



Office of the City Auditor
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City Auditor

City of Syracuse
Take Home Vehicle Audit

Introduction:

On August 1, 2007, the Office of the City Auditor opened a formal review of the City of Syracuse Office of Fleet Operations. This included a review of the policy being used for the current approval and authorization process for monitoring and usage of vehicles identified as take home vehicles as well as general procedures for all vehicles used for various city operations and purposes. The review covered the period from November, 2005 to October, 2006; the end date for the audit was determined based on the availability of data from the payroll unit of the Finance Department. The most current information that could be provided was from October, 2006.

This review is authorized by Section 5-501(4) of the City of Syracuse Charter. The examination was administered in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as circulated by the Institute of Internal Auditors.

These standards necessitate that the audit is planned and performed to attain a reasonable foundation for the judgments and conclusions regarding the function under examination. This review also included evaluations of applicable internal controls and compliance with requirements of law and regulations when necessary to satisfy audit objectives.

The management of the City of Syracuse, New York, is responsible for establishing, maintaining and complying with the internal control structure and for compliance with applicable laws, regulations and contracts.

This report is intended solely for the information of the Mayor, the Common Council and the involved departments of the City of Syracuse, New York, yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the City of Syracuse's Audit Department upon request. The Audit Department would like to thank the Office of Fleet Operations, the Department of Public Works, the Payroll Unit of the Finance Department and other City departments who assisted and cooperated with us during our audit.

Scope:

The review was performance in nature and was executed to provide an independent assessment of the current approval, monitoring and usage of all City of Syracuse vehicles that are being taken home by City of Syracuse employees, regardless of the department that has the vehicle assigned to it. Specifically, the audit looked at the city policy pertaining to vehicles and attempted to determine if city departments are functioning within that policy.

Vehicle use policies from other cities (Yonkers and Rochester) were reviewed to provide a comparison of practice, procedures and rules. The scope also included ascertaining the effectiveness of allowing individuals to drive city vehicles home and included recommendations for improvements both to the policy in use, as well as the actual adherence to the stated policy. Our inquiry was ultimately limited by the fact that there was a history of inadequate centralized

record keeping and inconsistencies in vehicle assignment standards that did not change with the most recent revising of the Vehicle Use Policy in 2001. A better defined policy would have enabled us to better determine which employees would be expected to have a take home vehicle.

Methodology:

To reach this assessment, the Department of Audit held discussions with the Director of Fleet Operations and communicated with numerous city managers and individuals to gain a better understanding of the city policy relative to taking home city vehicles, and overall auto usage by city employees. Vehicle use policies were received from Rochester and Yonkers and analyzed in an effort to compare the criteria used in those cities for vehicle assignment versus Syracuse's criteria, and to compare their operating guidelines against local guidelines in an attempt to determine if our use of assets is comparable, proper and promotes efficient management of a governmental fleet.

The Office of the City Auditor reviewed city policy and requested a statement from each department indicating whether they have vehicles assigned to them, if any of those vehicles are assigned to specific individuals, and what the usage parameter is for each vehicle, i.e. how the department lists and monitors any specific vehicle as a take home car assigned to an individual. Each department supplied the vehicle year, make, model and a vehicle ID number.

Additionally, the Office of the City Auditor reviewed payroll paperwork to insure that monthly usage reports were being submitted and to ascertain how the city reported the imputed value of each vehicle to the individual's compensation for income tax purposes. The Office of the City Auditor was also provided with gasoline usage records compiled by staff in the Office of Management and Budget. The Audit Department used the mileage information reported for comparative purposes. The Office of the City Auditor took the information provided and worked with it to determine consistency with the individual's actual travel distance circumstances based on home address versus work address travel considerations.

The Office of the City Auditor did conduct spot checks on take home vehicles after-hours to insure that the vehicles assigned to individuals were, in fact, at the appropriate address.

The Office of the City Auditor requested that each department justify why individuals were assigned vehicles. The Auditor pulled individual job titles and job duty statements and then compared those to the justification given by management.

