



AUDIT REPORT



DATE June 26, 2019

NO. 2019-008

FOLLOW-UP CHARLOTTE COUNTY

TAKE-HOME VEHICLES

(ORIGINAL REPORT NO. 2017-004 ISSUED AUGUST 18, 2017)

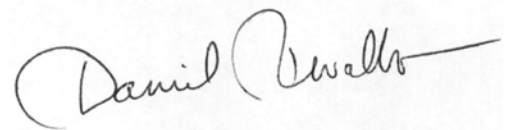
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

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

We have completed a follow-up audit of Charlotte County Take-Home Vehicles (Original Report No. 2017-004 issued August 18, 2017). The purpose of this follow-up audit was to ensure comments and recommendations of the original audit were adequately addressed.

The report details the original audit comments, recommendations, and follows up on the original responses provided. Follow-up was accomplished thru inquiries and observations of evidence. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal line extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

The Internal Audit Division performed a follow-up audit of the Charlotte County Take-Home Vehicles. Follow-up audits are limited to the comments and recommendations made in the Take-Home Vehicles Audit Report dated August 18, 2017. This follow-up considers the responses documented and any subsequent, corrective actions taken or delegated.

The main documents requested for the follow-up included: 1) County Policy 3.33 - Usage of County Vehicles, Equipment and Property, 2) County Policy 3.28 - Driver's License and 3) the current Vehicle Take Home list. The Human Resources Department maintains these documents.

The follow-up audit report will conclude the follow-up, as it pertains to Charlotte County Take-Home Vehicles. The status of any corrective actions will be assigned as follows:

OPEN – Corrective action has not been taken to adequately address the original audit comment.

OPEN/PARTIALLY COMPLETED – Corrective action has started but has not adequately addressed the original audit comment.

CLOSED – Corrective action has been taken to adequately address the original audit comment.

Original Audit Comments and Status of Corrective Actions

OPEN

- Vehicle usage by employees (including those employees who are on-call) is not recognized and reported as a fringe benefit.
- Program costs are not transparent to justify take-home vehicle usage and assignment.

OPEN/PARTIALLY COMPLETED

- Vehicles taken home are not adequately documented.

CLOSED

- There is no documented evidence on file that employees are aware of the County's "Usage of County Vehicles, Equipment and Property," Policy 3.33 (formerly, Section 8.06 of the Administrative Code).
- Authorizations of those individuals' assigned take-home vehicles are not documented.
- Policies are inconsistent for the review of employee driving records.

BACKGROUND

County Administration has allowed authorized employees 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, scheduled work hours.

Take-home vehicles are often associated with personal and business travel. However, the County has curtailed the practice of such privileges. The last person to have a Take-Home Vehicle for personal and business travel terminated employment in 2015.

County Policy 3.33 - Usage of County Vehicles, Equipment and Property states the following:

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

Policy 3.33 adds further, “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.
- Personal emergencies if no personal vehicle is available and the department director grants approval.”

IRS Publication 15-B - Employer’s Guide to Fringe Benefits 2018 state under De Minimis (Minimal) Benefits provides the following:

“Some examples of benefits that aren’t excludable as de minimis fringe benefits are ... the 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 considered a fringe benefit.

IRS Publication 15-B further adds under 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 ... This amount must be included in the employee’s wages or reimbursed by the employee.”

The Rule further provides states that, “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 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 doesn't use the vehicle for personal purposes other than commuting and de minimis personal use ...
- If this vehicle is an automobile (any four-wheeled vehicle, such as a car, pickup truck, or van), the employee who uses it for commuting isn't a control employee."

Under Qualified Non-Personal Use Vehicles, "All of an employee's use of a qualified nonpersonal use vehicle is a working condition benefit. A qualified nonpersonal use vehicle is any vehicle the employee isn't likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use 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 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."

County 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 aforementioned criteria.

AUDIT OBJECTIVES

The purpose of the follow-up audit was to determine if the proposed corrective actions documented in response to the six (6) comments and recommendations reported, within the Take-Home Vehicles Audit Report No. 2017-004, were adequately and timely implemented and/or resolved, etc.

SCOPE AND METHODOLOGY

The follow-up audit included review of the following items:

- There is evidence on file that employees are aware of the County's Policy.
- Completion of a 3-month study to track mileage and usage and to determine if use of the vehicle should be considered a fringe benefit.

- A current listing of take-home vehicles is reviewed and updated yearly by the departments. The list is maintained by Human Resources and utilized by Fleet Management.
- A spreadsheet with a current listing of individuals assigned take-home vehicles is considered annually for updates and maintained by Human Resources.
- Policy 3.28 Drivers License has been revised to state that all employee driving records will be obtained and reviewed by Human Resources on a yearly basis.

The scope of the follow-up audit included a review of comments, recommendations and responses documented within the Take-Home Vehicles Audit Report No. 2017-004.

The methodology of this review included discussing findings, recommendations and responses reported. Follow-up discussions were completed with Heather Bacus, Director of Human Resources, Hector Flores, Assistant County Administrator, Gordon Burger, Budget & Administrative Services Director and Richard Kolar, Sr. Division Manager Fleet & Transit.

