



Office of the City Controller  
**FLEET MANAGEMENT DEPARTMENT**  
Take Home Vehicles  
Performance/Compliance Audit



Chris Brown  
City Controller

Report # 2023-02

Courtney Smith  
City Auditor



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**CHRIS B. BROWN**

September 28, 2022

The Honorable Sylvester Turner, Mayor  
City of Houston, Texas

**SUBJECT: REPORT #2023-02 - FLEET MANAGEMENT DEPARTMENT (FMD) CITY-WIDE TAKE-HOME VEHICLES AUDIT**

Mayor Turner:

We have completed a performance/compliance audit of the Fleet Management Department (FMD) City-Wide Take-Home Vehicles. FMD operates 25 maintenance and repair facilities to provide fleet services to 22 City of Houston (City) departments with a combined municipal fleet total of approximately 13,000 units. FMD is responsible for asset management, maintenance and repairs, fueling services, vehicle acquisitions and dispositions, equipment specifications, alternative fuel programs and the shared motor pool program, *FleetShare*.

The objective of the audit was to determine compliance with the appropriate policies and processes. The engagement scope period included operations and transactions occurring during Fiscal Year (FY) 2018 through FY 2019.

We selected four departments for testing based on a risk assessment process. During the audit, we found that there were well-designed policies and practices established by management to manage take-home and motor pool vehicles for the City. This includes but is not limited to, the requirement of authorizations and approvals, a mile-radius limit and annual audits of department records for take-home vehicles by FMD.

As we reviewed procedures in each department, we noted the performance of strong internal controls such as HPW's established practice of maintaining adequate vehicle use reports and periodic review of those reports by management personnel. Similarly, we noted that HPD conducts a review of employee driving records annually, while each tested department maintains a process for reviewing driver qualifications and renewing ES-1/Take-home Vehicle Authorization Forms annually.

We noted some exceptions during our audit. Vehicle use reports were not created and provided to FMD in a consistent manner. We found several instances where there was no evidence of authorizations and approvals for various aspects of the take-home vehicle process. In addition, the newest version of AP 2-2, effective January 2021, does not address some areas in the take-home vehicle management process.



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CHRIS B. BROWN

We would like to express our appreciation to the management and staff of the Fleet Management Department, Houston Public Works, Department of Neighborhoods and Houston Police Department for their time, effort, responsiveness and cooperation during this audit.

Respectfully submitted,

Chris B. Brown  
City Controller

xc: City Council Members  
Gary Glasscock, Director, Fleet Management Department  
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## Introduction

We have completed a performance/compliance audit of the City of Houston's (City) take-home vehicles (THV) to determine if policies and procedures are being followed. The audit scope covered operations for fiscal years 2018 and 2019. The audit was added to the Audit Plan in fiscal year 2020.

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## Background

### FLEET MANAGEMENT DEPARTMENT

Established in 2011, the Fleet Management Department (FMD) is responsible for asset management, maintenance and repairs, fueling services, vehicle acquisitions and dispositions, equipment specifications, alternative fuel programs and the shared motor pool program *FleetShare*. FMD oversees and provides fleet services for the City's 22 departments with approximately 13,000 units. However, each department has key responsibilities in managing their respective City vehicles.

### POLICY FRAMEWORK

Administrative Procedure 2-2; *Motor Vehicle Assignment and Use* (AP 2-2), effective December 12, 2012 is the version of the policy in effect during the audit scope period. It is the policy framework established to ensure city-wide uniformity, consistency and compliance in the operations, administration and maintenance of the City's fleet. The objectives of the AP were as follows:

- To ensure motor vehicle assignment, storage, use and operations practices are consistently applied in City departments.
- To establish minimum driver qualifications, compliance criteria and consequences of disqualification.
- To establish criteria assignment and home storage of City vehicles.
- To establish criteria for vehicle allowances for employees who use privately owned vehicles for City business.
- To establish reimbursement procedures for employees who use privately owned vehicles for City business.<sup>1</sup>

The requirements contained in AP 2-2 formed the primary criteria for this audit. After the audit began, AP 2-2 was amended and became AP 2-2 *Motor Vehicle Use* effective January 19, 2021.

