

# FLEET MANAGEMENT DEPARTMENT FOLLOW-UP AUDIT



## OFFICE OF THE CITY CONTROLLER

CHRIS HOLLINS  
CITY CONTROLLER

FY2026  
Report #2026-11  
June 10, 2026



# CHRIS HOLLINS

City Controller

The Honorable John Whitmire, Mayor  
City of Houston, Texas

## SUBJECT: FLEET MANAGEMENT DEPARTMENT FOLLOW-UP AUDIT REPORT

We have completed follow-up procedures on remediation efforts carried out by the Fleet management relating to the following audit reports:

REPORT NUMBER	REPORT TITLE	TOTAL FINDINGS
2018-03	Fleet Management Department (FMD) Auto Parts Inventory Management Performance Audit	6
2023-02	Fleet Management Department (FMD) Take Home Vehicles Performance/Compliance Audit	8*

\* Four (4) findings included management actions from the Department of Neighborhoods (2) and Houston Police Department (2)

Based on the follow-up procedures outlined in this report, and in accordance with professional auditing standards, we obtained sufficient and appropriate evidence to support the conclusions presented in Appendix 1.

FINDINGS <sup>#</sup>	FINDING REMEDIATION STATUS	DESCRIPTION
10	Fully Implemented	Successful implementation of processes to address the audit finding.
2	Partially Implemented	Significant efforts and implementation of processes to address the audit finding.
0	Incomplete/Ongoing	Ongoing development of a process and/or efforts toward a policy to address the audit finding.
0	Not Implemented	No effort to implement processes to address the audit finding.

<sup>#</sup> Two (2) of the 14 findings were ranked as "Low Risk" and not included in these follow-up audit procedures.

This assessment reinforces our commitment to conducting thorough and objective audits, ensuring that identified issues have been properly addressed and corrective actions have been effectively implemented.

We would like to thank the management and staff of the Fleet Management, Department of Neighborhoods, and Houston Police Departments for their cooperation during the follow-up audit process.

Respectfully submitted,

Chris Hollins  
City Controller  
City of Houston, Texas

xc: City Council Members  
Dr. Cynthia Wilson, Chief of Staff, Mayor's Office  
Steven David, Chief Administrative Officer, Mayor's Office  
Gary Glasscock, Director, Fleet Management Department  
Herbert Sims, Director, Department of Neighborhoods  
J. Noe Diaz, Chief, Houston Police Department  
Aubrey Hooper, Chief Administrative Officer, Office of the City Controller  
Jennifer Pierce, Deputy Director, Audit Division Office of the City Controller

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# FOLLOW-UP AUDIT

## SUMMARY

The Audit Division is tasked with providing independent and objective assurance services to enhance organizational performance, ensure compliance, and safeguard assets. As part of this mandate, follow-up audits are conducted to verify that corrective actions have been implemented for issues identified in prior audits.

This follow-up audit evaluates the remediation efforts carried out by Fleet Management, Department of Neighborhoods, and Houston Police Department's management in response to the findings from the Audit Reports:

- Fleet Management Department Auto Parts Inventory Management Performance Audit (2018-03)
- Fleet Management Department Take Home Vehicles Performance/Compliance Audit (2023-02)

The audits were conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and the Global Internal Audit Standards as established by the Institute of Internal Auditors (IIA).

## AUDIT OBJECTIVES

The follow-up audit was conducted to:

- Determine the status of each of the twelve (12) open findings from Audit Report #2018-03, and Audit Report #2023-02.
- Evaluate the adequacy of management's remediation processes to address these findings.

## SCOPE

The scope of the audit included:

- Audit Report #2018-03 had six findings.
- Audit Report #2023-02 had 8 findings, two (2) of which was ranked as "Low Risk" and not included in these follow-up audit procedures.

As a result, the scope of the follow-up audit was limited to the remediation efforts performed by management on 12 high or medium risk findings arising from the reports.

## CONCLUSIONS

### **OBJECTIVE 1: STATUS OF OPEN FINDINGS**

Management provided status updates related to all 12 open audit findings.

## **OBJECTIVE 2: REMEDIATION ASSESSMENT**

Management’s remediation efforts were adequate, in that 10 audit findings were fully implemented and two audit findings remain open. See Appendix 1: Detailed Remediation Assessment for details.

<b>FINDINGS<sup>#</sup></b>	<b>FINDING REMEDATION STATUS</b>	<b>DESCRIPTION</b>
10	<b>Fully Implemented</b>	Successful implementation of processes to address the audit finding.
2	<b>Partially Implemented</b>	Significant efforts and implementation of processes to address the audit finding.
0	<b>Incomplete / Ongoing</b>	Ongoing development of a process and/or efforts toward a policy to address the audit finding.
0	<b>Not Implemented</b>	No effort to implement processes to address the audit finding.

<sup>#</sup> Two (2) findings were ranked as “Low Risk” and not included in these follow-up audit procedures.

