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Auditor General



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February 23, 2015

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Compliance Engagement of the Department of Public Services, Equipment Division – Fleet Management Services, County Vehicle Use Ordinance. Our report is dated February 5, 2015; DAP No. 2014-57-005. The contents of this report did not change from the draft report previously issued. The report was accepted by the Audit Committee at its meeting held on February 11, 2015 and formally received by the Wayne County Commission on February 19, 2015.

We are pleased to inform you officials from the Departments of Public Services, Management and Budget, Personnel/Human Resources, and the Wayne County Commission Office of Fiscal Agency provided their complete and full cooperation during our review. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's reports can be found on our website: <http://www.waynecounty.com/commission/743.htm>

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Wayne County Executive



Independent Auditor's Report on
County of Wayne, Michigan
Department of Public Services
Equipment Division – Fleet Management Services

COUNTY VEHICLE USE ORDINANCE

Compliance Engagement

February 5, 2015

EXECUTIVE SUMMARY

Type of Engagement, Scope, and Methodology

The Office of Legislative Auditor General has conducted a Compliance Engagement of the ***County Vehicle Use Ordinance***. Our objectives for this engagement were to: (1) review and assess how county vehicles are purchased and/or leased; (2) review the assignment of vehicles and assess monitoring over vehicle usage; (3) review and assess how county vehicles are identified, maintained, and replaced; and, (4) benchmark the ***County Vehicle Use Ordinance*** with similar legislative actions enacted by Oakland County and Macomb County.

The fieldwork was substantially completed on January 28 2015, and the scope of our engagement was for fiscal years ending September 30, 2012 and 2013 and from October 1, 2013 through March 2014. The principal methodology used for this engagement was limited to interviews with key members of management, inquiries, examination of documents, observations, analytical procedures, and on-site visits.

Introduction

The Wayne County Department of Public Services – Equipment Division – Fleet Management Services administers and has accountability for a fleet of county owned vehicles. As of December 2013, this fleet is assigned to 22 DPS divisions and 5 other departments and is comprised of 137 vehicles, assigned as follows:

- 70 Full-time
- 13 Part-time
- 54 “Pool”

The ***County Vehicle Use Ordinance*** governs the purchase, use, and disposition of county owned vehicles. The purpose of the ordinance is four-fold:

- To establish a regulatory system to provide efficient and effective transportation to county departments at a minimum cost;

- To obtain the most economical and maximum practical use from all county vehicles;
- To encourage safe and prudent use of all county vehicles; and,
- To establish an annual county vehicle operating budget.

Our assessment of compliance with the ***County Vehicle Use Ordinance*** did not include the Wayne County Sheriff's Office (WCSO) fleet of approximately 180 vehicles dedicated for public safety purposes.

Summary of Issues:

We determined there are nine (9) areas of concern and (14) recommendations related to compliance with the County Vehicle Use Ordinance. Seven (7) of the recommendations are considered to be operational and design control deficiencies which are classified as relatively low risk, and seven (7) are significant deficiencies which are deemed medium risk.

Officials within Management & Budget (M&B), Department of Public Services (DPS) and Personnel/Human Resources (P/HR) agreed in principle with 13 of the 14 recommendations, and disagreed with one (1). (See Report Details.)

The areas of controls we identified that could be strengthened include:

- Inadequate Verification of Drivers' Eligibility (*page 13*)
- Underreported Imputed Fringe Benefits (*page 15*)
- Reduction of the Pool Vehicle Fleet (*page 19*)
- County Vehicle Mileage Logs Not Being Maintained (*page 21*)
- Reduction of the Full-Time Vehicle Fleet (*page 25*)
- Inadequate Public Identification of County Vehicles (*page 35*)

Noteworthy Accomplishment

Wayne, Oakland, and Macomb Counties all maintain fleets of vehicles for use by their employees in conducting county business. Each county has various policies in place regarding the assignment and use of county vehicles. Only Wayne County has enacted legislation (***County Vehicle Use Ordinance***) to provide enhanced governance over the use of its vehicles.

Corrective Action Plan (CAP) – A CAP will be due within 30 days after this report is formally received and filed by the Wayne County Commission. If sufficient corrective action is not taken, a follow-up review may be necessary.

This report is intended solely for the information and use of the Department of Public Services, Management & Budget, Personnel/Human Resources, and the Wayne County Commission Office of Fiscal Agency, officials and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

REPORT DETAILS

PURPOSE / OBJECTIVE

The Office of Legislative Auditor General has conducted a compliance audit of the Department of Public Services – Equipment Division – Fleet Management Services *County Vehicle Use Ordinance*. The purpose of our audit was to identify key areas of compliance with the *County's Vehicle Use Ordinance* and assess areas of risk. We also evaluated whether management has appropriate controls in place to sufficiently manage or mitigate the identified risks.

Our objectives for this engagement were to: (1) review and assess how county vehicles are purchased and/or leased; (2) review the assignment of vehicles and assess monitoring over vehicle usage; (3) review and assess how county vehicles are identified, maintained, and replaced; and, (4) benchmark the *County's Vehicle Use Ordinance* with similar legislative actions enacted by Oakland County and Macomb County.

SCOPE

We conducted this compliance engagement in accordance with Generally Accepted Governmental Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable assurance basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our work primarily encompassed FY 2012 and FY 2013, and from October 1, 2013 through March 2014. The fieldwork for this engagement was substantially completed on January 28, 2015.

METHODOLOGY

To address the objectives outlined for this engagement we reviewed the Enrolled *County Vehicle Use Ordinance*, in order to identify key compliance provisions of the ordinance.

We made inquiries of responsible county officials to ascertain how the county monitors compliance with the *County Vehicle Use Ordinance*.

The Department of Public Services provided and we reviewed the following policies and procedures, including but not limited to: (1) Accident Prevention; (2) Preventive Maintenance; (3) Fuel Issuance Control; and, (4) Vehicle Replacement. We also obtained, reviewed, and tested, on a limited basis, the following documents: (1) annual vehicle inspection sheets; (2) equipment division repair orders; (3) vehicle preventive maintenance (oil changes); (4) preventive maintenance reports; (5) vehicle loaner pool logs; (6) report of monthly usage of assigned county vehicles; and, (7) motor vehicle release forms.

In addition, we obtained a copy of the PetroVend Automated Fuel Dispensing System database; the county's computerized fuel system. We reviewed the fuel usage reports to determine the number of miles incurred by employees assigned county vehicles on a full-time basis to assess the extent of the vehicles' usage by those assigned county drivers.

We spoke with officials in the Department of Management & Budget Risk-Management Division to ascertain the type of insurance coverage maintained over the fleet. We conducted on-site visual inspections of a sample of county vehicles to determine if they displayed the appropriate public identification logos as required by the *County Vehicle Use Ordinance*. We also assessed the disposition of county vehicles that were sold through public auctions.

In addition, we benchmarked Wayne County's governance process over vehicle usage with that of Oakland and Macomb counties.

Finally, we met with management officials to discuss our findings, obtain their input, and their concurrence and/or disagreement with the report's findings and recommendations.

BACKGROUND

The Wayne County Department of Public Services – Equipment Division – Fleet Management Services administers and has accountability for a fleet of county owned vehicles. As of December 2013, this fleet is assigned to 22 DPS divisions and 5 other county departments and is comprised of 137 vehicles (car, trucks and vans, etc.) assigned as follows:

- 70 Full-time
- 13 Part-time
- 54 "Pool"

The *County Vehicle Use Ordinance*, established November 1993 and as amended in November 2001, governs the purchase, use, and disposition of county owned vehicles. The purpose of the ordinance is four-fold:

- To establish a regulatory system to provide efficient and effective transportation to county departments at a minimum cost;
- To obtain the most economical and maximum practical use from all county vehicles;
- To encourage safe and prudent use of all county vehicles; and
- To establish an annual county vehicle operating budget.

Pertinent sections and excerpts from the ordinance include, but are not limited to, the following:

- ***Section 33-3 – Purchase of county vehicles***

- Annually, each Responsible Elected Official (REO) shall submit to the county commission for its approval a request, within the budget request, for the purchase of county vehicles based upon the annual needs of the department(s) under his or her control. The annual request must include the following:
 - (1) The number of vehicles assigned to each department both prior to and, if approved, following the annual purchase.
 - (2) The positions to which the vehicles are currently assigned both prior to and, if approved, following the annual purchase.
 - (3) The county business for which the requested vehicle shall be operated.
 - (4) An identification of the county vehicle to be replaced and a statement as to why it can no longer perform its designated function.
 - (5) Certification that the purchase of the new vehicle is in the best economic interest of the county, including why its purchase is economically more beneficial to the county than its lease.
 - (6) The bid specifications established for each purchase.

- ***Section 33-5 – Individuals eligible to operate county vehicles***

- County vehicles may only be assigned to individuals who meet the eligibility requirements.

