as a fringe benefit.

Management Action: Take-home vehicles are in use by inspectors who travel directly from home to their first appointment and at the end of the day, from the last appointment to their home. This arrangement has no net benefit to them but does serve as an efficiency to the Community Development department. At time of this audit it's our position that take-home vehicles do not qualify as a fringe benefit. We will review IRS Publication 5138 and determine if any action steps are required to ensure compliance.

In terms of the stand-by vehicles we will be conducting a 3-month study to track mileage and usage and determine if the use of the vehicle should be considered a fringe benefit. The large number of individuals that are occasionally on stand-by may make it impractical to report.

#3 – Program costs are not transparent to justify take-home vehicle usage & assignment.

Management Action: We have already identified the take-home vehicles within our fleet management system to enable monitoring and reporting in the future. For stand-by vehicles, as stated above, we will be conducting a 3-month study to track mileage and usage. There are a large amount of individuals that are occasionally on stand-by and wide variety of vehicles used, we will track those that are frequent enough to merit monitoring and reporting.

ADMINISTRATION

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#4 – Vehicles taken-home are not adequately documented.

Management Action: Internal Audit provided Human Resources, Budget and Admin Services and County Administration with a current listing of take-home vehicles. The listing will be reviewed and updated yearly by the departments. The listing will be maintained by Human Resources and will also be utilized by Fleet Management.

Please let me know if there is anything else you need.

ADMINISTRATION

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MEMORANDUM

Date: August 3, 2017

To: Diane Michell, Director of Internal Audit, Charlotte County Clerk's Office

From: Heather Bacus, Director of Human Resources

Subject: Audit Response - Take-Home Vehicle Program

Recently the Internal Audit Division of the County Clerk office conducted an audit of our Take-Home Vehicle Program. We appreciate the collaborative effort of this audit and my responses to the findings follow, as they pertain to the roles and responsibilities of the Human Resources department.

1. There is no documented evidence on file that employees are aware of the County's "Usage of County Vehicles, Equipment, and Property", Section 8.06 of the Administrative Code.

Recommendation: Employees be informed of the "Usage of County Vehicles, Equipment, and Property", Section 8.06 of the Administrative Code, and that this be acknowledged by the employees (via signature).

Response: "Usage of County Vehicles, Equipment, and Property", Section 8.06 of the Administrative Code, has been revised as Policy 3.33 "Usage of County Vehicles, Equipment, and Property". This policy is found on Charlotte's Web under the employee policies tab with a revision date of July 12, 2017 and is reviewed in every new hire orientation, with new employees signing off on the attached form.

5. Authorization of individuals assigned take-home vehicles are not documented.

Recommendation: The Vehicle Use – Take Home List be revised, reviewed, and updated on a yearly basis.

HUMAN RESOURCES

Response: Internal Audit provided a spreadsheet with a current listing of individuals assigned take-home vehicles to Human Resources for future yearly updates, with departmental review. This listing will be maintained by Human Resources.

6. Policies are inconsistent for reviewing driving records.

Recommendation: Establish agreement between Policies 8.06 (currently Policy 3.33) and 3.28 for obtaining/requesting employee driving records.

Response: Policy 3.28 Drivers License has been revised July 20, 2017 to state that all employee driving records will be obtained and reviewed by Human Resources on a yearly basis. In addition, Code 8.06 (currently Policy 3.33) has been revised to state that the Human Resources Department in conjunction with the Risk Manager (or designee) will perform this review annually.

HUMAN RESOURCES

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