## **ACKNOWLEDGMENT**

We extend our appreciation to the management of Fleet Management, Department of Neighborhoods, and the Houston Police Departments for their cooperation and commitment to addressing the audit findings. It was noted that the department was proactive in their remediation of several of the audit findings, as they started immediately implementing processes to address the issues reported in 2018 and 2023 following the 2018-03 and 2023-02 Audit Reports. Their efforts facilitated a thorough and effective follow-up audit process.

## **AUDIT TEAM**

Deputy Director: Jennifer Pierce

Audit Manager: Olaniyi Oyedele, CPA

Lead Auditor: Jessica Varner

Quality Assurance: Mohammad Haroon, CPA, CIA

APPENDIX 1: DETAILED REMEDIATION ASSESSMENT

FLEET MANAGEMENT DEPARTMENT AUTO PARTS INVENTORY MANAGEMENT PERFORMANCE AUDIT (REPORT #2018-03)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIATION STATUS
1	<b>Duties and Technology Access are not Properly Segregated</b>	<p><b>Recommendation</b>            We support management's plan to improve user access controls through the M5 system, which should include: Ensuring all former employees no longer have access; Confirming the specific access rights of current personnel in the Parts Division and FMD; Implementing a consistent user access approval process; Restricting the ability to make any inventory adjustment in the M5 system to non-warehouse personnel; and Removal of unused parts menus and data.</p> <p>To further enhance controls through the segregation of duties over parts inventory, we recommend parts purchases not be processed by the same person responsible for accepting and processing parts received. If this level of segregation of duties is not practical or not possible in all locations, we recommend enhancing the monitoring over purchasing volumes and work order charge-outs.</p> <p><b>Updated Management Response:</b>  <b>FMD (October 2025):</b> M5 access has been restricted to authorized employees. M5 access privileges have been restricted according to employee function and authority. Transaction approval processes have been made consistent. Inventory approval restrictions have been implemented. Additional provisions have been put in place to identify instances of incorrect billing and establish a two-person check for all item returns.</p>	<p>Audit obtained and reviewed documentation supporting M5 access privileges and inventory approval restrictions implemented by FMD. Using a sample of M5 users from the Application User List for Parts, Audit conducted a walkthrough of the user authorization process and verified that users were appropriately assigned to their respective application roles, with access properly authorized in the M5 system. Audit also reviewed the Separations Report and, using a sample of deactivated users, performed testing of user access removal to confirm timely deactivation for separated employees. In addition, Audit requested and obtained FMDs Marketplace requisitions log for FY23 -FY25 and conducted an exemption rate test to determine whether the same individuals both requested and approved requisitions. Based on the procedures performed, Audit determined that FMD has made significant improvements in strengthening internal controls, particularly in enhancing inventory management and enforcing segregation of duties within the M5 system.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<b>Fully Implemented</b>
2	<b>Inadequate Internal Control of Returned Parts</b>	<p><b>Recommendation</b>            We recommend the Parts Division take the following actions: Develop a better understanding of the core deposit tracking and return processing capability within the M5 system; Establish written policies and procedures to address handling of returns (P-card purchases, core deposits, defective parts or warranties, exchanges, new parts and parts returned to inventory) to ensure a standard process is developed, communicated, and performed for each type of part return transaction; and vendor credits related to returns to ensure they are received and deposited or applied against invoice payments; and Consider utilizing virtual warehouses for returned parts and cores to enable monitoring of all returns and receipt of vendor credits. This would provide the ability to track receivables, which are cleared once the vendor credit is received.</p>	<p>Audit obtained and reviewed evidence of the revised Parts Operations Policy and Procedures - Policy No. 901.00 (Effective May 2, 2019). Audit confirmed that the updated inventory policies include formal procedures for returned parts, including authorization protocols and monthly cycle count requirements. Audit also requested and obtained a sample of transactions from the Inventory Transaction Journal for Returns for (2023–2025) and verified that returned parts were properly supported with complete and accurate Return Authorization Forms. Audit noted that FMD implemented a digital return form and plans to add a tab in the future to allow selection of the return type (core, damage, not needed, or receiver error). Additionally, Audit reviewed the Parts Inventory Warehouse Monthly Audit Reports for FY 23-FY25. Audit tested a sample of reports, confirmed that ongoing monitoring controls are in place and operating, and verified monthly audits were consistently performed across all warehouses to ensure that parts issued and received are appropriately tracked.</p>	<b>Fully Implemented</b>