Conclusion:

In 2001, the Office of the Mayor put its policy and objective for take home cars in writing, as part of the City's "Vehicle Use Policy". The City stated that it would work to reduce the number of vehicles to an inventory sufficient to conduct city business, expand alternative arrangements for employee transportation during the work day, increase the number of vehicles in city storage facilities (versus asking staff to safe guard vehicles by taking them home) and it would tighten the policy of use of official vehicles.

The Mayor's Office indicated in revising the "Vehicle Use Policy" in 2001 that it was its policy to reduce the number of take home vehicles. In 2001 there were 147 take home vehicles assigned to employees. This audit has found that there are currently 128 take home vehicles; a reduction of 19 vehicles over six (6) years. This is consistent with the stated take home vehicle policy of the Mayor, which sought, among other objectives, to reduce the number of take home vehicles. We need to report that our investigation revealed that in May, 2005, the Post-Standard ran an editorial piece that reported the city had 105 take home vehicles, which would imply that vehicles have been added since that time. This is not consistent with the stated policy from 2001, and should be part of management's review and implementation of its policy.

It is clear from the introduction to the goals of the Vehicle Use Policy that one of the key objectives of the policy is the intention of tightening existing restrictions on personal use of official vehicles. Given the public's perception that city vehicles should be primarily used for official business and that stringent use restrictions for personal use are desirable, the policy reflects an understanding of how readily city vehicles serve not only a practical purpose but a significant symbolic role in how government is seen.

The Office of the City Auditor pulled the last Take Home Vehicle audit conducted by the previous City Auditor in 2001. In October of 2001 the previous Syracuse City Auditor concluded that there were 147 take home vehicles assigned to individuals. In October of 2007 there are 128 take home vehicles assigned to individuals as follows:

	October 2001	October 2007	Variance
Assessment	1	1	0
Aviation	9	7	-2
Community Services	1	0	-1
Mayor's Office	2	2	0
Parks	3	3	0
Police	50	54	+4
DPW/Engineering*	51	33	-18
Water	19	17	-2
Fire	11	11	0
Total	147	128	-19

*In 2001 DPW and Engineering were combined. In 2007 Engineering has 5 take home vehicles and DPW has 28 take home vehicles

The City should review the merits of proposing the reduction of take home vehicles beyond the current level. On face value, it appears that with approximately 1800 employees there are 128 employees with a vehicle. This translates to about 7% of the city work force has a vehicle. This can be driven down by enhanced car-sharing and better storage facilities.

Despite the number of vehicles in the city fleet, it is city policy to reimburse mileage for travel, where deemed appropriate. The Auditor would suggest that the city consider a policy that would require staff to use city vehicles if that would be cost effective versus maintaining a city fleet while others use their personal vehicles. While the cars remain in good condition, they should be

used for official business versus having two policies: One that allows for reimbursement for city travel and another that assigns an individual a vehicle.

The Mayor's office put together a monthly mileage usage policy requiring individuals with take home vehicles to fill out reports accordingly. The Department of Finance then files the appropriate IRS forms and payroll deductions for usage, based on IRS Publication 15-B "Employers Guide to Fringe Benefits", according to information obtained during interviews with payroll staff.

The Department of Finance, which is responsible for payroll, relies on IRS Publication 15-B and follows a policy that police and fire employees with take home vehicles are exempt from fringe benefit (increased compensation) rules. The reasoning is that the vehicles are either clearly marked as "official" or are unmarked vehicles used by law enforcement officers if the use is officially authorized. As a result, any individual in the Fire or Police Departments is exempt from any imputed value and additional tax.

For other staff, the Department of Finance increases the gross salary as well as withholding taxes on Social Security and Medicaid. The calculation is either per mile rate or a daily rate of \$3.00 per day times 120 days, which equals \$360.00 gross earnings. This is then multiplied by .0765 FICA rate of \$27.54 which is withheld from the employee and matched by the city. If the employee reports any personal miles, that is calculated at .485 cents per mile and grossed up in a similar fashion.

Findings:

I: Inconsistencies Observed In Vehicle Assignment Standards:

The City of Syracuse has a policy that states an individual would be assigned a vehicle if that person is on 24-hour call or to assist the city with safe guarding of vehicles and/or to parking logistics – since the city maintains that it does not have the required parking spaces for its entire fleet. Concurrently the city has a restricted use policy for those who are assigned vehicles to reach the stated goal of having sufficient vehicles in service to conduct city business.