- ***Section 33-7 – Assignment of county vehicles***

- Generally, an individual may be assigned a county vehicle for the conduct of county business only when it is in the best interests of the county in terms of economy and the improvement of necessary operations. The following factors must be taken into consideration in the assignment of a county vehicle to an employee:
 - ***Mileage driven:*** the amount of mileage driven justifies that vehicles should be assigned or whether employees should be reimbursed for using their personal vehicles; and
 - ***Economy:*** Whether the individual's operation of a county vehicle is the most economically beneficial means by which the county can have the individual discharge his or her responsibilities.
- Each county vehicle is classified as one of the following categories:
 - Type 1 – Pool vehicle
 - Type 2 – Administrative vehicle
 - Type 3 – Job required vehicle
 - Type 4 – Temporarily assigned vehicle
 - Type 5 – Elected official assigned vehicle

- ***Section 33-9 – Operation of a county vehicle***

- ***Authorized operation of a county vehicle:*** County vehicles may only be used for official county business. Personal use of a county vehicle is prohibited, except that an employee who has permission to drive a vehicle home may make infrequent stops for personal business on the most reasonably direct routes between home and work.
- ***Unauthorized operation of a county vehicle:*** The operation of a county vehicle for personal business is prohibited.

- ***Authorized home operation of a county vehicle:*** An individual may specifically be authorized to operate county vehicles upon the most reasonably direct routes between their assigned work locations and their place of residence based upon certain criteria, such as:
 - The individual must report directly to the job site rather than their permanently assigned office site or work location.
 - The individual may reasonably be expected to necessarily and routinely report directly to a job situation.
 - When it is reasonably determined that it would be more costly to the county in terms of nonproductive time if the individual were not allowed to take the vehicle home.
- ***Section 33-10 – Records***
 - ***IRS usage report:*** Each person who is assigned a vehicle which is taken home must file a monthly usage report with the department of management and budget to enable required reporting to the Internal Revenue Service.
 - ***Logs required to be compiled for each county vehicle:*** A log must be maintained for each county vehicle throughout the life of the county's use of that vehicle containing the following information:
 - Operator(s) name(s)
 - Purpose for county vehicle's operation
 - Mileage incurred during the county vehicle's operation
 - Accidents incurred in the vehicle's operation
 - When obsolete, the ultimate disposition of the county vehicle
 - ***Submission of summary of logs to the commission:*** A summary of logs must be submitted to the commission each April and October which must contain the following information:
 - Names of individuals who have operated the vehicle
 - Primary purpose for the vehicle's utilization
 - All accidents incurred during the vehicle's operation, and the name of the individual operating the vehicle at the time of the accident
 - Total mileage incurred on the vehicle since the last summary
 - If applicable, the ultimate disposition of the vehicle, and
 - The names of any persons who have had their assigned vehicle privilege revoked or suspended and the reasons therefore.
- ***Section 33-11 – Replacement of vehicles:*** Vehicles must be replaced as follows:
 - Passenger automobiles and four-wheel drive (4X4) vehicles shall normally be replaced after 70,000 miles or four years of use, whichever occurs first.
 - All other county vehicles shall normally be replaced after 80,000 miles or five years of use, whichever occurs first.

While the Wayne County Sheriff's Office (WCSO) maintains a fleet of approximately 180 vehicles dedicated for public safety purposes, this engagement did not assess the WCSO compliance with the ***County Vehicle Use Ordinance***.

EVALUATE PROCESS FOR VEHICLE PURCHASES

Objective No. 1- Review and assess how county vehicles are purchased and/or leased.

Conclusion

We assessed and evaluated the process utilized by the Department of Public Services – Equipment Division to acquire new vehicles. According to a DPS official, vehicle pricing is secured through an extended purchasing program known as MiDEAL administered by the State of Michigan. A MiDeal membership allows Michigan local units of government to use state contracts to buy goods and services.

The MiDeal program states advantages of extended purchasing leads to reduced costs derived from leveraged purchasing power, improved specifications and increased competition.

The DPS vehicle purchase requests are submitted to the Committee on Ways and Means for approval through the budgetary process and are included in the Capital Improvement Plan (CIP) on an annual basis. The CIP is approved in the annual Enrolled Budget Appropriation Ordinance.

According to a DPS official, only one vehicle is leased. Due to the fact that many of the vehicles are used during construction and off – road activities, the DPS official stated leasing is not a cost – effective method.

We reviewed the CIP included in the Enrolled Budgetary Ordinances for FY 2013 and FY 2014. We obtained from the Equipment Division their vehicle and equipment requests for the respective fiscal years and traced the vehicle and equipment purchases to the county's CIP. Excluding heavy equipment, our review determined the division acquired 64 vehicles (cars and trucks) in FY 2013 at a cost of \$4.6 million and 22 vehicles in FY 2014 at a cost of \$3.8 million (see table below).

The DPS purchases of vehicles, trucks and equipment are funded with Act 51, Gas and Weight Tax Revenues.

Department of Public Services
Equipment Division – Fleet Management Services
Asset Purchases - Fiscal Years 2013 and 2014

Fiscal Year 2013	Asset Type	Amount
Enrolled Ordinance 2012-541 CIP	Trucks Only – 17	\$3,496,305.00
Amended Budget Request to Enrolled Ordinance (March 2013)	Vehicles & Trucks - 47	1,108,780.00
	Heavy Equipment	663,431.67
Total FY Capital Improvements		\$5,268,516.67
Fiscal Year 2014	Asset Type	Amount
Enrolled Ordinance 2013-599 CIP	Vehicles – 5	\$ 110,000.00
	Dump Trucks – 17	3,650,000.00
	Heavy Equipment	812,000.00
Total FY Capital Improvements		\$4,572,000.00

Source: FY 2013 and FY 2014 Enrolled Appropriation Ordinances; DPS Amended Budget Request, Dated March 2013

We determined the DPS Equipment Division is partially in compliance with Section 33-3(a) of the *County Vehicle Use Ordinance* in that we were able to determine the Wayne County Commission received and approved the division's request to purchase county vehicles and other equipment. However, we determined the Equipment Division was not in compliance with submitting all information required within this section of the *County Vehicle Use Ordinance* related to the division's request to purchase county vehicles.

Condition

We reviewed and assessed the Equipment Division's compliance with *County Vehicle Use Ordinance* Sec.33-3(a); Annual *Purchase of County Vehicles*. While we determined the vehicle and equipment requests for FY 2013 and FY 2014 were submitted to the Wayne County Commission and subsequently approved in the budgetary process, we found no evidence management submitted all required information in accordance with the *County Vehicle Use Ordinance* when requesting the vehicle purchases.

The information that was not submitted is listed below:

- (1) The number of vehicles assigned to each department both prior to and, if approved, following the annual purchase.
- (2) The positions to which the vehicles are currently assigned both prior to and, if approved, following the annual purchase.
- (3) The county business for which the requested vehicle shall be operated.
- (4) An identification of the county vehicle to be replaced and a statement as to why it can no longer perform its designated function.

- (5) Certification that the purchase of the new vehicle is in the best economic interest of the county, including why its purchase is economically more beneficial to the county than its lease.
- (6) The bid specifications established for each purchase.

Criteria

The Wayne County Code of Ordinances Chapter 33 Section 33-3(a) Annual Purchase of County Vehicles requires:

Annual purchases of county vehicles, each REO shall submit to the county commission for its approval an annual request, within the budget request, for the purchase of county vehicles based on their annual needs of the department or departments under his or her control. To the maximum extent feasible, an annual request must include the following:

- (1) The number of vehicles assigned to each department both prior to and, if approved, following the annual purchase.
- (2) The positions to which the vehicles are currently assigned both prior to and, if approved, following the annual purchase.
- (3) The county business for which the requested vehicle shall be operated.
- (4) An identification of the county vehicle to be replaced and a statement as to why it can no longer perform its designated function.
- (5) Certification that the purchase of the new vehicle is in the best economic interest of the county, including why its purchase is economically more beneficial to the county than its lease.
- (6) The bid specifications established for each purchase.

Cause

Management stated they are aware of the ***County Vehicle Use Ordinance*** requirements. However, to date, the required information within this section of the ***County Vehicle Use Ordinance*** has not been submitted in prior years when requesting vehicle purchases.

Consequences

Failure to comply with the mandated information requirement places the Equipment Division in violation of the ***County Vehicle Use Ordinance***. In addition, failure to submit the required information reduces the Commission's oversight over the annual purchase of vehicles.

Recommendation 2014-01 – Compliance - Significant Deficiency

- (a) We recommend management within the Department of Equipment Division submit the required information in accordance with Section 33-3 of the ***County Vehicle Use Ordinance*** along with the request to purchase county vehicles.
- (b) We also recommend the Commission's Fiscal Agency ensures the required information is
- (c) submitted along with the annual request to purchase county vehicles.
- (d)

Views of Responsible Officials

Management agrees with recommendation (a). Management stated, on a go-forward basis, they will provide the required information to the commission in accordance to the **County Vehicle Use Ordinance** with their request to purchase county vehicles. However, in prior years, they were never informed the information was required.

Management agrees with recommendation (b). Management stated they were not aware of the Vehicle Ordinance information requirements when county vehicles purchases are requested. However, going forward, they will review the information provided to the Commission to ensure the required information is submitted along with the request to purchase vehicles.

