

OFFICE OF THE CITY CONTROLLER



**HEALTH AND HUMAN SERVICES 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

August 18, 2008

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Health and Human Services Department
Vehicle Allowance Program Audit (Report No. 2009-06)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Health and Human Services 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 findings 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
Stephen L. Williams, Director, Health and Human Services 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 Health and Human Services 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 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 five 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.

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

Health and Human Services
Department

Interoffice

Correspondence

To: Steve Schoonover, City Auditor
City Controller's Office

From:  Stephen L. Williams, M. Ed, MPA
Director, Health and Human Services

Date: July 29, 2008

Subject: **Department of Health and Human
Services Vehicle Allowance Program
Audit Response**

I have reviewed your audit findings of the Vehicle Allowance Program and concur with your determination. Based on your findings, the HDHHS has implemented the following as corrective measures to ensure compliance with AP2-2:

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.

Correction:

HDHHS will complete MVRs request for 25% of the staff on a quarterly basis per DPS guidelines and ensure all MVRs have been obtained annually.

Finding: Department files did not contain evidence of periodic auditing for compliance with AP 2-2 related to vehicle allowances.

Correction:

The HDHHS will utilize the City of Houston Vehicle Allowance Audit form to complete the annual audit of files for those staff receiving a Vehicle Allowance. The form will be filed in each employee's file that receives a Vehicle Allowance, and any changes and/or revisions will be processed accordingly.

Please contact me, if you have any questions in regards to our corrective measures.

Thank you,

cc: Celina Ridge, Assistant Director

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CONTROLLERS

*Views of Responsible
Officials*