FLEET MANAGEMENT DEPARTMENT AUTO PARTS INVENTORY MANAGEMENT PERFORMANCE AUDIT (REPORT #2018-03)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIATION STATUS
		<p><b>Updated Management Response: October 2025</b> Core processing features of M5 have been investigated and adopted where applicable. Standard operating procedures have been implemented for parts transactions. The use of a virtual warehouse for cores and returns pending credit has been investigated. Standard operating procedures for returns and cores have been implemented.</p>	<p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	
3	<b>Physical Inventory Accuracy Controls</b>	<p><b>Recommendation</b> We support management's plan to have all warehouses conduct cycle counts that would at a minimum result in a complete count of each warehouse on a monthly basis. Frequent cycle counts should help to identify quantity differences and/or missing transactions more quickly and eliminate research over long periods of time improving efficiencies in identifying inventory discrepancies. We also support the plans to complete annual physical inventories of all warehouses prior to July 31, 2017 with test counting by parts personnel independent of that warehouse's operation. However, we recommend the procedures for cycle and annual physical counts be enhanced to address donated inventory items, maintaining accuracy of part descriptions and locations within the M5 system and enhancing test count verifications to ensure adjustments are required. In addition, bar code scanning technology should be considered to enhance the efficiency and accuracy of physical counts (cycle and annual).</p> <p><b>Updated Management Response:</b> <b>FMD (October 2025):</b> Quarterly cycle counts of inventories held at each warehouse location are now standard procedure. Verifications are performed monthly. Annual physical inventories of all warehouses are conducted with test count verifications performed by the Audit department.</p>	<p>Audit obtained and reviewed Parts Operations Policy and Procedures No. 901.00 (effective May 2, 2019), complete list of FMD Parts warehouses, FY25 physical inventory schedules, and monthly cycle counts and annual physical counts for FY25. Detailed testing of a sample of five (5) warehouses confirmed that monthly and annual inventory counts were performed to identify shortages, overstock, and obsolete inventory; however, supporting documentation was incomplete. Exceptions included discrepancies between inventory bin sheet dates and monthly audit sheet dates, missing inventory count sheets, and insufficient documentation for two warehouse samples, which limited testing. Audit also confirmed annual inventory counts were performed; however, discrepancies were identified between inventory balances recorded in the M5 system and the FMD Parts Inventory Schedule. In addition, variances for two warehouse locations did not reconcile to the Physical Inventory Variance Summary.</p> <p>The finding will remain open with status of "partially implemented" until support documentation for monthly cycle counts and annual physical counts for the samples conducted are provided.</p>	<b>Partially Implemented</b>
4	<b>Incomplete Policy &amp; Procedures</b>	<p><b>Recommendation</b> <b>Receiving</b> – enhance current procedures to clarify: When receivers for parts should be entered into the M5 system and what date should be used when processing that receiver; Criteria for leaving a parts warehouse unmanned to pick up parts from a vendor; The process for "receiving" commercial repair charges to confirm the vendor satisfactorily completed the outsourced repair; and What, how and where supporting documentation (deliver tickets, count sheets) should be retained and approval signed-off. <b>Fulfillment</b> – enhance procedures to evidence internal control over parts movement: Task within the work order should be opened in the M5 system for each specific repair prior to the shop representative / mechanic requesting parts for that task; Parts issued should be documented on the applicable work order form for that task; Mechanics should sign and date the work order form</p>	<p>Audit obtained and reviewed the FMD Parts Operations Policy and Procedures (Policy No. 901.00, Revision No. 001) and FMD Procedure 708.00 (Processing Outside Vendor Service), confirming that guidelines are in place for requesting, receiving, issuing, returning, transferring, and managing parts inventory, including fulfillment, work order charges, and purchase card (P-card) support. In addition, the SOP includes detailed procedures and controls for inventory counts, quarterly cycle counts, annual year-end inventories, unannounced counts, inventory adjustments, and management oversight responsibilities. Audit also verified that FMD has implemented a standardized electronic process in the M5 system, replacing paper-based requests for parts.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<b>Fully Implemented</b>