Compliance with County's Procurement Ordinance

We also assessed compliance with Section 33-3(b) of the **County Vehicle Use Ordinance** to evaluate whether all vehicles purchased were in accordance to the county's procurement ordinance. According to Equipment Division officials, the vehicle purchases were procured through the State of Michigan MiDeal extended purchasing program for local municipalities.

We reviewed Section 120-181 – Authority to participate in cooperative purchasing programs of the Procurement Ordinance. This section states:

“The Purchasing Director may either participate in, sponsor, conduct, or administer a cooperative purchasing agreement for the procurement of supplies, services, or construction services with one or more Public Procurement Units in accordance with an agreement entered into between the participants. Examples of such cooperative purchasing is State of Michigan contracts...”

We spoke to management within the Equipment Division who stated there is always a memo attached to purchase requisitions that states the vehicle purchase transaction is a MiDeal purchase, as well as MiDeal contract information. Additionally, the Director of Purchasing signs, approves, and issues the blanket orders. We were provided documentation for two separate requisitions: one for equipment and another for the purchase of two trucks. Both were dated April 2014. The purchase orders were signed by the county's interim purchasing director and referenced the purchases would be through the MiDeal contract.

We requested confirmation from the county's interim Purchasing Director that a cooperative agreement exist between the county and the State. The interim Purchasing Director stated the county has utilized MiDeal for a number of years.

In addition, we reviewed the MiDeal website and found Wayne County was a listed member eligible to participate in the extended purchasing program.

Based on the information provided and procedures performed, we determined the DPS-Equipment Division to be in compliance with this section of the **County Vehicle Use Ordinance** and the Procurement Ordinance cooperative purchasing program

ASSESS ASSIGNMENT AND MONITORING OF COUNTY VEHICLES

Objective No. 2 – Review the number of vehicles assigned and assess monitoring over vehicle usage.

Conclusion

We met with officials within the Department of Public Services – Equipment Division – Fleet Management Services to acquire an understanding of the process for the assignment of county vehicles to employees and the monitoring of the vehicles' usage. To assess compliance with the county's Vehicle Ordinance, we reviewed vehicle assignment reports from January 2012 through March 2014 to determine the number of assigned county vehicles and the employees assigned to those vehicles. To assess the number of miles incurred on the assigned vehicles, we reviewed fuel usage reports maintained by the DPS – Equipment Division. We also evaluated the control activities established by the DPS - Equipment Division and Management and Budget for monitoring vehicle usage. We reviewed other relevant documents and interviewed management officials as deemed necessary.

As of March 2014, the DPS – Equipment Division reported 140 county vehicles were assigned and comprised the county's fleet. Those vehicles were assigned to the following county departments and DPS divisions:

Department of Public Services – Equipment Division Vehicle Assignment Report As of March 2014

<i>Office/Department/Division</i>	<i>Full-Time</i>	<i>Part-Time</i>	<i>Pooled</i>	<i>Total</i>
DPS - Divisions	41	31	52	124
Office of the CEO	2	-	-	2
Personnel/Human Resources	2	-	-	2
Homeland Security	4	-	5	9
JDF	1	-	-	1
Medical Examiner's Office	-	-	2	2
<i>Assigned Vehicles - Total</i>	<i>50</i>	<i>31</i>	<i>59</i>	<i>140</i>

Source: DPS-Equipment Division

Our examination excluded four county vehicles that are utilized within the Wayne County Offices of the Prosecuting Attorney (1) Register of Deeds (1) County Clerk (2) and Treasurer (no assigned vehicles)¹ given the fact the majority of the county's fleet vehicles are administered by the DPS.

¹ Reported to the Chair of Ways and Means during the period of March 2014 through June 2014.

We determined while management has established policies and procedures over the assignment of county vehicles and reporting of vehicle usage, we found deficiencies within (1) the control environment over assignments; and, (2) monitoring of the vehicles fleet usage that will need to be strengthened.

Inadequate Verification of Driver Eligibility to Operate County Vehicles

Condition

The Department of Public Services (DPS) – Administration has a subscription service with the State of Michigan’s Secretary of State. The Secretary of State will notify DPS, based upon a list of county employees that is provided by DPS to the State, of any licensing actions taken by the state against DPS employees. These actions include suspensions, restrictions, etc.

Communication with senior DPS officials disclosed the following:

- The last time DPS provided an updated employee driver list was 2003.
- A log of driver reports received from the Secretary of State is not maintained nor formally reported to the county leadership officials.
- There are written policies and procedures regarding processing the Secretary of State driving reports. However, DPS cannot request ad hoc reports from the Secretary of State, but has to rely on the state to notify DPS of any licensing actions.
- Driver reports are maintained in the respective employee’s file, however, there is no centralized file of these reports.

In addition, we inquired of the Department of Personnel/Human Resources (P/HR) about their procedure for verifying eligibility for individuals assigned county vehicles for county departments under the CEO’s authority. P/HR officials stated the current vehicle ordinance places the responsibility for the assignment and reporting responsibility on the highest ranking elected official (REO) charged with the responsibility for the operation of a department(s). They also stated that P/HR are not made aware of who has been assigned vehicles countywide and/or when someone uses a pool vehicle.

Criteria

The *County Vehicle Use Ordinance, Sec. 33-5 – Individuals eligible to operate county vehicles* states:

Eligibility requirements for designation to operate county vehicles. The REO may assign county vehicles only to those individuals who meet all of the following requirements:

- 1) Valid Michigan driver’s license;
- 2) The individual is not currently under disciplinary action for the unauthorized use of a county vehicle;
- 3) The individual has not been at fault in two or more accidents involving a vehicle under his or her operation within 12 months; and
- 4) The individual has not received three or more moving violations while operating a vehicle within the past 12 months, or has not been assessed six or more points by the Secretary of State within the past 24 months.

Cause

A DPS Administration official stated they are currently preparing a present day list of employees' assigned county vehicles that will be provided to the Secretary of State in order to review their driving records.

Department of Personnel/Human Resources stated the present *County Vehicle Use Ordinance* places the responsibility on the highest ranking REO for the administration of vehicle usage. Moreover, they stated they are not aware of who has vehicles countywide and/or use a pool car for a day. Management stated, it would seem the representative from the respective department that assigned the vehicle would obtain knowledge at the time of approval and could review their driver's license.

Consequences:

Failure of DPS to provide the Secretary of State with a listing of assigned drivers since 2003 poses an unnecessary risk to the county if an employee is involved in an accident and may be unlawfully driving a county vehicle.

Also, the failure to maintain a centralized file does not allow for a thorough and comprehensive follow-up on those employees who are the subject of a driving report violation.

In addition, failure to establish policy that requires a periodic verification of a driver's eligibility with the Secretary of State for county departments further exposes the county to great risk in the event of an accident.

Recommendation 2014-02 – Compliance -Significant Deficiency

We recommend management within:

- (a) The Department of Public Services – Administration Division:
 - ❖ Provide an updated employee driver list to the Secretary of State as soon as possible.
 - ❖ Work collaboratively with the Michigan Secretary of State to enable DPS to request driver reports on an ad hoc basis.
 - ❖ Maintain a log of driver reports received from the state in order to monitor each report from receipt through corrective action required to reinstate the employee's driving privileges.
- (b) The Department of Personnel/Human Resources implement a countywide policy and procedures requiring all elected officials to obtain a verification of drivers' eligibility with the Secretary of State that are assigned a county vehicle to conduct county business.

Views of Responsible Officials

Management agrees with the recommendation (a). The Michigan Secretary of State was provided in November 2014 an updated list of Wayne County drivers that operate assigned vehicles from the Department of Public Services. This will enable the Secretary of State's Office to provide DPS with notification anytime an employee has their driving privileges suspended or revoked, in addition to any tickets on their record that they may receive.

As far as a log of driver reports, we agree that DPS can put together a log of driver reports, although the employee is responsible for providing proof to their supervisor that their driving privileges have been reinstated in order to be able to drive a county vehicle again. Therefore, we feel that creating a log of driver reports would not necessarily provide any additional efficiency to the process already in place.

We also agree that the Personnel/Human Resources Department should have a central process and procedure to verify driver eligibility for individuals in departments under the authority of the CEO and other elected officials' departments.

Management agrees with the recommendation (b). The Department of Personnel/Human Resources recommends doing the following:

1. Draft an ordinance acknowledgment for department/office use for those with Wayne County vehicles and those using Wayne County vehicles;
2. Amend position descriptions of applicable executives, managers and supervisors requiring knowledge and adherence to the ordinance;
3. Draft or align a Wayne County policy regarding the vehicle ordinance requirements;
4. Place the policy on the Wayne County websites; and
5. Amend the employee handbook to reference the policy.

As a clarification of our position, we will draft a Wayne County Policy regarding the vehicle ordinance and communicate it enterprise-wide. However, it is appropriate for the individual elected offices to draft their respective procedures for verifying driver eligibility for employees assigned a county vehicle in their office. Perhaps the procedure used by DPS could be used as a model for other elected offices.