COMMENTS, RECOMMENDATIONS AND FOLLOW-UP AUDIT RESULTS

- 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.**

We recommend 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).

Original 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.”

Status of Corrective Action: Closed

Auditor Comments: Through inquiry and follow-up procedures, the Internal Audit Division determined the following:

New employees certify acknowledgement of County policies, including Policy 3.33, as a part of new hire orientation procedures. The employee certifies acknowledgement by signing the “New Employee Orientation Checklist” form. Human Resources also certifies topic coverage by also signing the form. Existing employees, however, acknowledge policy changes by completing appropriate training through BenTek.

Follow-up procedures identified two (2) of eleven (11) "New Employee Orientation Checklist" forms that excluded a signature from the Human Resources Department. All other forms reviewed contained the proper signatures. ***These signature omissions were noted by the Director of Human Resources as oversights, which will be addressed with her recruitment team for future orientation sessions.***

We further verified the completion of BenTek training on Policy 3.33 for a select group of employees without any noted exceptions.

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

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

Original Response: "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 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 is 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."

Status of Corrective Action: Open

Auditor Comments: Per inquiry, the 3-month study was not completed. The Fiscal Services Department plans to restart their initial efforts on February 1, 2019.

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

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

Original Response: "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."

Status of Corrective Action: Open

Auditor Comments: Per inquiry, the 3-month study was not completed. The Fiscal Services Department plans to restart their initial efforts on February 1, 2019.

4. Vehicles taken-home are not adequately documented.

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

Original Response: “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.”

Status of Corrective Action: Open/Partially Completed

Auditor Comments: The Internal Audit Division obtained and reviewed the current Take-Home Vehicle List maintained by the Human Resources Department, noting update since last audited. Through inquiry, it was determined that the Take-Home Vehicle List was not provided to Fleet Management after update, which does not allow Fleet Management to update their records within Faster. Further, it was acknowledged by Fleet Management, while a monthly form was created for the purpose of tracking the County’s Take-Home Vehicles, the form has not yet been implemented.

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

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

Original 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.”

Status of Corrective Action: Closed

Auditor Comments: The Internal Audit Division obtained and reviewed the current Take-Home Vehicle List maintained by the Human Resources Department, noting update since last audited.

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

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

Original 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.”

Status of Corrective Action: Closed

Auditor Comments: The Internal Audit Division obtained and reviewed the policies last updated in July 2017, noting update and consistency.

ACKNOWLEDGEMENT

We would like to thank Fiscal Services, County Administration, Fleet Management and the Human Resource Department for their assistance in the completion of this follow-up audit.

Follow-up Audit performed by:
Misti Payette
Internal Auditor



MEMORANDUM

Date: June 3, 2019

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Courts and Comptroller

From: Gordon Burger, Director of Budget & Admin Services

Subject: Responses to the Internal Audit review of take-home vehicles

In August of 2017 the Clerk's Audit Division conducted an audit of our take home vehicle practices and cited the following finding:

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

Our response was that "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."

For the period of time from Feb. 8, 2019 through May 8, 2019 all stand-by staff were required to maintain logs documenting when they took vehicles home for stand-by duty. A summary of those logs is attached and demonstrates our assertion that usage of county vehicle for this purpose is De Minimus and thus does not merit the onerous time and effort required to report.

There was one employee that had a vehicle for a majority of the days. We will investigate this isolated incident to determine if this vehicle should be reclassified as a take-home vehicle.

Vehicle Log Data (# of Days On-Call/Stand-by Vehicle)			
Name	Public Works	Utilities	Total
Barney		21	21
Barr	14		14
Brooks		81	81
Buncic		14	14
Burlew		7	7
Chamberlain		23	23
Cifaldi		21	21
Clausen		21	21
Cook		35	35
Cox		7	7
Davison	14		14
Earnest		22	22
Elliot		21	21
Fulk		21	21
Gambrell		7	7
Handlon		7	7
Hanfelder		14	14
Hatfield		7	7
Hill		27	27
Hirschy		7	7
Hleuka		7	7
Honer		35	35
Huro		21	21
Jones		4	4
Kloor		4	4
Lavallee		14	14
Leroy		14	14
Maberino		14	14
Maldonado		14	14
Marinelli		7	7
Muscato		21	21
O'Neal		7	7
Oram		7	7
Owens		14	14
Owings	14		14
Parker		7	7
Prince		7	7
Rine		20	20
Rittenhouse		14	14
Robeck		28	28
Roberts		7	7
Rodriguez	7		7
Sears		14	14
Smith	42		42
Soss		14	14
Sutter		21	21
Swim		7	7
TamBurri		21	21
Varela		37	37
Vick		7	7
Williams		7	7
Grand Total	91	757	848



MEMORANDUM

Date: 5-6-19
To: Dan Revallo, Misti Payette
From: Heather Bacus, Director of Human Resources
Subject: Follow-up Audit of Take-Home Vehicles

Thank you for the follow-up meeting today. We discussed a process change requiring that the take-home list be provided to Fleet Management after updates occur annually. This list was provided to Fleet Management on May 6, 2019.

