

OFFICE OF THE CITY CONTROLLER



**LEGAL 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

October 24, 2008

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Legal Department
Vehicle Allowance Program Audit (Report No. 2009-12)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Vehicle Allowance Program within the Legal 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 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. 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 the deficiency 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
Arturo Michel, City Attorney, Legal Department
Alfred J. Moran, Jr., Director, Administration and Regulatory Affairs Department
Michelle Mitchell, Director, Finance Department

CONTENTS

LETTER OF TRANSMITTAL	i
PURPOSE AND SCOPE	2
AUDIT PROCEDURES	2
CONCLUSION	2
INTRODUCTION	3

FINDING AND RECOMMENDATION

COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS	3
VIEWS OF RESPONSIBLE OFFICIALS.....	EXHIBIT I

PURPOSE AND SCOPE

The Office of the City Controller has completed an audit of the Vehicle Allowance Program (Program) within the Legal 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 finding presented in the body of the report.



Scott Haifflich, 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

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 an MVR from the Texas Department of Public Safety in preparation for the audit. However, prior to the issuance of this report, we were informed that MVRs have been obtained for all Department employees who drive on City business.

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
Legal Department

Interoffice
Correspondence

To: Annise Parker
City Controller

From: Arturo G. Michel 
City Attorney

Date: October 14, 2008

Subject: Management Response to Vehicle
Allowance Program Draft Audit
Report

We have received and reviewed the Draft Audit Report concerning the Vehicle Allowance Program in the Legal Department. We appreciate the opportunity to respond to the Audit.

The report included one **FINDING**:

"Discussion with Department management revealed that MVRs have not been obtained annually. The Department requested an MVR from the Texas Department of Public Safety in preparation for the audit. However, prior to the issuance of this report, we were informed that MVRs have been obtained for all Department employees who drive on City business."

It also included one **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."

The Legal Department is in agreement with the Finding and the Recommendation of the Vehicle Allowance Program Audit conducted by the Office of the City Controller.

The Legal Department did not seek MVRs for a period of time because it was the understanding of management that access to such records was no longer available as a result of the City's change from Legacy to SAP. Prior to this change, the department had been compliant with AP 2-2. It was during the scope of this audit that our personnel learned that there was a replacement mechanism by which such information could be requested from the State. At the present time, the department is compliant as noted in your audit report. Likewise, we are in agreement with the recommendation that the MVRs be filed in employee files.

Thank you again for your professionalism in conducting the audit and for the opportunity to respond.

**Views of Responsible
Officials**