Underreported Imputed Fringe Benefits

Condition

Wayne County maintains a fleet of county owned vehicles. A number of these vehicles are assigned to county employees on either a part-time or full-time basis to be used for county business. A county employee who has the use of a county vehicle on a full-time basis receives a taxable fringe benefit based on the calculated personal use (commuting) of the vehicle. This fringe benefit is an imputed calculation which is recorded on the employee's W-2 as additional compensation.

The Department of Management & Budget – Payroll Division (Payroll) maintains a spreadsheet of an employee's vehicle usage to calculate the taxable fringe benefit. Employees assigned county vehicles are to submit to Payroll a monthly vehicle usage log indicating the number of business days their assigned vehicle was used for county business during a given month. At year-end, the total number of business days reported is multiplied by \$3 to arrive at the taxable portion of the fringe benefit. This amount is added to the employee's W-2. The \$3 per day charge is based on the Internal Revenue Service's (I.R.S.) **Commuting Rule** computation for the taxable portion of the fringe benefit.

Our review of Payroll's calendar year 2012 imputed value spreadsheet, which listed 47 employees, noted the following exceptions:

- Fourteen (14) county employees listed on the M&B spreadsheet did not submit a mileage log every month; and
- Two (2) employees included on the spreadsheet did not submit any monthly vehicle usage logs for the entire fiscal year.

Also, we identified an additional 14 employees assigned a county vehicles that were not on the M&B spreadsheet who did not submit their monthly vehicle usage logs during fiscal year 2012 for the months the vehicles were used.

In total, we calculated an underreporting of taxable fringe benefits for the above employees in the amount of approximately \$21,000 for fiscal year 2012.

From our discussions with payroll officials, for those employees that failed to report or underreported, payroll officials have recomputed the imputed wages amount for 2013. They intend to issue amended 2013 W-2s for those employees who did not fully report their vehicle usage and report the corrections to the IRS.

For 2013, the Payroll Division recalculated approximately \$12,000 in underreported wages for employees that had not been fully reported during fiscal year 2013.

Criteria

The *County Vehicle Use Ordinance, Sec. 33-10 – Records* states:

"IRS usage report. Each person who is assigned a vehicle which is taken home shall file a monthly usage report with the Department of Management and Budget to enable required reporting to the Internal Revenue Service."

The Internal Revenue Service's **Publication 15-B, Employer's Tax Guide to Fringe Benefits**, provides alternative methods to value fringe benefits. Payroll uses the **Commuting Rule** to calculate the imputed amount of the fringe benefit. Under this rule, the value of a vehicle provided to an employee is determined by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50, which results in \$3 per day. According the IRS code, this amount must be included in the employee's wages or reimbursed by the employee.

The commuting rule can be used if the following requirements are met:

- The vehicle is provided to an employee for use in the employer's trade or business, and for bona fide noncompensatory business reasons, the employee is required to commute in the vehicle.
- A written policy is established under which the employee is not allowed to use the vehicle for personal purposes other than for commuting or *de minimis* personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home). Personal use of a vehicle is defined as all use that is not for an employer's trade or business.

The employee does not use the vehicle for personal purposes other than commuting and *de minimis* personal use.

Cause

Payroll Division has not established follow-up procedures to ensure all employees assigned a full-time county vehicle are accounted for and the required monthly vehicle usage logs are submitted.

M&B Payroll relies on each county employee to report their monthly usage report. According to an M&B official, a communication is not sent to each county employee informing them of the requirement to submit their monthly vehicle usage logs.

Consequences

Failure to adequately document reporting requirements for the IRS increases the risk that other alternative valuation methods may be required to be used should the IRS become aware of the current reporting deficiencies. The alternative methods include the following:

- ***Employer-provided vehicles (Fair Market Value)***
 - In general, the Fair Market Value of an employer-provided vehicle is the amount the employee would have to pay a third party to lease the same or similar vehicle on the same or comparable terms in the geographic area where the employee uses the vehicle. A comparable lease term would be the amount of time the vehicle is available for the employee's use, such as a 1-year period.

Or,

- ***Lease Value Rule***
 - Under this rule, the value of an automobile provided to an employee is determined by using its annual lease value. If the automobile is used by the employee in the employer's business, the lease value is generally reduced by the amount that is excluded from the employee's wages as a working condition benefit. In order to do this, the employee must account to the employer for the business use. ***This is done by substantiating the usage (mileage, for example), the time and place of the travel, and the business purpose of the travel. Written records made at the time of each business use are the best evidence. Any use of a company-provided vehicle that is not substantiated as business use is included in income.*** (Emphasis added.)

Either of these two alternative methods could result in a substantial amount of taxable wages to the employee.

Recommendation 2014-03 – Significant Deficiency

We recommend:

- (a) The Department of Management & Budget - Payroll Division:
 - ❖ Establish policies and procedures to ensure all employees assigned a full-time county vehicle are submitting the required monthly vehicle usage logs.
 - ❖ Work collaboratively with management within the DPS-Equipment Division to obtain a current listing of all county employees assigned a full-time county vehicle and ensure they receive the bi-annual Vehicle Assignment Report when disseminated to the Wayne County Commission.
- (b) The Department of Personnel/Human Resources provide an acknowledgment statement of the Vehicle Ordinance to the Responsible Elected Officials to disseminate to all county employees assigned a full-time vehicle which emphasizes the reporting requirements for the IRS, maintaining vehicle mileage logs, and potential consequences for non-compliance.

Views of Responsible Officials

Management agrees with recommendation (a). The current ordinance places the assignment and reporting responsibility on the highest ranking elected official charged with the responsibility for the operation of a department or departments, as they are responsible for the full administration of vehicle usage. However, Management and Budget will continue to pursue best practices in terms that relate to the safeguarding of County assets.

Policies and procedures are being developed to ensure that imputed fringe benefits are properly reported and a mechanism for reporting personal usage of vehicles whether or not vehicle usage reports are submitted. The policy will include maintaining a current listing of all County vehicles who has a full-time assignment to the vehicle (provided by each separate elected official if not maintained by the Department of Public Services); a periodic acknowledgment by employees of the required reporting requirements for the imputed fringe benefits; and, a mechanism for reporting personal usage of the vehicle. The delegation of duties relating to these policies will be identified as the policy is developed.

Management agrees with recommendation (b). The current **Vehicle Ordinance** places the assignment and reporting responsibility on the highest ranking elected official charged with the responsibility for the operation of a department or departments, as they are responsible for the full administration of vehicle usage. Moreover, we are not made aware of who has vehicles enterprise-wide and/or when someone receives vehicle privileges (pool cars), which may only be for a day.

It has been established that representatives from DPS who assign the vehicle for CEO department employees, would obtain acknowledgment (to include information regarding the IRS

reporting requirement). Similarly, it is appropriate for the individual elected offices to disseminate the acknowledgment to employees assigned a County vehicle in their office (we recommend using the same acknowledgment as CEO departments). Again, Personnel/Human Resources offer to do the following:

1. Draft an ordinance acknowledgment for department/office use for those with Wayne County vehicles and those using Wayne County vehicles;
2. Amend position descriptions of applicable executives, managers and supervisors requiring knowledge of and adherence to the ordinance;
3. Draft or align a Wayne County policy regarding the vehicle ordinance requirements (to include IRS reporting requirements);
4. Place the policy on the Wayne County websites; and
5. Amend the employee handbook to reference the policy.

The above is offered as a constructive alternative in the efficient administration of the ***County Vehicle Use Ordinance***.

Reduce Pool Vehicle Fleet

Condition

Wayne County maintains a fleet of county owned vehicles. A number of these vehicles are classified as “Pool” vehicles and are assigned for use by county employees on an intermittent basis when it may be impractical to require use of their personal vehicles.

We obtained and reviewed the Department of Public Services – Equipment Division – Fleet Management Services *Vehicle Assignment Report* for December 2013. This report lists vehicles assigned to each county department. Included on this listing were 54 vehicles classified as “Pool.” Our review of the 54 Pool vehicles disclosed the following:

- The county’s annual operating costs for these 54 vehicles for fiscal years 2012 and 2013 was approximately \$325,000 or average cost of \$6,000, and \$302,000 or average cost of \$3,200, respectively.
 - (Note: Annual operating costs include insurance, maintenance, fuel cost and amortization of vehicle purchase price through annual depreciation charges.)
- Total mileage incurred for the 54 vehicles for fiscal year 2012 was approximately 399,000 or an annual average of 7,400. For FY 2013, total miles incurred were nearly 324,000 or an annual average of 6,000.
- We determined 48, or 88.9%, of the 54 vehicles should have been disposed per the requirements of the ***County Vehicle Use Ordinance***. The county’s annual operating cost for the 48 vehicles for fiscal years 2012 and 2013 was approximately \$285,000 and \$259,000, respectively.
- We also determined 13, or 24.1%, of the 54 vehicles had minimal usage during each fiscal year. Based on our assessment, we determined the average number of miles driven per vehicle for fiscal years 2012 and 2013 was approximately 3,200 and 3,800 miles per year, respectively.

- For the 13 vehicles, the county's average annual operating costs per vehicle for fiscal years 2012 and 2013 was approximately \$5,500 and \$4,500, respectively.

