

OFFICE OF THE CITY CONTROLLER



**HOUSTON FIRE DEPARTMENT
HOME STORAGE VEHICLE PROGRAM AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

February 22, 2007

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Houston Fire Department
Home Storage Vehicle Program Audit (Report No. 2007-14)

Dear Mayor White:

The City Controller's Office Audit Division has completed a Home Storage Vehicle Program (Program) Audit at the Houston Fire Department (Department) covering the period January 1, 2005 through December 31, 2005. The audit's objective was to determine whether the Program was operating in compliance with Administrative Procedure 2-2 (Motor Vehicle Assignment and Use), Executive Order 1-41 (Executive Vehicle Assignment/Allowance), Departmental Standard Operating Procedures, and any applicable IRS commuting regulations.

The report, attached for your review, concludes that the Department was not in compliance with A.P. 2-2 and that internal controls were inadequate. The findings and recommendations identified during the audit are included in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The Views of Responsible Officials as to actions being taken are appended to the report as Exhibit I.

We commend Department management for their timely efforts to take action to remedy all of the deficiencies identified by the audit team. We also 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 Hall, Chief Administrative Officer
Michael Moore, Chief of Staff, Mayor's Office
Phil Boriskie, Fire Chief, Houston Fire Department
Judy Gray Johnson, Director, Finance and Administration Department

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PURPOSE AND SCOPE

We have completed an audit of the Home Storage Vehicle Program (the Program) within the Houston Fire Department (Department). The audit's objective was to determine if the Program was operating in compliance with Administrative Procedure 2-2 (Motor Vehicle Assignment and Use), Executive Order No. 1-41 (Executive Vehicle Assignment/Allowance), Departmental Standard Operating Procedures, and any applicable IRS commuting regulations.

The scope of the audit was limited to the Program for the period January 1, 2005 through December 31, 2005. Our work did not constitute an evaluation of the overall internal control structure of 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 the use of home storage vehicles as an integral part of the Department's overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that home storage vehicle assignment and use complies with all applicable procedures, orders, and laws.

Due to inherent limitations in any system of internal accounting control, 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.

CONCLUSION

Based on the results of the audit, we concluded that the Department was not in compliance with A.P. 2-2 and that internal controls were inadequate. A single non-compliance summary finding is presented in the body of the report. We also performed limited testing of 2006 files and found that the situation had not improved.


Scott Haiflich
Auditor-in-charge


Richard Martinez
Audit Manager


Steve Schoonover
City Auditor

INTRODUCTION

The Department is headquartered at 1205 Dart Street. The Department had approximately 160 home storage vehicles assigned to drivers as of December 31, 2005. The data also reflected approximately \$335,200 in vehicle maintenance costs and \$148,700 in fuel costs during calendar year 2005, for total operating costs of approximately \$483,900. Total vehicle acquisition costs related to the approximately 160 vehicles totaled approximately \$2,370,400.

Department Heads, or designees with a minimum classification of Assistant Director or the equivalent, are responsible for approving the assignment of Program vehicles. A.P. 2-2 establishes minimum criteria for assigning a home storage vehicle.

FINDINGS & RECOMMENDATIONS

I. ADMINISTRATIVE PROCEDURE 2-2 COMPLIANCE

BACKGROUND

A.P. 2-2 establishes uniform rules and procedures for the assignment and use of home storage vehicles. Department heads with employees who are assigned home storage vehicles are responsible for the following:

- Approving home storage vehicle assignments. Equipment Assignment/Form A/Disposal Data Sheet, (ES-1) is the document used to justify and approve the assignment of home storage vehicles.
- Monitoring compliance with vehicle assignment and use. This responsibility includes completing and maintaining required reports, and reviewing home storage assignments and driver qualifications annually.
- Revoking home storage vehicle assignments due to non-compliance and taking necessary disciplinary action associated with non-compliance.

FINDING

Audit procedures revealed that the Department was not administering the home storage vehicle program in compliance with A.P. 2-2. The Department did not maintain any of the required reports/documents for the audit scope period. Department practice was to forward all reports/documents to the Finance and Administration Department (F&A). The following are the results of our test work and discussions with Department personnel responsible for the home storage vehicle program.

2005 QUARTERLY MILEAGE REPORTS: Quarterly Mileage Reports were incorrect and/or incomplete for 14 of the 15 vehicles (93%) selected for testing.

ES-1 FORMS: ES-1 forms were improperly completed or missing for 4 of the 15 (27%) vehicles tested. More specifically, the names of assigned drivers identified on ES-1 forms either did not match the drivers identified on quarterly reports or the ES-1 form could not be found.

DEFENSIVE DRIVING CERTIFICATES: Defensive driving certificates were not current for 10 of the 15 (67%) drivers tested.

MOTOR VEHICLE RECORDS (MVR): Departments are required to annually obtain MVRs to verify employees' continued eligibility to drive on City business. MVRs were not obtained during 2005 for any of the 15 drivers tested.

CURRENT DRIVER'S LICENSE: A copy of a current drivers license was not maintained in files for 5 of the 15 (34%) drivers tested.

ANNUAL UPDATES OF ES-1 FORMS: Annual updates of ES-1 forms were not completed as required.

