

**OFFICE OF THE CITY CONTROLLER**



**PARKS AND RECREATION 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

July 25, 2008

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Parks and Recreation Department  
Vehicle Allowance Program Audit (Report No. 2009-02)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Parks and Recreation 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 not in compliance with AP 2-2 and EO 1-41. A draft copy of the report was provided to Department officials.

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  
Joe Turner, Director, Parks and Recreation Department  
Alfred 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 Parks and Recreation 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.

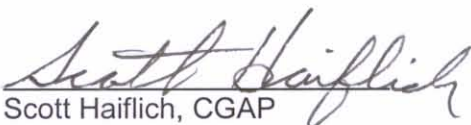
## AUDIT PROCEDURES


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 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 Department had three Executive employees and one Non-Executive employee 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. SEMI-ANNUAL REVIEWS OF VEHICLE MILEAGE REPORTS

#### BACKGROUND

AP 2-2, Section 5.1.3, requires that Department heads conduct semi-annual reviews of mileage reports 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:

<b>Monthly Mileage</b>	<b>Monthly Allowance</b>
300-450	\$151.88
451-600	\$212.83
601-750	\$273.58
Over 750	\$354.58

#### FINDING

Semi-annual reviews of vehicle allowances were not conducted on the one non-executive staff member file we tested. 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, the Department should begin conducting semi-annual reviews of mileage reports and adjust vehicle allowance amounts as necessary. The Department should also calculate possible over and/or under-payment amounts to the recipient that may have occurred while semi-annual reviews were not being conducted. Once the results of the calculation are determined, the Department should coordinate the recouping of any over-payments and/or processing of any under-payments.

### 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.

**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**

Audit testing revealed that one of the four Department employees receiving vehicle allowances had not completed a DDC as required by AP 2-2.

**RECOMMENDATION**

Upon completion of the DDC, the Department should attach the certificate 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.

**IV 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 are not obtained annually after the initial report is obtained for employees who drive on City business. The Department justifies not obtaining MVRs due to budget constraints. Specifically, we were told that due to the large number of Department employees who drive on City business, the expense is cost prohibitive.

**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.

# EXHIBIT I



**CITY OF HOUSTON**  
Parks and Recreation Department

**Interoffice**

Correspondence

To: Annise Parker, City Controller

From: Joe Turner, Director

Date: June 27, 2008

CC:

Subject: **Houston Park and Recreation  
Department response to Vehicle  
Allowance Program Audit**

The Houston Parks and Recreation Department (HPARD) is in agreement with the findings of the Vehicle Allowance Program Audit and offers the following responses:

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

The one non-executive staff member started receiving Vehicle Allowance in January 2007. Since this time he has been completing vehicle mileage reports and filing them. After the initial review of the audit, the documents have been submitted to the Deputy Director of Management and Finance Division for review and processing. Per AP 2-2, these documents will now be reviewed on a semi-annual basis and the adjustments will be calculated accordingly.

**II. Periodic Audits of Compliance with AP 2-2**

Although, there were no evidence of periodic auditing for compliance with AP 2-2 related to vehicle allowances, the department does keep a log of all employees who receive this allowance. We also send out periodic reminders in reference to items needed such as DDC, and updates on when Driver Licenses are about to expire. Per AP 2-2, the department will make sure periodic updates are done on each of the employees who are affected by this policy.

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

On May 19, 2008, the one employee who was not in compliance completed the Defensive Driving Course. Per AP 2-2, all employees receiving Vehicle Allowances are now in compliance. A reminder is usually sent out to all employees at least 60 days before their DDC is up for renewal.

**IV. Compliance with Motor Vehicle Records Requirements**

Although, the department is not obtaining MVR's on all employees annually, we do annual MVR's on employees who have take home vehicles as well as employees who are receiving promotions. Since this audit, the HPARD is now looking at a way to run annual reports on all HPARD required drivers.

Handwritten signature of Joe Turner in blue ink.

Joe Turner, Director  
Parks and Recreation Department

Cy: Cheryl D. Johnson  
Steve Schoonover, City Auditor

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**Views of Responsible  
Officials**