Criteria

The *County Vehicle Use Ordinance, Sec. 33-7 – Assignment of County Vehicles (b)* states the following:

- (1) *Type 1 – Pool vehicle.* If a department requires frequent, but intermittent use of a vehicle for varied employees *for whom it is impractical to require use of their personal vehicles [emphasis added]*, a pool vehicle may be assigned.

The *County Vehicle Use Ordinance, Sec. 33-11 – Replacement of vehicles* states:

- (a) Passenger automobiles and four-wheel (4X4) vehicles shall be normally replaced after 70,000 miles or four years of use, whichever occurs first.
- (b) All other county vehicles shall normally be replaced after 80,000 miles or five years of use, whichever occurs first.

Cause

Based on discussions with DPS-Equipment Division officials, a cost benefit analysis of the vehicle fleet has not been conducted. In addition, due to economical reasons, the replacement of trucks and vehicles are initially assessed against the division's needs to maintain county roads.

Consequences

In addition, because 48, or 88.9%, of the county's 54 pool vehicles could be replaced, and because of the under utilization of the 54 pool vehicles based on our analysis of the average annual number of miles driven, the county may be:

- (a) Incurring unnecessary and/or excessive operating costs to maintain its fleet of pool vehicles.
- (b) Assigning pool vehicles to county departments that are not required based on departmental need.
- (c) Maintaining an excess total number of pool vehicles.

Alternatively, based on our analysis, had county employees been reimbursed mileage for the use of their personal vehicles when conducting county business, instead of utilizing the pool vehicles, the county could have realized potential savings of approximately \$49,000 in fiscal year 2012 and \$32,000 in fiscal year 2013.

Recommendation 2014-04 – Operational Control Deficiency

We recommend the Department of Public Services – Equipment Division – Fleet Management Services conduct a cost and utilization analysis by county department of vehicles categorized as "Pool" vehicles to determine if:

- (a) The number of pool vehicles could be reduced or eliminated;
- (b) Vehicles are assigned equitably based on departmental needs; and

- (c) Vehicles are disposed of in accordance with the replacement of vehicles requirements of the *County Vehicle Use Ordinance*.

Views of Responsible Officials

Management agrees with the recommendation. The language in the Wayne County Vehicle Use Ordinance does state that vehicles shall be normally replaced after 70,000 miles or four years of use, whichever occurs first. However, financially this is not possible; as budget constraints do not allow the Equipment Division to procure approximately 200 vehicles per year at a cost of \$18 - \$300 thousand dollars each. To replace 48 sedans, your third bullet-point on page one, would cost over \$1 million.

Equipment Division does not agree with the use of personal vehicles as being a better option than the pool vehicles currently assigned within the fleet. The methodology you applied indicated potential savings of \$32 - \$49 thousand dollars. Notwithstanding these figures; have you considered the time/labor expense of processing mileage reimbursements; vetting the information; the reliability and image projection of personal vehicles used on County business; and legalities if the driver has a mechanical breakdown, or is in an accident while driving their personal vehicle?

Additionally, although it is true some pool vehicles are not utilized as often as others, the need for pool vehicles to be available is important to the operating divisions. Do keep in mind, there are seasonal factors associated with the demand for pool vehicle usage (for example, construction season in summer months); a significant reduction in pool vehicle quantities would create unacceptable impediments.

We acknowledge your recommendations, and will take this information into consideration. Furthermore, we will conduct further analysis, factoring in our operational needs and other risk factors, with the goal of determining if a reduction in the number of pool cars is warranted.

County Vehicle Mileage Logs Are Not Being Maintained

Condition

To evaluate whether county employees within the divisions of the DPS that were assigned a full-time vehicle, or utilized a county vehicle on a part-time or pooled basis as of December 2013, were completing mileage logs, and we held discussions with several Division Directors.

We spoke with the Director of the DPS-Equipment Division to ascertain if the division was maintaining vehicle logs as required by the Ordinance for each assigned county vehicle. Based on our discussion, we were informed mileage logs are not maintained for the two (2) full-time vehicles that are assigned to his division.

However, we did note county employees that are assigned fuel chip keys, which allow an employee to fuel their vehicles at various DPS maintenance yards, are required to input their odometer reading at this time of fueling. This information is captured electronically in the DPS Petro-Venn system. The Equipment Division Director also stated he's only responsible for

county vehicles that are assigned to his division and not vehicles assigned to other DPS divisions.

To assess whether other DPS Divisions were maintaining mileage logs, we spoke with the Director and Deputy Director of the Engineering Division. The Director indicated that vehicle mileage logs for full-time, part-time and pooled vehicles are not maintained, nor is there an established policy and procedure. There are five (5) Engineering Divisions under the Director's oversight. County personnel within these divisions utilize 17 assigned vehicles on a full-time basis; four-part time, and nine pooled vehicles for a total of 30 vehicles.

We also corresponded with the Director of the Roads Division – Administration. He indicated that vehicle logs are not required for his division because vehicle usage is accounted for through the employee's time entry and time reporting sheets. Any discrepancies would be addressed when their daily time is approved. In addition, we reviewed a sample of the Roads Division – Administration's pool vehicle logs. We noted the logs often did not contain required information, such as destination, time vehicle was signed out, time vehicle was returned, and mileage incurred during the vehicle's use. There are seven (7) Roads Divisions under the Director's oversight and 32 assigned vehicles on a full-time basis; seven (7) part-time, and 18 pooled vehicles for a total of 57 vehicles as of December 2013.

Finally, we requested and assessed mileage logs maintained by the Director of the Parks Division for loaner (pool) vehicles for 2012 and 2013. We noted the following:

- Mileage incurred was not recorded in the logs.
- Reason for using the pool vehicle was not always recorded.
- Numerous instances in the 2013 log where the vehicle Brass Tag number was not recorded. Rather, a description of the vehicle was entered. (For example, "white car," "black car," "gray," etc.)

As of December 2013, the Parks Division was assigned four (4) pool vehicles.

Criteria

The Wayne County Vehicle Ordinance, Section 33-10(c) states:

Logs are required to be compiled for each county vehicle. The REO or his or her designee(s) shall be responsible for maintaining a log for each county vehicle throughout the life of the county's use of that vehicle containing the following information:

- Operator's or operator's name;
- Purpose for county vehicle's operation;
- Mileage incurred during the county vehicle's operation;
- Accidents incurred in the vehicle's operation, and the name of the person operating the vehicle at the time of the accident; and
- When obsolete, the ultimate disposition of the county vehicle.

Cause

Each DPS Division Director is assigned responsibility to maintain mileage logs for county vehicles assigned to their employees.

Consequences

By not maintaining the required vehicle logs as required by the **County Vehicle Use Ordinance**, management within the various DPS divisions are not in compliance with the **County Vehicle Use Ordinance**. Further, because DPS has not implemented uniformity over the mileage record keeping function across divisions, this control deficiency reduces the department's senior management and the Commission's oversight responsibility to monitor and assess the actual use of these county vehicles in furtherance of county business.

Additionally, without maintaining the vehicle mileage logs distinguishing business miles from personal use, a third party could assert the vehicles were utilized primarily for personal use and therefore, an imputed cost would be required to be reported by the county as a fringe benefit on the employee's annual wage report (i.e., W-2).

Recommendation-2014- 05 - Operational Control Deficiency

We recommend:

- (a) Responsible Elected Officials and senior management within the Department of Public Services establish policy and procedures for preparing the required mileage logs for each (i.e., full-time, part-time and pool) county vehicle throughout the life of the use of that vehicle.
- (b) We also recommend Responsible Elected Officials and senior management within DPS compile for each county vehicle under their administration, the following information, and that it be submitted in a summary form to the Commission Chair in April and October of each year to comply and enhance the reporting requirement in Section 33-10 of the **County Vehicle Use Ordinance**:
 - The Year, Make and Model of the assigned vehicle;
 - The employee's name, job title, assigned department, and purpose for assigning the employee the vehicle;
 - Whether the assignment is for a take home vehicle and justification for the assignment;
 - Documented evidence of a calculation of the economic benefit to the county for assigning a take home vehicle;
 - Identify the county business when using the county vehicle;
 - Mileage incurred during the county vehicle's operation;
 - A record of all maintenance on the vehicle;
 - Accidents incurred during the vehicle's operation, and the name of the employee operating the vehicle at the time of the accident;
 - A record of any revocation or suspension of an employee's county vehicle use and cited reasons for the revocation or suspension; and

- When obsolete, the ultimate disposition of the county vehicle.