FLEET MANAGEMENT DEPARTMENT AUTO PARTS INVENTORY MANAGEMENT PERFORMANCE AUDIT (REPORT #2018-03)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIATION STATUS
		<p>confirming they have received the parts documented; and All parts returned by the mechanic back to the warehouse should be documented and received back into inventory by a parts employee upon receipt or prior to end of shift.</p> <p><b>Work Order Charges</b> – enhance procedures to improve completeness and accuracy of parts and commercial repair charges to work orders: Establish procedures to mitigate time delays in the charging of parts issued to a work order; Require completed work order forms that document the issuance of parts be retained by scanning the form into the M5 system as an attachment to the work order; Develop reports that identify tasks with missing part(s) charges; Consider utilizing bar code technology to scan parts issued to a mechanic and simultaneously charge that part to the appropriate task in the work order; and Develop procedures for issuing core credits to the work order when the mechanic delivers the core to the parts warehouse for its return to the vendor.</p> <p><b>Purchase Card (P-card) Support</b> – enhance documentation procedures and provide training to improve accountability and compliance with stated policies: Require transaction supporting documentation being scanned and attached by FMD users into their J.P. Morgan P-card system accounts to include the signed charge slip, the supporting invoice, the part charge out to the appropriate work order or verification that the part was purchased for inventory stock and evidence of the M5 system receiver processed; Train personnel on the proper use of the P-card including submission and retention of applicable supporting documentation required by City policy; and Require that documentation is scanned and retained as required by City policy to enable audit and verification.</p> <p><b>M5 System Access</b> – develop and implement formal policy for user access approvals. Other enhancements to policies and procedures have already been addressed in this report in findings #1 and #2 related to physical inventory controls and controls over returned parts.</p> <p><b>Updated Management Response:</b>  <b>FMD (October 2025):</b> Standard operating procedures for parts transactions have been developed and implemented.</p>		
5	<b>Implement Additional Monitoring Controls</b>	<p><b>Recommendation</b>            We support management’s plan to improve monitoring controls and reporting using data available from the M5 system and the City’s SAP system. In addition to the identified monitoring controls already being implemented, we recommend the Parts Division develop a review process using data from the M5 system to identify work orders with missing part(s) charges, since timely capture of parts issued to work orders is critical to budget management and inventory accuracy.</p>	Audit reviewed and obtained evidence to confirm additional controls implemented by FMD which was used to test controls related to prior findings in this audit, including the monitoring of parts through the Electronic Parts Request process, as well as inventory reports and cycle counts. In addition, Audit performed testing of the M5 Billing Report and the \$0.00 Parts Report for Period 7 and verified that the M5 Billing Report and the \$0.00 Parts Report for Period 7 and verified that the FMD Finance Team conducts a monthly audit to identify exceptions, notifies Parts Management, and ensures corrections are made for proper Close-out.	<b>Partially Implemented</b>

FLEET MANAGEMENT DEPARTMENT AUTO PARTS INVENTORY MANAGEMENT PERFORMANCE AUDIT (REPORT #2018-03)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAATION STATUS
		<p><b>Updated Management Response:</b>  <b>FMD (March 2026):</b> We use the following reports / tools with the M5 system: Electronic Parts Request - Ensures what is requested is what's billed out; Daily \$0.00 parts billed report - this is a report that shows team member what parts may have been billed out at \$0.00. This allows the end users to correct and bill out at the right price; Monthly Billing File - Finance group sends out concerns in the billing file for the parts team to review and confirm. This allows for any corrections that need to be done prior to the close of the billing period and Monthly Audits - 50 Randomly selected parts numbers to verify errors. Parts with no Bin locations assigned.</p>	<p>Audit could not verify whether FMD Parts Management performs monthly management reporting to identify shortages, overstock, and obsolete inventory generates inventory turnover reporting in M5; conducts regular reviews of outstanding purchase orders; or has implemented equipment readiness reports since the initial audit.</p> <p>The finding will remain open with status of "partially implemented" until supporting documentation is provided showing implementation of monthly management reports, inventory turnover reports, equipment readiness reports, and reviews of outstanding purchase orders.</p>	
6	<b>Physical Access and Safeguarding Controls</b>	<p><b>Recommendation</b>            We recommend FMD consider implementing smart locks, cameras, or badge technology to enhance the ability to monitor access to parts warehouses when parts personnel are not on site. Further, either smart locks or badge technology can be programmed to help identify the individual and time of accessing space. Cameras can be used to enable investigation in the event of missing inventory.</p> <p><b>Updated Management Response:</b>  <b>FMD (October 2025):</b> Inventory safeguarding controls have been implemented as capital and expense funding has been made available. The use of Cyberkey technology has been completed at some locations and will continue as funding comes available.</p>	<p>Audit obtained and verified evidence of security improvements to FMD Parts Rooms since the initial audit finding, including photos and descriptions of access control systems—Cyberlock technology, badge access, key access, and security keypads. Audit requested and obtained the list of Part Room locations and access controls in place and confirmed through site visits that FMD part room locations have effective physical access and safeguarding measures in place. Based on the procedures performed, the auditor concludes that FMD has implemented appropriate physical access and safeguarding controls across its part room locations; however, recommends management to establish a formal internal policy for Part Room Access to ensure FMD employees are aware of access procedures and security measures in place.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<b>Fully Implemented</b>

