

**OFFICE OF THE CITY CONTROLLER**



**MAYOR'S OFFICE  
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

December 17, 2008

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Mayor's Office  
Vehicle Allowance Program Audit (Report No. 2009-21)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Mayor's Office (Office). 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 the Mayor's Office Standard Operating Procedures.

The report, attached for your review, concluded that the Office was not in compliance with AP 2-2 and EO 1-41. Four findings are 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 Office 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 Office 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. SEMI-ANNUAL REVIEWS OF VEHICLE MILEAGE REPORTS .....	3
II. COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS .....	4
III. COMPLIANCE WITH DEFENSIVE DRIVING COURSE REQUIREMENTS.....	4
IV. PERIODIC AUDITS OF COMPLIANCE WITH AP 2-2.....	4
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 Mayor's Office. 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 Mayor's Office Standard Operating Procedures.

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

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

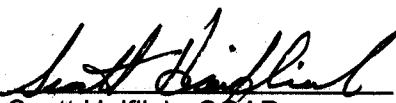
## AUDIT PROCEDURES

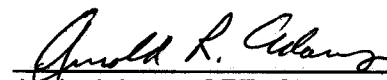
Audit procedures included development of an attribute checklist used to test compliance with AP 2-2 and EO 1-41, such as:


- 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 Mayor's Office 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, the Mayor's Office had two Executive and three 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. EO 1-41 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 three 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, any future non-executive employees receiving a vehicle allowance should complete Form CA and submit it monthly to management. In addition, the Mayor's Office should also prepare quarterly reports, conduct semi-annual reviews of those reports, and adjust vehicle allowance amounts as necessary.

## **II. COMPLIANCE WITH MOTOR VEHICLE REPORT REQUIREMENTS**

### **BACKGROUND**

AP 2-2, Section 8.3, requires that City Departments, at least annually, obtain and review the motor vehicle report (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**

MVRs have not been obtained annually.

### **RECOMMENDATION**

Annual MVRs should be ordered from the Texas Department of Public Safety for all Mayor's Office 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**

Three of the five employees receiving vehicle allowances had not completed a DDC as required by AP 2-2.

### **RECOMMENDATION**

Upon completion of a DDC, the Mayor's Office 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. Prior to the issuance of this report, we were informed that the three employees will complete DDCs through available on-line courses.

## **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**

Mayor's Office 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. Prior to the issuance of this report, we were informed that the Mayor's Office will begin periodic audits to ensure compliance with AP 2-2 requirements.

# EXHIBIT I



**CITY OF HOUSTON**  
Office of the Mayor

**Interoffice**  
Correspondence

**To:** Controller Annise D. Parker

**From:** Michael Moore, Chief of Staff *MM*

**Date:** November 26, 2008

**Cc:** Mayor Bill White

**Subject:** Response to Vehicle Allowance Program Audit

The Mayor's Office is currently in compliance with all guidelines of the Vehicle Allowance Program. I have reviewed the Mayor's Office Vehicle Allowance Program Audit and offer the following response:

*Executive Order 1-41 establishes a policy of vehicle assignment and 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 Executive Staff to comply with established policy guidelines including provisions of A.P. 2-2 pertaining to Motor Vehicle Assignment and Use.*

#### ***I. Semi Annual Reviews of Vehicle Mileage Reports***

Since the time of this audit report, the Mayor's Office has classified two (2) employees as executive staff and withdrawn the vehicle allowance of two (2) employees. Currently, the Mayor's Office has three (3) employees who receive a vehicle allowance pursuant to EO 1-41. All are classified Executive level and are direct reports to the Mayor.

Although not stated in policy, by practice Executive Staff are not required to submit Form CA, and are not subject to semi-annual reviews of vehicle mileage logs. Executive Staff who receive vehicle allowances have been notified of tax incentives for maintaining vehicle mileage logs, but will not be required to keep the above stated records in accordance with the established practice.

#### ***II. Compliance with Motor Vehicle Report Requirements***

The Mayor's Office has obtained motor vehicle reports (MVRs) for employees receiving a vehicle allowance. ~~MVR's will be filed in employees' files to support compliance with A.P. 2-2.~~

**Views of Responsible  
Officials**



# **EXHIBIT I**

Page 2

### ***III. Compliance with Defensive Driving Course Requirements***

The three (3) Mayor's Office employees currently receiving vehicle allowances have taken the required Defensive Driving Course (DDC) and are fully compliant with provisions in A.P. 2-2 § 14.2.

### ***IV. Periodic Audits of Compliance with AP 2-2***

The Mayor's Office will conduct periodic audits of our records to ensure compliance with A.P. 2-2 and E.O. 1-41. Audits will be conducted annually for the remainder of this Administration from the date of the initial audit.

***Views of Responsible  
Officials***