Views of Responsible Officials

Management agrees with the recommendation. Equipment Division management recognizes that improvements can be made to standardize portions of vehicle logs across all divisions within the Department of Public Services. However, it should be pointed out that the majority of the recommendations provided by your office are already the standard procedure. Concerning the bullet points in the findings recommendation section, and per the ***County Vehicle Use Ordinance***, the compilation for each County vehicle must include the following information:

- ***The Year, Make and Model of the assigned vehicle.*** This information is currently captured in the JD Edwards database, and is in compliance with the ***County Vehicle Use Ordinance***.
- ***The employee's name, job title, assigned department, and purpose for assigning the employee the vehicle.*** This information is currently captured on the Motor Vehicles Release Form, and is in compliance with the ***County Vehicle Use Ordinance***.
- ***Mileage incurred during the County vehicle's operation.*** Vehicle mileage is captured in both the Petro-Vend fuel system; and in the JD Edwards database during vehicle repairs and maintenance. This information is currently captured and in compliance with the ***County Vehicle Use Ordinance***.
- ***A record of all maintenance on the vehicle.*** This information is currently captured and in compliance with the ***County Vehicle Use Ordinance***.
- ***Accidents incurred during the vehicle's operation, and the name of the employee operating the vehicle at the time of the accident.*** This information is currently captured and in compliance with the ***County Vehicle Use Ordinance***.
- ***A record of any revocation or suspension of an employee's County vehicle use and cited reasons for the revocation or suspension.*** Revocations are obviously dealt with on an individual basis, as each occurrence has unique circumstances. In some cases, information provided by Michigan Secretary of State triggers a revocation; other times a revocation may be due to disciplinary consequences. However, in all instances, this information is currently captured and in compliance with the ***e County Vehicle Use Ordinance***.
- ***When obsolete, the ultimate disposition of the County vehicle.*** As has always been the case, this information is currently captured and in compliance with the ***County Vehicle Use Ordinance***.

We feel that where individual vehicle use logs have been maintained, we are in full compliance with the Wayne County Vehicle Use Ordinance; and where there is a lack of complete information contained on individual vehicle use logs, we will improve our compliance. We acknowledge your recommendations, and will take this information into consideration. Furthermore; we will conduct additional analysis, factoring in our operational needs and other risk factors, with the goal of developing standardized logs and uniform adherence within the department.

Reduce Full Time Vehicle Fleet

Condition

Wayne County maintains a fleet of county owned vehicles. A number of these vehicles are assigned to county employees for use on a full-time basis, which allows the employee to use the vehicle 24 hours a day/ 7 days a week.

We obtained and reviewed the Department of Public Services – Equipment Division – Fleet Management Services *Vehicle Assignment Report* for December 2013. This report listed vehicles assigned to each county department. Included on this listing were 70 vehicles assigned as full-time to county employees.

We selected a judgmental sample of 26 vehicles, (37% of the 70 vehicles), to review whether the annual number of miles driven complied with the county's *Vehicle Use Ordinance* requirement for the assignment and use of a county vehicle. Because we found vehicle mileage logs were not being maintained, we reviewed fuel usage reports over a two year period, FYs 2012 and 2013, to assess the number of miles being incurred on the vehicles. Our calculation of business miles driven in a year was based on annual vehicle mileage less 13,476, which represents the standard average number of miles driven in a year as published by the United States Department of Transportation (USDOT). These miles primarily pertain to personal and commuting miles incurred in one year.

Our evaluation defined annual operating costs to include insurance, maintenance, and amortization of the vehicle's purchase price through annual depreciation charges.

Our assessment of these 26 full-time vehicles disclosed the following:

- We determined that 13 of the 26 vehicles incurred no business miles annually. (See table below).
 - For the 13 vehicles, the county's combined annual operating costs for both fiscal years 2012 and 2013 totaled approximately \$188,000, an annual average cost of \$7,200/per vehicle for the two year period.
 - We are of the opinion had the county eliminated the vehicles given the fact the employees did not substantiate the vehicles were used for more than 1,000 miles per month conducting county business, the county could have saved and/or reduced the annual operating costs.
 - Alternatively, had employees received a monthly car allowance of \$400 per month for the use of their personal vehicles, instead of utilizing the full-time vehicles, the county could have realized savings of approximately \$32,000 in fiscal year 2012 and \$23,700 in fiscal year 2013.

Full-Time Vehicles Vehicles with No Annual Business Miles			
Division	Employee Position	Vehicle Model	Vehicle Year
Roads Division – Sign Shop	Dept. Mgr. III	Ford Taurus	2007
Equipment Division	Director	Ford F-150	2013
	Assistant Director	Ford Explorer	2007
Buildings Division	Director	Chevy Impala	2007
Engineering Division – Lab	DM II	Ford F-150	2010
Department of Personnel	Safety Engineer	Ford Explorer	2008
	Safety Engineer	Ford Explorer	2002
Engineering Division – Permits	Engineer VI	Ford Taurus	2007
Engineering Division – Administration	Division Director	Ford Fusion	2010
Engineering Division – FEO	Engineer	Ford Fusion	2010
DPS - Administration	Deputy Director	Ford Explorer	2007
	Deputy Director	Ford Taurus	2013
Roads Division – Administration	Deputy Director	Ford F-150	2010

- We also determined eight (8) of the 26 vehicles did incur minimal annual business miles. (See table below).
 - The county's combined annual operating costs for these eight (8) vehicles for both fiscal years 2012 and 2013 totaled approximately \$150,000, an annual average cost of \$9,400/per vehicle for the two year period.
 - Had county employees received a monthly car allowance of \$400 per month for the use of their personal vehicles when conducting county business, instead of utilizing the full-time vehicles, the county could have realized savings of approximately \$36,600 in fiscal year 2012 and \$37,000 in fiscal year 2013.
 - Alternatively, had county employees been reimbursed mileage at a rate of 55 cents/per mile for the use of their personal vehicles when conducting county business, instead of utilizing the full-time vehicles, the county could have

realized savings of approximately \$67,000 in fiscal year 2012 and \$61,000 in fiscal year 2013.

Full-Time Vehicles			
Vehicles with Minimal Annual Business Miles			
Division	Employee Position	Vehicle Model	Vehicle Year
Roads Division - Maintenance	Dept. Mgr. III	Ford Fusion	2013
	Dept. Mgr. III	Ford F-150	2010
Engineering Division – Lab	Engineer VI	Ford Fusion	2010
Engineering Division - FEO	Senior Project Supervisor	Ford F-150	2010
	Assistant Division Design Engineer	Ford Taurus	2010
Engineering Division - Design	Assistant Division Director	Ford Taurus	2006
Roads Division - Administration	Division Director	Ford Fusion	2010
	Engineer VII	Ford Fusion	2010

- Finally, for five (5) of the 26 vehicles, we found the vehicles incurred relatively substantial business miles annually. (See table below).
 - The county's combined annual operating costs for these five (5) vehicles for fiscal years 2012 and 2013 totaled approximately \$102,000 or an annual average cost of \$10,200/per vehicle for the two year period.
 - Had county employees received a monthly car allowance of \$400 per month for the use of their personal vehicles when conducting county business, instead of utilizing the full-time vehicles, the county could have realized savings of approximately \$29,000 in fiscal year 2012 and \$25,000 in fiscal year 2013.
 - We are of the opinion had county employees been reimbursed mileage at a rate of 55 cents/per mile for the use of their personal vehicles when conducting county business, instead of utilizing the full-time vehicles, the county could have realized savings of approximately \$16,600 in fiscal year 2012 and \$22,300 in fiscal year 2013.

Full-Time Vehicles Vehicles with Substantial Annual Business Miles			
Division	Employee Position	Vehicle Model	Vehicle Year
Parks Division	Director	Ford F-150	2013
Engineering Division - Permits	Dept. Mgr. III	Ford F-150	2010
Roads Division - Forestry Operations	Dept. Mgr. V	Ford Fusion	2010
Roads Division – Bridge Maintenance	Dept. Mgr. III	Ford F-150	2010
Roads Division - Administration	Engineer	Chevy Blazer	2005

Criteria

The *County Vehicle Use Ordinance, Sec. 33-7 – Assignment of County Vehicles (b)* states the following:

Type 2 – Administrative vehicle. County appointed department directors and deputy directors, with the approval of their REO, are eligible to be assigned an administrative vehicle for use on county business and public events.

Type 3 – Job required vehicle. If a job requires the regular use of a vehicle for more than 1,000 miles per month for county business on an on-going basis, a job required vehicle may be assigned.

The *County Vehicle Use Ordinance, Sec. 33-10 – Records* states:

- (c) *Logs required to be compiled for each county vehicle.* The REO or his or her designee(s) shall be responsible for maintaining a log for each county vehicle throughout the life of the county's use of that vehicle containing the following information:
- Operator's or operators' name(s).
 - Purpose for county vehicle's operation.
 - Mileage incurred during the county vehicle's operation.

Cause

Based on discussions with DPS-Equipment, a cost benefit analysis of the vehicle fleet has not been conducted. In addition, detailed mileage logs for each county vehicle are not maintained.

Consequences

Given the fact detailed mileage logs are not maintained for each county fleet vehicle, and because of the under utilization of the full-time vehicles, based on our analysis of the average annual number of miles driven for 26 of the 70 vehicles assigned on a full-time basis, the county:

- (a) Could have realized the following savings over FYs 2012 and 2013:
 - a. \$188,000 in annual maintenance costs by eliminating 13 vehicles assigned to county employees whose business usage of the vehicle was not substantiated. The saving does not factor in the replacement cost of the vehicles on a go-forward basis.
 - b. \$183,000 had the 26 employees assigned a county vehicle been provided a monthly car allowance of \$400, or
 - c. \$167,000 for 13 employees that incurred minimal or substantial business miles had they been reimbursed mileage for the use of their personal vehicles.
- (b) May be assigning full-time vehicles to county departments that are not required based on departmental utilization and needs.
- (c) May be maintaining an excess number of full-time vehicles.