FLEET MANAGEMENT DEPARTMENT CITY-WIDE TAKE-HOME VEHICLES AUDIT (REPORT #2023-02)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAION STATUS
1	<b>FMD Fleet Records Do Not Match Department Records</b>	<p><b>Recommendation</b>            Our recommendations are as follows: FMD should perform periodic inventories of City THV and motor pool vehicles to determine the actual number of vehicles in its fleet; FMD should ensure the inventory of the City's fleet is accurate. This is necessary to determine accuracy and most importantly, to assess the condition of the vehicles in the fleet; FMD should reinstate the policy for performing annual audits in the new AP 2-2. Once reinstated, any exceptions in these annual audits should be investigated and resolved with the departments.</p> <p><b>Updated Management Response:</b>  <b>FMD (October 2025):</b> All take-home vehicle assignments within FMD have been eliminated. Since this audit, FMD has sent quarterly reminders of the AP 2-2 procedural and reporting requirements as related to take-home vehicles to each department director and each department fleet liaison. Included in the reminders is a discussion of documentation requirements for each take-home vehicle assignment. FMD regularly receives updates from participating departments following these reminders. FMD records and processes each reported take-home vehicle assignment in accordance with AP2-2.</p>	<p>Audit obtained and reviewed the City of Houston's AP 2-2: Motor Vehicle Use policy (effective January 19, 2021) for motor vehicle assignment, storage, use, and operation within the city. Audit verified the responsibilities of City departments regarding maintaining and monitoring of THV records. In addition, Audit obtained and reviewed supporting documentation to verify that FMD distributed quarterly AP 2-2 THV reminder emails to City departments, including reviewing a Quarterly Reminder Log and corresponding email samples for FY25. Audit confirmed that reminders were consistently sent and documented on a quarterly basis. Audit also verified that FMD discontinued its THV program effective May 1, 2025, and determined that no further testing was required. Based on the procedures performed, FMD remains compliant with quarterly reminder requirements and maintains the THV ES-1 submission database for the city.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<b>Fully Implemented</b>
2	<b>No Take-Home Vehicle Deduction</b>	<p><b>Recommendation</b>            Our recommendations are as follows: FMD should ensure all personnel with a THV have a form on file authorizing a THV deduction or have received an exemption from the Mayor; An audit of the THV fees should be performed to determine the actual unpaid THV fees over a certain determinable period that should have accrued to the City's treasury. Such exercise should be performed by FMD, supported by personnel from Human Resources (HR) and the Payroll Services Division of ARA; Based on the amount obtained from the procedures performed in subsection (b) management will determine collectability and modalities in conjunction with HR and the Payroll Division of ARA for re-payment and FMD should work with department management to establish internal control measures that ensure all personnel with THV complete all appropriate authorizations.</p> <p><b>Updated Management Response:</b>  <b>HPD (August 2025):</b> A circular was not distributed during January of 2023 to 1) clarify the THV fee deduction justifications and 2) describe the new defined process to document when and the reasons why the Mayor and Chief of Police exercise the discretion to grant the THV Fee Exemptions. Instead, both the fee deduction justifications and fee exemption process were incorporated into the new THV SharePoint system that was implemented in April of 2024 (see</p>	<p>Audit obtained and reviewed the supporting documentation to verify if the fee deduction justifications and fee exemption process were applicable to the Mayor's Take Home Vehicle Deduction Policy and confirmed that HPDs deduction fee and exemption process was incorporated into the new THV SharePoint system implemented in April of 2024. Audit reviewed and verified HPD's reconciliation process to ensure THV fees recorded in the SharePoint system, aligned with actual payroll deductions. Audit obtained a full inventory of employees assigned THVs or granted fee exemptions for FY23–FY25 and selected a sample for testing. For each sample, supporting documentation was reviewed, confirming that records were complete, and that fee deductions and exemptions were properly authorized and accurately reconciled.</p> <p>In addition, Audit obtained and reviewed the quarterly reminder reconciliation log, quarterly reminder emails sent to city department directors to ensure compliance with AP 2-2 requirements, and email correspondence from the FMD Director dated April 17, 2025, notifying executive staff of the discontinuation of all THVs assigned to FMD. Based on the procedures performed, Audit concluded that FMD no longer maintains any THVs and is not currently subject to the Take-Home Vehicle Fee Deduction policy; however, FMD continues to comply with AP 2-2.</p>	<b>Fully Implemented</b>