The Office of the City Auditor reviewed individuals and their job descriptions to determine if a vehicle was required to perform said duties. Universally, it was impossible to determine if each instance of a vehicle being assigned with take home authority is truly justified, given the fact that the decision did not always appear to be an objective one. The City Auditor's Office discovered instances where two individuals, of like job duties and same titles, were treated differently – one having a vehicle and the other not having an assigned vehicle. The Auditor also noted certain Commissioners without a take home vehicle with subordinate staff who did have a take home vehicle.

This made it difficult to determine whether the assignment of vehicle is based on merit, the need of the individual to execute their job duty or on a favored oriented basis.

The perception of “favored employee” was a recurrent theme heard by the City Auditor throughout the audit process. Therefore, it only re-enforces the need for a clear black and white take home car policy that is administered by one-individual following those same and like rules.

As compared to 2001, it would appear that the City of Syracuse has reigned in personal usage of vehicles and reduced the actual number of take home vehicles in use by city employees. However, as noted previously in this audit, it also would appear that the number of take home vehicles has risen since 2005. Therefore, the natural step for the city to take would be to strengthen testing to determine if an individual’s position actually does require a take home vehicle to properly execute his or her duties and remove vehicles from those whose duties do not justify a take home vehicle. This would be a step forward in right-sizing the city’s fleet, lessen an onerous cost, and lower carbon emissions produced by the city itself. The emissions topic will be elaborated on in the Auditor’s Notes Section.

The one, and only, message that should be sent by the method vehicles are assigned is that the city is managing its fleet properly and in the interest of the taxpayers who pay for the purchase, operating, maintenance and insuring of these vehicles.

II: Centralized Risk Assessment Lacking For Driver Eligibility/Competence:

There is no centralized record or policy to determine if an individual has a valid driver’s license; such information would be beneficial to the city for the following purposes:

- a) Confirm that an individual has a valid driver’s license,
- b) Get a DMV record of that individual’s driving record (any infractions, speeding tickets, et al) to assist in determining whether a driver using an official car should continue to have a city vehicle at their disposal or be offered participation in driver training classes offered to city employees.

Currently, each department is responsible to pull these records on their own. For example, the Syracuse Police Department pulls a driver license check from their computers system while DPW and Parks pull reports from the NYS Department of Motor Vehicles, according to staff.

The City of Syracuse should have one centralized individual responsible for getting a copy of the employee’s drivers’ license and pulling a full DMV record showing the driver’s past driving records including all infractions prior to issuing out a vehicle.

While the City of Syracuse policy is silent on such matters, it was interesting to note that on July 15, 2005, the car policy for the City of Yonkers was amended to include the following provisions:

- Employees who are evaluated to be high risk by insurance carriers will not be entitled to a vehicle.
- An employee who has more than two accidents in a 12-month period, in which that are determined to be the responsible party, shall lose the privilege of using a city vehicle.

- City employees who use the vehicle without approval, justification, or in violation of this policy will lose the privilege of a city vehicle.
- Any employee who is arrested for violating the vehicle traffic laws of NYS while using a city vehicle will lose the privilege of operating a city vehicle.

Our implementation of similar requirements would minimize the risk to the city by reducing the odds that a poor driver is assigned a vehicle.

It also is prudent to have one individual reviewing these records so that one policy regarding past driving history is applied.

III. Stated Approval Process Was Not Consistently Utilized:

The City of Syracuse policy on the assignment of take home vehicles is clearly stated; the Budget Director must approve all take home vehicles. In the course of this audit, such approval documents were requested to confirm compliance with the stated policy and the Office of the City Auditor was advised that the approvals generally did not exist.

Starting in November, 2007 the Director of Fleet Operations and department heads will comply with the written policy and obtain the necessary approvals from the Budget Director of the city, per communication from the Director of Fleet Operations. While the Office of the City Auditor appreciates the response it received, the omission of following a clearly defined, simple directive is seen as a significant lapse in internal controls that were established six (6) years ago in 2001, and which could easily have led to wasting and possible misuse of city assets through a lack of supervision and oversight.