Recommendation 2014-06 – Control Deficiency - Design

We recommend the Department of Public Services – Equipment Division – Fleet Management Services:

Conduct a cost and utilization analysis by county department of vehicles categorized as full-time to determine if:

- (a) The number of full-time vehicles could be reduced or eliminated; or
- (b) Eliminate the assignment of full-time vehicles and provide county employees either a monthly car allowance or provide mileage reimbursement for conducting county business on a limited basis, (12,000 miles or less annually).

Views of Responsible Officials

Management agrees with the recommendation. Equipment Division was not informed which County vehicles were reviewed by the OAG when the judgmental sample of 26 vehicles was selected. Obviously, different County-owned vehicles perform varying tasks at varying locations. In some cases, employees may not wish to take their personal-vehicles into active construction zones, where vehicle damage is far more likely; and where their vehicles may not be suited for the terrain. Additionally, certain County-owned vehicles, that have full-time status, utilize features that are necessary for County business, and may not be available on a personal-vehicle. These features include, but are not limited to:

- County radios
- Emergency lighting
- Automatic Vehicle Location (AVL)
- Computer docking stations
- Distance Measuring Instruments (DMI)
- RoadWatch temperature sensors
- Trailer towing capabilities

These concerns will be included when we conduct an analysis of vehicle needs and options.

OAG Response to Management's Comments

During our discussion of the finding with the Director of the DPS-Equipment Division, we provided a list of the 26 vehicles selected for testing. None of the 26 vehicles selected appeared to need required specialized equipment.

Loaner Pool Logs Are Incomplete

Condition

During our assessment of the DPS Equipment Division's *Loaner Pool Logs*, we determined that some of the logs or forms had missing or incomplete information. For our scope period, we selected 12 loaner pool logs for review, and noted 10, or 83 percent, contained missing or incomplete information. Noted conditions on the forms included, but were not limited to:

- The brass tag number that identifies the employee's vehicle that was down was left blank.
 - As an example, we were unable to determine what type of repairs were made to various assigned employees' vehicles, for which a loaner vehicle was obtained, because the brass tag number was not recorded.
- The date the loaner vehicle was returned could not be determined;
- The mileage reported when taking the loaner vehicle out did not align with the mileage reported when the vehicle was returned;
- The assigned vehicle operator obtaining the loaner vehicle and signature of the employee returning the vehicle were different; and
- We found instances where the equipment repair supervisor receiving the returned vehicle signed with their initials, but they were not legible. A signature and date of the DPS employee accepting the vehicle was not required on the form.

Criteria

The Wayne County Department of Public Services, Standard Operating Procedure Manual, Equipment and Fleet Management rule 17.19 states:

Whenever a vehicle is on loan to any employee, the Equipment Repair Supervisor will keep a written record to include the following:

- Loaned vehicle brass tags
- Date issued and returned
- Assigned operator
- Mileage in and mileage out
- Purpose

Cause

According to the DPS – Equipment Management, the Equipment Repair Supervisor(s) is responsible for accuracy on the information reported on the Loaner Pool log form, initializing the

form when the vehicle is returned, and should document the mileage and any visual damage to the returned vehicle.

Consequences

By not assuring complete and accurate information is obtained when loaner vehicles are released and returned, and that the responsible DPS supervisor provide valid and legible sign-offs, these inactions are not in compliance with the department's operating procedures and reduces accountability, which could place the county at considerable risk of abuse.

Recommendation-2014-07– Operational Control Deficiency

We recommend DPS-Equipment Division management:

- (a) Assure that all loaner pool logs are adequately completed when a vehicle is released and returned, including identifying the purpose for obtaining the loaned vehicle; and,
- (b) Revise the loaner pool vehicle form to add a signature line and dates to the loaner pool log; this will allow the equipment repair supervisor to sign and date the vehicle form when released and returned after examining its overall condition.

Views of Responsible Officials

Management agrees with the recommendations. DPS-Equipment Division management agreed with the recommended corrective measures.

Reporting on Use of County Vehicles

Condition

The Department of Public Services maintains a fleet of vehicles that are both assigned to certain employees on a full-time basis, as well as maintaining other (pool) vehicles that are available for use by county employees.

We were informed by the Equipment Division Director that a vehicle assignment report has been submitted to the Commission once per year and not in April and October as required by the county's ***Vehicle Use Ordinance***. The report submitted to the Commission and OAG is entitled the "Vehicle Assignment Report." We reviewed the Vehicle Assignment Reports as of July 2012, January 2013, and March 2014, and determined the submitted reports did not contain all of the information required by the ***Vehicle Use Ordinance*** for each vehicle.

We noted the information missing from the report was:

- Purpose for vehicle,
- Mileage incurred per vehicle,
- Reported accidents, and
- Obsolescence data and vehicle disposition.

Criteria

The *Wayne County Vehicle Use Ordinance* Chapter 33, Section 33.10 Records (c) states that logs are required to be compiled for each county vehicle. The Responsible Elected Official (REO) or his or her designee(s) shall be responsible for maintaining a log for each county vehicle throughout the life of the county's use of that vehicle containing the following information:

- (1) Operator's or operator's name(s);
- (2) Purpose for county vehicle's operation;
- (3) Mileage incurred during the county vehicle's operation;
- (4) Accidents incurred in the vehicle's operation, and the name of the individual operating the county vehicle at the time of the accident; and
- (5) When obsolete, the ultimate disposition of the county vehicle.

The REO is defined in the *County Vehicle Use Ordinance* and means the highest ranking official charged with the responsibility for the operation of a department or departments which purchase, lease or operate a county vehicle or vehicles.

In addition, Chapter 33, section 33.10 (d) states the REO or his or her designee shall also be responsible for submitting a summary of all of the information required to be compiled in subsection (c) to the commission through its chairperson in April and October of each year for its information and consideration. The REO may submit recommendations regarding additional policies designed to promote economy and accountability within the county vehicle fleet.

Cause

We were informed by Equipment Division Director, that he was not aware, until contacting other DPS leadership officials, the Vehicle Assignment Report being submitted to the Commission on an annual basis was required to be submitted in April and October of each year nor was he aware of the attributes to be included in the report. He stated he has been in his position since October 2012.

Consequences

By not maintaining and submitting vehicle reports to the Commission as required, DPS Equipment is out of compliance with the *County Vehicle Use Ordinance*. More importantly, by not providing the mandated information timely and as requested, limits the Commission's ability to monitor the usage of the county's fleet vehicles and enforce the *County Vehicle Use Ordinance*.

Recommendation-2014-08 - Operational Control Deficiency

We recommend management within the DPS-Equipment Division comply with the *County Vehicle Use Ordinance* and ensure that the pertinent information requested by the Commission is maintained and submitted to the Commission on a semi-annual basis (April and October).

Views of Responsible Officials

Management agrees with recommendation. DPS-Equipment Division management agreed to provide the requisite information as mandated by the **County Vehicle Use Ordinance**.

ASSESS IDENTIFICATION, REPLACEMENT, AND MAINTENANCE OF COUNTY VEHICLES

Objective No. 3 – Review and assess how county vehicles are identified, replaced and maintained.

Conclusion

Replacement of Vehicles

To assess whether vehicles were being replaced within the requirements of the **County Vehicle Use Ordinance**, we reviewed the auction accounting reports for September 2013 and May 2014 to determine if the vehicles sold were in compliance with the ordinance's criteria. Based on our review of the two auction reports, the vehicles sold were in compliance with Section 33-11 – Replacement of Vehicles - disposal criteria in terms of age (4years or older) and mileage (70,000 miles) incurred.

The two auctions included vehicles and equipment from several county departments/agencies. The gross auction proceeds received from the two auctions were approximately \$192,000 for September 2013 and \$122,000 for May 2014. Gross proceeds were deposited into the Roads Fund 201. After deducting service fees, towing fees, and title searches, each applicable county fund from which the assets originated received its share of net proceeds. We traced the net proceeds to the county's general ledger without exception.

However, DPS-Equipment management will need to ensure a summation of the auctions/disposal of county vehicles is communicated to the Commission in April and October of each year in its summary report.

Vehicle Maintenance

We discussed with DPS-Equipment Division management what constitutes preventive maintenance on the county vehicles. According to management, preventive maintenance primarily consists of oil and fluid changes. Management also provided periodic communications sent to other Roads Divisions, over our scope period, stating that oil changes were due for light vehicles assigned to their divisions.

DPS-Equipment Division has contracted with a third party vendor to perform the periodic oil changes. Management provided a competitive bid tally sheet listing the respondents and bid proposals.