ANNUAL REVIEWS: The Department did not perform annual reviews of home storage vehicle assignments, driver qualifications, and the 30-mile commute limit.

In general, the Department did not make sufficient effort to adequately accept responsibility for the program nor implement adequate controls to assure A.P. 2-2 compliance.

RECOMMENDATION

To establish the Department's compliance with A.P. 2-2, we recommend that the District Chief responsible for fleet management ensure that he and his staff obtain a thorough understanding of their responsibilities related to the administrative procedure. This process should include consulting with the Building Services Department (now responsible for City-wide fleet management oversight) and developing internal procedures to adequately control the administration of their home storage vehicle program.

EXHIBIT I



CITY OF HOUSTON

Fire Department

Interoffice

Correspondence

To: Annise Parker
Controller, Office of the City Controller

From: Phil Boriskie
Fire Chief

Date: February 4, 2007

Subject: Home Storage Vehicle Audit

The Houston Fire Department invites other agencies within the City, or outside the realm of City responsibility, to review its methods and practices. The recent Home Storage Vehicle Program Audit was such an opportunity. This audit revealed that Houston Fire, and more specifically Fleet Operations, was not in total compliance with Administrative Procedure 2-2.

Therefore, we are implementing changes to fulfill our commitment toward full compliance of Administrative Procedure 2-2 and HFD Guidelines. These changes are noted in the descriptive bullets below.

- **Quarterly Reports** – These reports are required by F&A on the 10th of the month for each quarter. The early submittal time frame to F&A does not allow for verification of accuracy and completeness from all submitted quarterly reports before the need to forward them to F&A. Only a small percentage of fuel reports from HFD vehicles are from Fuel Force fueling stations, thus making accuracy checks from hard copy fuel reports slow and burdensome. Houston Fire will stress the importance of completeness and accuracy before the required filing time to each Division Head.
- **ES-1 Forms** – Two issues have come to light that reflect on the process within HFD to provide ES-1 forms. First, HFD personnel are being granted home vehicle storage privileges before completion of the ES-1. This creates the problem of delays in filing the ES-1 and accuracy in tracking members assigned to vehicles for home storage use. **Effectively immediately**, home storage privileges **will not** commence before written approval of the member's Assistant Fire Chief, approval of the member's Executive Assistant Fire Chief and final approval by the Fire Chief. These approvals will then go to Fleet for completion and vehicle assignment. This process is described in the attached document that has been provided to all HFD Divisions. Second, the lack of communication regarding the requirements of AP 2-2 has come to light. The actual ES-1 required by AP 2-2 is completed electronically in Fleet Operations and sent to F&A. On the date of this audit, all ES-1 information was sent to F&A without copies of records being kept at HFD. Effective immediately, HFD will keep the original ES-1's and copies will be forwarded to F&A. All members that are granted home vehicle storage privileges will be provided a copy of AP 2-2 and HFD Guidelines pertaining to this issue.
- **Defensive Driving Certificates** – As stated above, members were being granted home vehicle storage privileges before completion of ES-1's. The ES-1 package should include a legible copy of the original DDC and a color copy of the member's current driver's license. Now, before a member is granted home vehicle storage privileges, his/her Division Head must approve the request and if a DDC is not available, the member must provide a date to complete the Defensive Driving Course. If the DDC is not completed within 90 days, home storage privileges will be revoked.

*Views of Responsible
Officials*

EXHIBIT I

- **Motor Vehicle Reports** – Fleet Operations is not responsible for obtaining the MVR's. This is a functional responsibility of Human Resources. Fleet Operations will request that HR provide a monthly report to verify compliance with this requirement. This will be included in documentation maintained by Fleet Operations.
- **Annual Reviews** – Annual reviews of home vehicle storage assignments will be conducted by the member's Assistant Fire Chief or Division. This review will be completed simultaneously with the annual update of ES-1 forms. Fleet Operations will notify each member's Assistant Fire Chief or Division Head of the upcoming annual review due date.

Fleet Operations is the designated Fire Department Division for compliance and maintenance of AP 2-2. Training and communication between Fleet employees to avoid non-compliance has begun. Houston Fire is seeking a change in the time frame for completion of quarterly reports to allow for proper auditing by HFD before submission to F&A. A summary of the changes is noted below.

- Maintenance of original copies of all ES-1 paperwork.
- Each member granted home vehicle storage privileges will be provided a copy of AP 2-2, HFD Guideline Volume I Reference I-36 (Home Storage Vehicle Guideline), and HFD Guideline Volume I Reference I-14 (City Assigned Vehicles) at the time the ES-1 is completed.
- A review of each member's HFD ES-1 file, sixty (60) days prior to the required annual update and review.
- The above review will verify DDC compliance, accurate driver assignment, driver's license compliance and a review of previous quarterly reports for each member assigned home vehicle storage privileges.
- Follow-up with HR on the MVR's.

It is our goal to be compliant with AP 2-2 within ninety(90) days of this response. This will necessitate an aggressive stance on compliance issues. We invite an impromptu audit at the end of this time period.

Please feel free to contact my office if you have questions or comments.



Phil Boriskie
Fire Chief

*Views of Responsible
Officials*