The Office of the City Auditor further recommends that a “Vehicle Use Authorization” form be created by the Office of Management and Budget that documents for each vehicle the VIN Number, Inventory Number, Gas Key Number, etc. assigned to the driver, as well as any usage limitations. A copy of each form should be kept on file by both the Director of Fleet Operations and the department assigned to the vehicle.

IV. Inadequate Centralized Record Keeping Maintained For Vehicles In City’s Fleet:

The City of Syracuse does not maintain a centralized record of all the vehicles in the city’s fleet. The city needs to keep in one data base all vehicles by year, make and model, and VIN number. The city does not ascertain which department is assigned to each of the vehicles. Furthermore, the city does not keep a centralized and detailed record of each individual with a take-home vehicle.

The City Auditor’s Office discovered a number of inconsistencies, such as clerical errors stemming from a failure to properly report information from the Departments to the Director of Fleet Operations. Among the inconsistencies observed are the following: One department reported an individual assigned a Ford Taurus, but he was not filling out monthly mileage reports and there did not appear to be any action being taken to require the submittal of the mileage reports. Another individual was reporting monthly usage but was not listed as having a vehicle by the Director of Fleet Operations. A third department listed a take home vehicle without any individual assigned to that vehicle.

The City Auditor does note that the Director of Fleet Operations has been in the process of addressing this and has been working on entering data on each vehicle for better record keeping. At the time that this was opened the Director of Fleet Operations noted that this was an issue that was being addressed and that would take considerable amount of time to put together. That effort is ongoing; and will serve as a strong management tool once completed.

V: Many Vehicles Lacking Required Markings For “Official Use Only”:

Many city vehicles are not marked as city property, nor are they identified as vehicles utilized exclusively for “official use only”.

All vehicles, except undercover police vehicles, should be clearly marked as for “official use only”, as specified by the City’s Vehicle Use Policy of August 9, 2001. Having an “official use only” emblem will be a deterrent to abuse.

The vast majority of vehicles assigned to staff lack any emblem or any identifying marker on the vehicle to alert the public that the vehicle is an official use only vehicle. The City Auditor is of the opinion that this is a high priority and should be instituted immediately. Not only because it is part of the stated policy, but because it will hold those drivers accountable to the public.

In addition, if the vehicles are marked “for official use” the city would not have to report any imputed compensation on the employee’s W-2. This would save the city money in payroll taxes as well as benefit the employee. The employee would not be able to use the vehicle for *any personal use* under these circumstances; an added benefit to the taxpayer.

VI. Enhance Vehicle Use Policy With Driver Guidelines And Reporting Requirements:

The City of Syracuse policy contains very limited guidance when it comes to providing written directives that outline driver guidelines and/or reporting requirements, as compared to other cities’ policies. For example, the City of Yonkers’ policy clearly outlines the responsibilities of drivers of city vehicles relative to security measures. The policy states “Drivers are responsible for the security of city vehicles assigned to them. The vehicle engine must be shut off, ignition keys removed, and vehicle doors locked whenever the vehicle is left unattended.”

Furthermore, under detailing the reporting expectations placed on employees of the City of Yonkers, the policy goes on to read “Drivers must report all ticket violations received during the operation of a City vehicle, or while driving a personal vehicle on City business, within 72 hours to the Department Head. A copy of the ticket must be submitted to the Department Head.” The City of Syracuse policy is silent to both of these aspects of driver responsibility.

It is the recommendation of the City Auditor that a review of the Vehicle Use policy should be undertaken within a reasonable period of time and that enhancements to the policy be contemplated after reviewing the policies of other cities for improvement to the existing policy.

VII. Implementation of Pre-Approval Procedures For Mileage Re-imbusement For Employees With Assigned Take-Home Vehicles:

Current City of Syracuse policy is to pay for mileage re-imbusement for individuals traveling on city business, and a review of travel documents indicated that this policy carried over to employees that have assigned take-home vehicles. This originally was questioned in light of the

additional expense to the city to pay both mileage re-imbursement and to maintain a city fleet at the same time.

However, further investigation into specific travel arrangements showed that there had been pre-travel communication between the Budget Office and departments to determine the circumstances where such pre-approved mileage re-imbursement would be preferred to taking an official vehicle on a business trip.