FLEET MANAGEMENT DEPARTMENT CITY-WIDE TAKE-HOME VEHICLES AUDIT (REPORT #2023-02)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDATION STATUS
		<p>attached PowerPoint, note slide 12). Additionally, a reconciliation process has been implemented to compare THV fees recorded in the SharePoint system with the actual THV fees deducted from an individual's paycheck (see attached PowerPoint, note slide 22). This new THV SharePoint system enhances checks and balances and ensures the information is updated and accurate.</p> <p><b>FMD (October 2025):</b> All take-home vehicle assignments within FMD have been eliminated. FMD is fully compliant with the active version of AP 2-2 relative to deductions for take-home vehicles. In accordance with AP 2-2, the Mayor's office delegated take-home vehicle approval authority, including exemption from payroll deduction to the Police and Fire Chiefs as well as the HPW and FMD directors for their respective departments.</p>	<p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	
3	<b>Take-Home Vehicle Audits Not Performed</b>	<p><b>Recommendation</b>            We recommend that FMD amend the current version of AP 2-2 to reinstate the annual audit of THV.</p> <p><b>Updated Management Response:</b>  <b>FMD (October 2025):</b> FMD is fully compliant with the active version of AP 2-2. Audits are not required under the active version of AP 2-2. FMD does not have resources necessary to audit take home vehicle assignments. Since this audit, FMD has sent quarterly reminders of the AP 2-2 procedural and reporting requirements related to take-home vehicles to each department director and each department fleet liaison. Departments are reminded to keep records of all take-home vehicle assignments on file.</p>	<p>Audit obtained and reviewed the Mayor's correspondence and directive, signed December 31, 2020, regarding the revised AP 2-2, and confirmed that quarterly and annual audits of home storage vehicles are not mandatory. FMD has implemented a consistent process to communicate THV requirements to city departments. Audit obtained and reviewed the Quarterly Reminder Log, supporting emails for FY23–FY25, and verified reminders are sent on a regular quarterly basis to city departments. Based on the procedures performed, Audit determined that FMD follows AP 2-2 requirements and has the appropriate measures in place to ensure departments are informed of THV requirements.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<b>Fully Implemented</b>
4	<b>Inability to Provide Vehicle Use Report</b>	<p><b>Recommendation</b>            Our recommendations are as follows: FMD should review reports submitted to identify those that are not in compliance with AP 2-2 requirements; FMD should communicate with department management to provide education on reporting requirements and how personnel can meet those requirements and Departments should prepare and maintain accurate records of vehicle use and provide vehicle use reports to FMD as required by AP 2-2.</p> <p><b>Updated Management Response:</b>  <b>DON (August 2025):</b> The Department of Neighborhoods does not have the supporting documentation (Vehicle Use Reports) for this finding for FY2023, FY2024, FY2025. The previously assigned Department Fleet Coordinators are no longer with the City of Houston; however, please see below for future courses of action:            The Department of Neighborhoods is now using Samsara which was introduced to the department in June 2025. Moving forward, the DON will be tracking vehicle usage/odometer readings through this app for all</p>	<p>Audit obtained and reviewed the City of Houston's AP 2-2: Motor Vehicle Use policy (effective January 19, 2021) for motor vehicle assignment, storage, use, and operation within the city. Audit verified the responsibilities of City departments regarding maintaining and monitoring of THV records. In addition, Audit obtained and reviewed supporting documentation to verify that FMD distributed quarterly AP 2-2 THV reminder emails to City departments, including reviewing a Quarterly Reminder Log and corresponding email samples for FY25. Audit confirmed that reminders were consistently sent and documented on a quarterly basis. Audit also verified that FMD discontinued its THV program effective May 1, 2025, and determined that no further testing was required. Based on the procedures performed, FMD remains compliant with quarterly reminder requirements and maintains the THV ES-1 submission database for the city.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<b>Fully Implemented</b>

FLEET MANAGEMENT DEPARTMENT CITY-WIDE TAKE-HOME VEHICLES AUDIT (REPORT #2023-02)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAION STATUS
		<p>department vehicles (including assigned and department pool share vehicles), including: Employee, Date &amp; Time, Trip, Mileage. AP 2-2 (5.2.7 &amp; 5.2.8)</p> <p>DON has also begun to use Microsoft Forms to track quarterly vehicle odometer readings per trip, in addition to GPS reading in vehicle. Quarterly Reports will be signed by Department Fleet Coordinator and Director at the end of each quarter. Attached spreadsheet indicates number of department vehicles, unit numbers, employee, odometer readings and trips that will be updated at the end of each quarter.</p> <p><b>Updated Management Response:</b>  <b>FMD (October 2025):</b> Take-home vehicle assignments within FMD have been eliminated. Vehicle use reports are no longer necessary. FMD is fully compliant with all reporting requirements of the active version of AP 2-2. FMD properly records all take-home vehicle assignments submitted by client departments. Since this audit, FMD has sent quarterly reminders of the AP 2-2 procedural and reporting requirements related to take-home vehicles to each department director and each department fleet liaison. Departments are reminded to keep records of all take-home vehicle assignments on file.</p>	<p>Audit obtained and reviewed the current AP 2-2: Motor Vehicle Use policy (effective January 19, 2021) and verified the established process for vehicle mileage reporting. Audit also obtained the quarterly vehicle inventory assigned to DON for the period of July through September 2025 and performed testing on all assigned vehicles. Audit confirmed that quarterly mileage reports were complete, accurate, and properly authorized. Additionally, DON has implemented processes and tools—including systems such as Samsara and Microsoft Forms—to effectively track and monitor vehicle usage in accordance with COH AP 2-2 requirements. Based on the procedures performed, Audit concluded that DON has adequately remediated the initial audit finding and that controls over vehicle use reporting are operating effectively.</p> <p>In addition, based on the supporting documentation, Audit determined that FMD has discontinued THV assignments and, therefore, no longer maintains THV Vehicle Use Reports. FMD continues to maintain the ES-1 THV Submission Log; however, responsibility for monitoring THV assignments resides with each City of Houston department. Additionally, FMD provides quarterly reminders to City departments regarding their responsibilities for monitoring THV assignments in accordance with AP 2-2 requirements.</p> <p>The management action plan is adequate to address the audit finding and considered “fully implemented”. This finding is Closed.</p>	
5	<b>Proper Approvals Are Not Given for Take-Home Vehicles</b>	<p><b>Recommendation</b></p> <p>Our recommendations are as follows: FMD should educate all department heads about the full range of requirements imposed by AP 2-2 prior to and following the assignment of the THV by the department and FMD should initiate a periodic review of the authorization and approval process relating to vehicle assignments. This is necessary to prevent abuse and ensure compliance with the provisions of AP 2-2.</p> <p><b>Updated Management Response:</b>  <b>DON (November 2025):</b> The Department of Neighborhoods does not have the supporting documentation for this audit for “Take Home Vehicles.” The DON does not have the missing ES-1 Forms for FY2023 nor any current ES-1 Forms for Take-Home Vehicles as the department does not have any current assigned Take-Home Vehicles. However, please see below for future courses of action: The DON currently does not have any assigned “Take-Home Vehicles.” In the event that the DON should assign a “THV,” the ES-1 Form shall be completed and sent to the proper channels for approval (Department Director and FMD) per AP 2-2 (5.3)          The DON currently uses and is familiar with ES-1 Form in regard to AP 2-2 (5.1.3)</p>	<p>Audit obtained and reviewed the revised AP 2-2: Motor Vehicle Use policy (effective January 19, 2021) to verify the THV delegation approval authority requirement. Audit also obtained and reviewed ES-1 forms used for assigning city vehicles and, after consulting with management and reviewing the supporting documentation provided, confirmed that no take-home vehicles are currently assigned to the department. DON agreed to use ES-1 Forms in the future if take-home vehicles are assigned, in accordance with COH AP 2-2 requirements.</p> <p>Based on the documentation reviewed, the auditor confirmed that FMD maintained an approved ES-1 Log for removing inactive employees (2020–2024), used a Quarterly Reminder Log to track and send THV requirement communications, and officially discontinued all THVs effective May 1, 2025.</p> <p>The management action plan is adequate to address the audit finding and considered “fully implemented”. This finding is Closed.</p>	<b>Fully Implemented</b>

