



**Audit Report**  
**Summary of Limited Scope Audits**  
**Motor Pool Policy Exemptions and Vehicle Mileage**  
**September 8, 2017**

**City Auditor's Office**  
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**Purpose and Scope**

This report summarizes two separate, Limited Scope Audits (LSAs), which addressed narrowly defined issues.

- ✚ Motor Pool Policy Exemptions – the audit addressed exemptions to the 2016 policy, which initially required all employees' compliance, but was amended to allow staff receiving vehicle stipends to opt out. In May, a recommendation was made to the Management & Financial Services Department (M&FS) to consider policy revisions.
- ✚ Vehicle Mileage – the audit addressed the cost-effectiveness of employee reimbursements for high-mileage staff, periodic re-authorizations, and one department's exemptions to the Motor Pool Policy for certain employees receiving significant mileage reimbursements. Observations were provided to the Engineering & Property Management Department (E&PM) in May.

We conducted these performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the City Manager's Office, City Council, and all City Departments.

**Actions Taken and Planned**

Audit recommendations are being addressed, with the effect of improving internal policies. Specifically:

- The Motor Pool Exemption Policy will be revised to reduce excessive reimbursements to Senior Management.
- The cost effectiveness of reimbursing high-mileage employees was reviewed. E&PM has taken steps to improve reporting mileage reimbursements, and managing departmental mileage costs. E&PM plans to complete a review of all related processes in September, and annually thereafter.

### **Motor Pool Policy Exemptions**

Three related policies were reviewed, with specific attention given to a recent revision to the Motor Pool Policy, which appeared to have unintended consequences which were inconsistent with the City's overall approach to making economic decisions. The three policies follow:

- Employee Travel and Reimbursement (January 2015; revised November 2016) – states that employees are expected to use the most economically feasible mode of transportation.
- Senior Management Automotive Policy (July 1990; revised February 2010) – addresses monthly stipends for 20-25 senior management employees, and mileage reimbursements for out-of-county travel.
- Motor Pool Policy (January 2016; revised November 2016) – established the expectation that employees use a motor pool vehicle for City business. However, the revision included the following exception:
  - Staff that receive an automotive stipend are encouraged to use the motor pool for out-of-county travel but not required (*emphasis added*).

The then-City Manager wrote a further clarification in June 2016, suggesting that a side-trip for personal business would negate the need to choose a cost-conscious alternative.

### **Considerations**

- a. Senior management vehicle stipends cover depreciation, insurance, maintenance and in-county fuel expenses.
- b. The motor pool was established to provide a cost-effective driving alternative to employees.
- c. Allowing select employees to opt out of the motor pool results in a benefit to the most highly compensated employees, while increasing expenses for the City.

### **Recommendation**

Excessive reimbursements to Senior Management should be curtailed:

- Completely, if the employee chooses to not use an available City fleet vehicle, or
- Limited to 17 cents per mile, which would correspond to the federal government's GSA rate for reimbursement when a Government-furnished automobile is available.

### **Action Planned**

M&FS will revise the policy to limit Senior Management mileage reimbursements to the GSA rate noted above, and other employees to the same reimbursement rate when out-of-town travel includes personal use that would make motor pool use impractical.

### **Vehicle Mileage**

While auditors reviewed FY16 travel expenses, the issue of mileage reimbursements arose. During the two and one-half years ended December 31, 2016, the City reimbursed about \$871,000 in mileage reimbursements, as follows:

- FY15     \$337,505
- FY16     \$368,450
- FY17     \$165,007 (for six months)

This data reflects mileage-only reimbursements and does not include mileage related to overnight travel. Approximately 85% of these reimbursements have been made to E&PM employees, with 22 receiving \$10,000 to \$21,000 (totaling over \$311,000) during the 2.5 years noted.

In April 2016, E&PM exempted a number of employees from the Motor Pool Policy. Such exemptions are allowed under the policy; however, E&PM applied the exemption broadly without documenting whether the blanket exemption covering 113 employees was cost-effective for the City.

For the majority of E&PM employees, auditors agree with management that the exemptions are necessary to reduce the logistical burden and work disruption otherwise required. Also, the City has not committed to a fleet size increase which would be required to meet the vehicle needs of staff, if E&PM attempted to use significantly more fleet resources.

### **Considerations**

The Motor Pool Policy (MFS 21) provides for exceptions, noting at 3.A. the specific reasons which justify exceptions. It is also noted that exceptions should be reviewed and documented on any travel or mileage forms. Adherence to this policy may be audited.

E&PM has a broad and ongoing need to exempt many employees, and reasonably has detailed its explanation in a formal memo, signed by the department head.

E&PM management reviewed its recent practices and determined that employees incorrectly used the mileage reimbursement form for out of town travel and training purposes. Managers and staff have been instructed to follow the policy; E&PM has created an intranet page to help guide its employees.

### **Recommendations**

- A. E&PM should annually review and re-authorize its exemptions to the Motor Pool Policy, giving attention to employees with the highest mileage reimbursements. No further authorization above the department head is required.
- B. Out of town travel should be individually approved, per MFS 21, A.3.

*Actions Taken or Planned*

- In September 2017 and annually thereafter, E&PM will review positions and usage events (emergencies, short notice, etc.) to validate exemptions to the Motor Pool Policy.
- Construction supervisors are taking steps to combine trips where possible.
- E&PM will individually approve out of town travel, as required.