It is the recommendation of the Office of the City Auditor that when such determinations are made, there should be an approval memo from the Budget Director included with the travel documentation forwarded to the Department of Finance that provides a written rationale for the re-imbursement payment. Additionally, management should give consideration to revising the travel request paper work to include a new line denoting whether a personal vehicle or a city vehicle is being requested for travel.

Auditor's Notes:

The City Auditor recognizes the recent efforts made by the Offices of Fleet Operations to standardize the data maintained for vehicles and usage. In the past, each department had a different reporting system making it difficult to ascertain how many vehicles the city has, to whom the cars are assigned, where the vehicles are kept and their proper usage. It is important that each department cooperate with the Office of Fleet Operations in supplying the basic, proper information so that there is one record for the entire city fleet.

Inevitably, there will be morale issues when maintaining a fleet of vehicles and assigning vehicles to 128 employees out of over 1800 total city employees. However, 128 employees assigned a vehicle represents about 7% of all employees having a take home car. Yet, as previously noted in Finding #1, it was impossible for the Office of the Auditor to fully determine if an individual's true job duties provided a justified need for a vehicle, and therefore impossible for this office to state that the city has too many assigned vehicles in service. Furthermore, had there been greater controls in place, such as having the Budget Director execute his responsibility to approve or disapprove car assignments; closer adherence to justifications for assignments could have been instituted.

The City Auditor wishes to remind management that a stricter take home policy is important for a number of reasons, in addition to its potential for enhancing employee morale. When running a city and providing services to city residents, vehicles of all sorts are required. Storage of the vehicles over weekends and at off-duty times can become an issue; additionally, some individuals are on call and expected to respond 24 hours a day.

At first glance, assigning a vehicle to an individual to take home can be interpreted as being justifiable. However, in the past questions have arisen whether in fact all those vehicles do actually qualify for take home status: In point; are vehicles that are only needed once or twice a month truly justified? The standards appear to be lax and open to broad interpretation that could lead to abuse.

Management needs to be sensitive to the fact that vehicle usage has become increasingly burdensome on the tax payers. The escalating cost of gasoline is a largely contributing factor, however, so is the cost of maintenance, repairs, and replacement of the vehicles. More recently,

the Mayor has been a strong proponent for an eco-friendly bio-diesel fleet. A more aggressive management policy regarding vehicle usage would have a more immediate impact in reducing the city's carbon footprint plus it would be an ideal foundation for expanding the city's effort toward overall conservation. On the environmental front, the city should concurrently pursue a policy that will minimize the impact of the fleet by looking into alternative fuel vehicles.

The Office of the City Auditor did not focus on the actual cost to the city; however we did gather considerable information on the cost associated with the vehicles. We chose to focus on the take home policy for the simple reason that a stricter policy will keep the usage to the justifiable levels needed to conduct city business and will therefore lead to a reduced cost associated with maintaining a fleet.

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November 15, 2007

Subsequent Event November 15, 2007

The City Auditor met with the Director of Fleet Operations and the Budget Director to review the draft version of this audit. There were two subsequent events that were reported to the City Auditor at this meeting.

1. Finding #2, the City Auditor recommended that one City employee conduct a background check on each person who is assigned a city vehicle to ascertain both the validity of their driver's license and to review all driving related infractions, if any.

After the audit was concluded management informed the City Auditor that the Personnel Administrator from the Department of Public Works will gather all DMV reports for all departments with the exception of the Departments of Fire and Police.

It was not clear from the information received what the Personnel Administrator would be doing with the information. The City Auditor recommends that the Take Home Vehicle Policy be reviewed and amended to include specific guidelines for evaluating an employee's driver eligibility, driving history and enforcing predetermined restrictions based on a driver's history of violations. The Auditor points to the City of Yonkers Policy as a template that could be used by the City of Syracuse to amend its policy.

The City Auditor is still uncomfortable with the segregation of the Police and Fire Departments from this centralized process

2. Finding #3, the City Auditor recommended that a Vehicle Use Authorization Form be created which would document specific information relative to each city vehicle.

In the beginning of November, 2007, the Budget Director put together a form that addresses most of the information that the City Auditor recommended. This form will be provided to the Office of the City Auditor for review.