FLEET MANAGEMENT DEPARTMENT CITY-WIDE TAKE-HOME VEHICLES AUDIT (REPORT #2023-02)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIATION STATUS
		<p>&amp; 5.1.4) as it currently uses for transfer of assets (see example attached).</p> <p><b>FMD (November 2025):</b> In accordance with AP 2-2, the Mayor’s office delegated take-home vehicle approval authority, including assignment approvals, to the Police and Fire Chiefs as well as the HPW and FMD directors for their respective departments. Since this audit, FMD has sent quarterly reminders of the AP 2-2 procedural and reporting requirements related to take-home vehicles to each department director and each department fleet liaison. Departments are reminded to keep records of all take-home vehicle approvals on file and available for review. Take-home vehicle assignments within FMD have been eliminated.</p>		
6	<p><b>Improper Authorization and Approval for Take-Home Vehicles Assigned Outside of the 30-Mile Radius to City Hall/1200 Travis St.</b></p>	<p><b>Recommendation</b></p> <p>Our recommendations are as follows: AD recommends that FMD and HPD management prioritize following the guidance provided by AP 2-2 for authorization of home storage for individuals that live outside of a 30-mile radius to City Hall or 1200 Travis St, as applicable; An audit of employees with THV outside the 30-mile radius should be performed by the management of FMD and HPD. This is necessary to determine whether the proper approvals were obtained for the 30-mile radius requirement. FMD should consider the installation of tracking devices in city vehicles that would notify and provide information when the vehicle is driven beyond the 30-mile radius. This is necessary to detect, deter and prevent abuse of the provisions of the AP.</p> <p><b>Updated Management Response:</b></p> <p><b>HPD (August 2025):</b> The annual audit to include auditing Miles from Travis to Employee, Take Home Vehicle Fee, and to ensure the PPS System is accounting for changes to employee’s Take Home Vehicle was initiated in September of 2023 (see attached email). As a result of this audit, it was determined that a more robust system was necessary to better track THV, ensure proper approvals and justification, and capture changes (see attached PowerPoint, note slide 8 and 19). In response, a new THV SharePoint system was implemented in April of 2024. It currently contains updated information with the exception of approximately 250 employees whose data still needs to be migrated. This migration is expected to be completed by November 1, 2025. Also, note that the mileage requirement changed from 30-mile radius to the 40-mile radius effective July 21, 2023 (see attached circular). The Chief, as the Mayor’s designee, can establish the mileage radius (see attached mayor directive pdf).</p> <p><b>FMD (August 2025):</b> Since this audit, FMD has sent quarterly reminders of the AP 2-2 procedural and reporting requirements related to take-home</p>	<p>Audit obtained and reviewed supporting documentation and confirmed that HPD implemented mileage tracking enhancements in September 2023, followed by the implementation of a new mileage tracking system in April 2024. Additionally, Audit verified updated policy requirements, including HPD Circular 23-0721-085 and AP 2-2: Section 5.3, which established a revised THV mileage radius from 30 miles to 40 miles (Effective July 2023). Audit obtained the inventory of employees assigned THVs outside the 40-mile radius and tested each employee’s approval packet to verify accuracy and completeness. Based on the procedures performed, Audit confirmed all records were complete, accurate, and compliant with Circular 24-0624-085 and AP 2-2 Section 5.3. In addition, Audit noted that HPD transitioned from periodic annual audits to a real-time, continuously updated SharePoint system for managing THV assignments. The process was further enhanced in March 2025 with the implementation of electronic Microsoft Forms (via QR code), replacing manual requests and improving documentation, tracking, and approval workflows. Based on the supporting documentation reviewed, Audit noted that FMD has discontinued THV assignments effective May 1, 2025; therefore, the 40-mile radius requirement is no longer applicable to the department. Audit verified that FMD implemented the directive to eliminate THVs and has not issued any new assignments since that date.</p> <p>Additionally, FMD continues to support compliance efforts across City departments by maintaining and distributing quarterly AP 2-2 reminder communications, ensuring departments remain informed of THV requirements.</p> <p>The management action plan is adequate to address the audit finding and considered “fully implemented”. This finding is Closed.</p>	<p><b>Fully Implemented</b></p>

