

OFFICE OF THE CITY CONTROLLER



**SOLID WASTE MANAGEMENT DEPARTMENT
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

May 23, 2008

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Solid Waste Management Department
Vehicle Allowance Program Audit (Report No. 2008-09)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Solid Waste Management 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 applicable 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 finding presented in the body of the report. A draft copy of the report was provided to Department officials.

We 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 W. Hall, Jr., Chief Administrative Officer
Michael Moore, Chief of Staff, Mayor's Office
Harry J. Hayes, Director, Solid Waste Management Department
Alfred J. 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 Solid Waste Management 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.

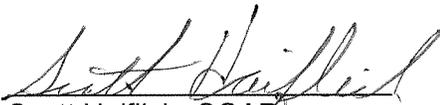
AUDIT PROCEDURES

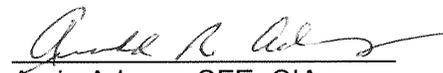
Audit procedures included development of an attribute checklist used to test compliance with AP 2-2 and EO 1-41, such as:

- Completion, proper approval, and maintenance of required forms
- Determination of driver qualifications
- Correctness of approved allowance rates
- 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 finding 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 Department had one Executive employee receiving a vehicle allowance.

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.

FINDING AND RECOMMENDATION

PERIODIC AUDITS OF COMPLIANCE WITH AP 2-2

BACKGROUND

Section 16.4.2 of AP 2-2 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

Files did not contain evidence of periodic auditing for compliance with AP 2-2.

RECOMMENDATION

We recommend that the Department develop a checklist for periodic audits of compliance with AP 2-2. Completed checklists should be maintained in employee files to document compliance with the AP 2-2 periodic auditing requirement. We recommend the audits be performed annually.

EXHIBIT I



CITY OF HOUSTON

Department of Solid Waste
Management

Interoffice

Correspondence

To: Annise D. Parker
City Controller

From: Harry J. Hayes, Director
Solid Waste Management

Date: May 13, 2008

Subject: **Vehicle Allowance Program
Audit Response**

The Department of Solid Waste Management has reviewed the audit report on the Vehicle Allowance Program. We thank you for your comments and we have an open door policy for anyone to come and examine our operations at any time.

The report detailed one issue referring to the periodic auditing for compliance with Administrative Procedure 2-2 (AP 2-2). We acknowledge that this is a valid exception. We are currently developing a checklist for the annual audits. The checklist will be maintained in the corresponding employee's file to document compliance.

We consider all audits as a useful tool to help us improve our operations and we thank you for your audit comments. I appreciate the opportunity to respond to the audit issue noted. Please don't hesitate to contact Annette Booker at 713-837-9173 if additional information or clarification is required.

Sincerely,


Harry J. Hayes, Director
Department of Solid Waste Management

cc: Steve Schoonover, City Auditor

**Views of Responsible
Officials**