Our review of the bid tally sheet revealed the award went to the lowest bidder and the procurement was approved by the Interim Purchasing Director on March 25, 2014. The contract was not to exceed \$43,450 for a two-year term commencing April 2014 through March 2016. Given the fact the procurement was less than \$50,000, the procurement was in compliance with the county's Procurement Ordinance. The cost of the oil changes were \$16.50 for vehicles, \$17.75 for light trucks, and \$45 for diesel trucks.

We reviewed several invoices from the vendor that included the employee's signature, the work performed, make, model, year, license plate number and the county's brass tag or identification number for the county vehicles.

In addition, county employees are able to bring their vehicle to the Central Maintenance Yard (CMY) for other mechanical services and obtain a loaner (pool) vehicle in the interim. A maintenance repair order is completed. We reviewed a limited sample of the vehicle maintenance repair records for work performed on vehicles that were assigned to county employees and/or Road Division trucks.

Vehicle maintenance and repairs are primarily performed by mechanics at the Central Maintenance Yard located on Wick Road in Romulus, Michigan. We found maintenance and repairs outside of normal preventive maintenance work was sent to third party vendors. Examples included windshield repairs, wheel alignments, and transmission repairs.

Based on the procedures performed, management appears to have sufficient measures in place to ensure the county's fleet of vehicles is being maintained in good operating order in accordance with ordinance Section 33-12 – Vehicle Maintenance.

Inadequate Public Identification of County Vehicles

Condition

The Department of Public Services (DPS) – Administration maintains a fleet of county vehicles that are used by employees on a full-time, part-time and pooled basis. The county vehicles are required to have county public identification logos on the front driver and passenger doors.

As of March 2014, we determined DPS has 124 county vehicles that are assigned on either a full-time (41), part-time (31) or considered a pool vehicle (52). In order to determine whether the DPS vehicles contained the county's logos as required, we visited the Central Maintenance Yard, an Engineering Building, and DPS Administration Building (downtown). We determined there were 32 vehicles to observe at the three locations.

Based on our observations of license plates assigned to 22 of the 32 vehicles at the three locations, we noted the following:

- Thirteen (13) vehicles contained the county's logo;
- Three (3) vehicles contained county logos affixed to their *driver and passenger front window* – according to the ordinance, decals are required to be placed on the driver and passenger doors and not on the windows: one was assigned to the Wayne County Deputy

CEO, one was assigned to the Director of DPS, and the last one assigned to an Engineering Division Deputy Director.

- Six (6) vehicles did not contain the county's logo: one was assigned to: a Dept Mgr IV within the Roads Maintenance Division, a pooled vehicle within the Engineering Division, two Deputy Directors with DPS Administration Division, and two Assistant Division Design Engineers within the Engineering Division Design and Engineering Division FEO.
- Ten (10) vehicles were not present during our on-site visit.

Criteria

The *County Vehicle Use Ordinance, Sec. 33-8 – Identification of county vehicles* states:

(b) Public Identification. All county vehicles, including automobiles, pick-up trucks vans, sport utility, suburban and four-wheel drive (4x4) vehicles shall be identified with:

- 5) Except for *Type 5* vehicles, which are assigned to elected officials, a logo on each side (driver's door and front passenger door); it is our understanding that there are only two county owned vehicles assigned to elected officials – the CEO and Wayne County Sheriff;
- 6) A tag bearing an internal identification number; and,
- 7) A county license plate.

Cause

We spoke to the Deputy Director of the Equipment Division who stated all new vehicles are decaled upon purchase. However, the official could not explain why some vehicles the OAG observed were not decaled and would need to follow-up on this matter.

Consequences

Failure of DPS to properly identify all county owned vehicles with the identification logos results in the department being out of compliance with the County Vehicle Use Ordinance and reduces transparency over the use of county owned vehicles.

Recommendation-2014-09 – Significant Deficiency - Compliance

We recommend:

Elected officials assigned responsibility over county vehicles and management within the Department of Public Services:

- ❖ Ensure that all vehicles currently in service and future assignments, with the exception of those vehicles assigned to elected officials, are properly identified with county logos on the front driver and passenger doors prior to the assignment to county employees for full-time, part-time and loaner use.

Views of Responsible Officials

Management disagrees with the recommendation. In response to your determination of public identification deficiencies on some county vehicles, DPS will inspect our entire vehicle fleet subject to the County's Vehicle Use Ordinance to ensure we are in compliance with the ordinance. County logo decals will be affixed to the driver and passenger side front outer door panels on vehicles that currently do not have them.

With respect to your finding of deficiency on the three vehicles with county logos affixed to the "driver and passenger front window", we disagree that this is in violation of the ordinance. It is our position that the door window glass is a component of and part of the vehicle door. A vehicle door has many components and the ordinance simply states that all county vehicles shall be identified with a logo on each side (driver's door and front passenger door).

Though we disagree with you that the three vehicles in question violate the public identification requirement, DPS will affix county seal logos on the front driver's side and front passenger side outer door panels of the vehicles in question.

OAG Response to Management's Comments

Although DPS-Equipment Division management disagrees with the recommendation, we believe the stated actions to affix the county seal to the outer door panels addresses the recommendation.

BENCHMARK WITH OAKLAND COUNTY AND MACOMB COUNTY

Objective No. 4 – Benchmark Wayne County's governance process over vehicle usage with that of Oakland and Macomb counties

Conclusion

Oakland and Macomb counties both maintain fleets of vehicles for use by their employees in conducting county business. We contacted officials in both Oakland and Macomb counties in order to gain an understanding of processes they employed to provide governance over the use of their county owned vehicles.

Based on our limited review, we noted the following.

- ❖ Macomb County does not have either an ordinance or resolution regarding vehicle usage. However, the county has implemented two policies regarding the use of county vehicles by its employees while conducting county business. One policy is specifically for the Department of Roads, while the other policy is for elected officials and all other county departments.
 - We did note the policy stated "Employees on vacation, personal leave or extended sick leave will park their County vehicles on County property as

directed by their department heads.” This control activity mitigates the personal use of the vehicle during leave from the job.

- ❖ Oakland County does not have an ordinance regarding vehicle use. However, there is an ***"Oakland County Policy on Assignment of County Vehicles"*** that was adopted by the Oakland County Board of Commissioners as a Miscellaneous Resolution in 1994.

Noteworthy Accomplishment

Wayne, Oakland, and Macomb Counties all maintain fleets of vehicles for use by their employees in conducting county business. Each county has various policies in place regarding the assignment and use of county vehicles. However, only the Wayne County Commission has enacted legislation (the ***County Vehicle Use Ordinance***) to provide enhanced governance over the use of its vehicles.

OAG OVERALL CONCLUSION

Based on our review of compliance with the requirements of the ***County Vehicle Use Ordinance*** we determined the management structure to operate and manage the county’s vehicle fleet has been established and appears adequate. However, we noted several areas within the governance process and monitoring of the county’s fleet usage where controls will need to be strengthened.

We found management was not in compliance with submitting sufficient information to the Wayne County Commission related to vehicle purchases, and that employees were not always completing mileage logs reporting on the usage of the vehicles for county business and wage reporting. Also, we determined county management had not established policy and procedures to timely verify the driving records of employees assigned county vehicles. Further, based on our assessment, we have recommended county management conduct a cost and utilization analysis on the assignment of county vehicles in an effort to determine if the fleet can be reduced and cost saving realized through alternative methods.

There are nine (9) findings and 14 recommendations related to this report. Seven (7) of the recommendations are considered to be operational and design control deficiencies which are classified as relatively low risk, and seven (7) are significant deficiencies which are deemed medium risk and should be addressed by management in the near term.

Officials within the Departments of Public Services, Personnel/Human Resources, and Management & Budget agreed in principle with 13 of the 14 recommendations; they disagreed with one (1). However, for the recommendation with which management disagreed, we believe their intended actions will address the recommendation and associated risk. The county officials provided their complete cooperation during the engagement.

A corrective action plan will be due within 30 days after this report is formally received by the Wayne County Commission. If sufficient corrective action is not taken, a follow up review may be necessary.

This report is intended solely for the information and use of the Department of Public Services, Management & Budget, Personnel/Human Resources, and the Wayne County Commission Office of Fiscal Agency, officials and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Marcella Cora". The script is cursive and fluid.

Marcella Cora, CPA, CIA, CICA, CGMA
Auditor General

Appendix

Control Deficiency (low risk)

A control deficiency exists when the internal control design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct errors in assertions made by management on a timely basis. A deficiency in design exists when (1) a control necessary to meet the control objective is missing or (2) an existing control is not properly designed is that, even if the control operates as designed, the control objective is not met.

A deficiency in operation exists when a properly designed control does not operate as intended, or when the person(s) performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Significant Deficiency (medium risk)

A matter that, in the auditor's judgment, represents either an opportunity for improvement or significant deficiency in the management's ability to operate a program or department in an effective and efficient manner. A significant deficiency in internal control, or combination of deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report data reliably in accordance with applicable criteria or framework such that is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

Material Weakness Deficiency (high risk)

A significant deficiency that could impair the ability of management to operate the department in an effective and efficient manner and/or affect the judgment of an interested person concerning the effectiveness and efficiency of the department. A significant or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of subject matter will not be prevented or detected.