FLEET MANAGEMENT DEPARTMENT CITY-WIDE TAKE-HOME VEHICLES AUDIT (REPORT #2023-02)				
#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAATION STATUS
		vehicles to each department director and each department fleet liaison. Departments are reminded to keep records of all take-home vehicle assignments on file, including any exceptions given to employees residing outside the 30-mile radius requirement. In accordance with AP 2-2, the Mayor's office delegated take-home vehicle approval authority to the Police and Fire Chiefs as well as the HPW and FMD directors for their respective departments. The delegated authority includes exception approvals for employees residing outside of the 30-mile radius from City Hall. The HAS Director requested and received approval from the Mayor's office to center the 30-mile radius test from airport locations for HAS employees. Take-home vehicle assignments within FMD have been eliminated. The 30-mile test for FMD employees is not necessary. FMD is fully compliant with the active version of AP 2-2 relative to processing submitted records for take-home vehicles.		

## APPENDIX 2: FOLLOW-UP AUDIT PLAN

### AUDIT OBJECTIVES

The objectives of the follow-up audit were to:

1. Determine the status of each open item.
2. Evaluate the adequacy of the department's remediation process to resolve open findings.

### PROCEDURES PERFORMED

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained, reviewed and assessed management's status updates to open findings.
- Determined the findings for which management's status updates indicated remediation.
- Determined and requested the documentation necessary to support the status of each finding reported by management.
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

### AUDIT APPROACH

Our follow-up audit process utilizes a risk-based approach, which contains the two primary components:

- Management Status Updates
- Audit Testing/Verification

### MANAGEMENT STATUS UPDATES

Our follow-up audit process includes sending requests for status updates related to management's progress toward the remediation of open findings. Management provides status updates through an online portal. This information is then assessed by the follow-up auditor, who considers responsiveness to the original issue and remediation of the issue.

### AUDIT TESTING / VERIFICATION

A management status update indicating that a finding has been remediated is then tested/verified by the follow-up auditor prior to being closed.

The information received through management status updates form the basis for follow-up testing. If needed, additional supporting information is gathered by the follow-up auditor to provide sufficient and appropriate evidence to achieve our objectives. Once the testing and verification of a department's remediation processes have been completed, Audit then assess each finding based on one of the following four categories:

- **Fully Implemented:** Successful implementation of processes to address the audit finding.

- **Partially Implemented:** Significant efforts and implementation of processes to address the audit findings.
- **Incomplete/Ongoing:** Ongoing development of a process or efforts towards a policy to address the audit finding.
- **Not Implemented:** No effort to implement processes to address the audit finding.

## **AUDITING STANDARDS**

The Audit Division conducted follow-up audit procedures in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and the Global Internal Audit Standards as established by the Institute of Internal Auditors (IIA).

These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions drawn in alignment with audit objectives.

### **GOVERNMENT AUDITING STANDARDS (YELLOW BOOK)**

#### GAGAS 8.30

“Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives. When planning the audit, auditors should ask management of the audited entity to identify previous engagements or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.”

### **GLOBAL INTERNAL AUDIT STANDARDS (RED BOOK)**

#### IIA Standard 11.5

“Internal auditors must confirm that management has implemented internal auditors’ recommendations or management’s action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessments using a risk-based approach.
- Updating the status of management’s actions in a tracking system.

The extent of these procedures must consider the significance of the finding.