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1 AP 2-2 Motor Vehicle Assignment and Use. Section 3, Sub-section 3.1 - 3.5

## RISK ASSESSMENT AND BASIS OF DETERMINATION

The City's fleet of approximately 13,000 vehicles are distributed across 22 City departments. To ensure an efficient and effective audit, we performed a risk assessment of the City's departments involved in the fleet operations, especially as it related to THV and motor pools. The 22 City departments were assessed on certain predetermined risk criteria for the purpose of the audit. The criteria used for the risk assessment were as follows:

**Number of Take-Home/Motor Pool Vehicles:** The greater the number of vehicles in the inventory of the department, the greater the risk. Departments with more than 50 vehicles were considered high risk (H).

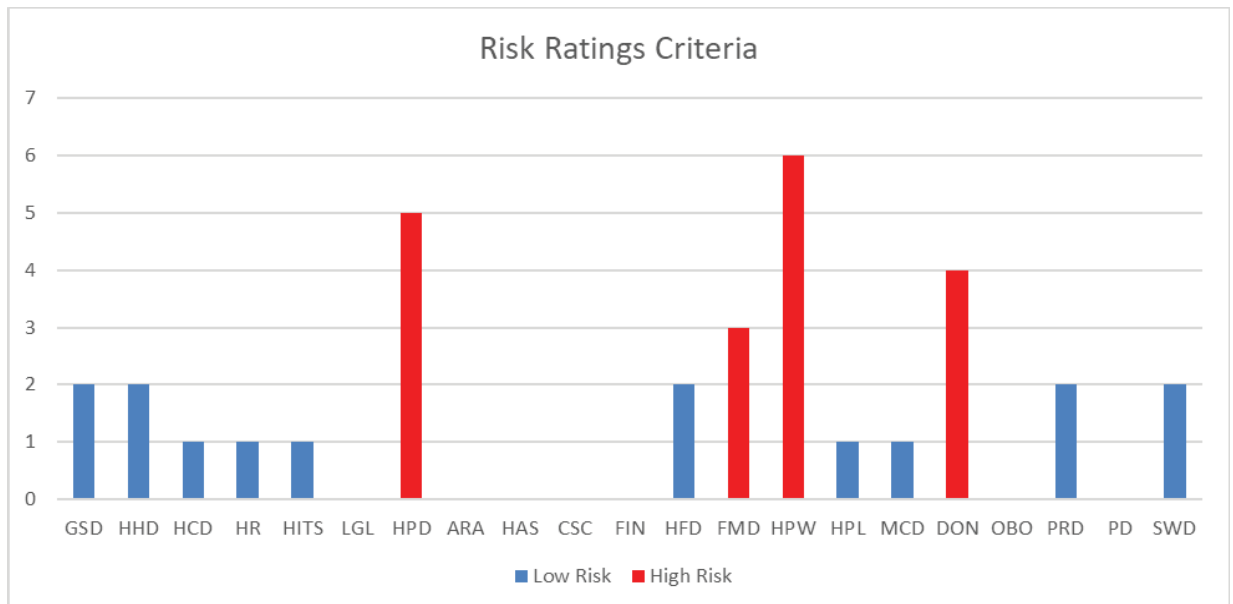
- a. Miles Driven:** Departments with vehicles with driven high mileage were considered high risk. Departments with total driven mileage of more than 500,000 on its vehicles were considered high risk (H) while departments with total driven mileage less than 500,000 were considered low risk (L).
- b. Maintenance Costs:** Departments with annual fuel, repairs and maintenance costs greater than \$2,000,000 were considered high risk (H), while department with costs less than the threshold were considered low risk (L).
- c. Driving Incidents:** Departments with ten or more driving incidents such as traffic tickets, fines or moving violations arising from its fleet operations were considered high risk (H), while departments with less than ten driving incidents were considered low risk (L).
- d. Prior FMD Audit Results:** Departments with significant findings in their prior FMD audits held within the last two years were considered high risk (H), while departments with no findings were considered low risk (L).
- e. Exception Reporting:** Departments with significant exceptions between the number of THV reported for the department by FMD and their own account were considered high risk (H).

As part of the risk assessment, we performed confirmation procedures to verify the vehicle information obtained from FMD. Each department was requested to provide a reply directly to the auditor to validate the number of vehicles maintained. This is referred to as a "positive confirmation." The confirmations received from the departments were matched to the fleet schedule obtained from FMD. The information obtained from the confirmation procedures and other elements of audit procedures formed the basis of the risk assessment criteria. The procedures performed provided insight into the number of THV in each department. Seven departments, including Administration and Regulatory Affairs (ARA), the City Secretary's Office, Finance,

Legal, the Office of Business Opportunity, Planning and Development and the Controller’s Office, do not have assigned THV or motor pool vehicles.

Based on the application of the risk assessment four departments were considered high risk (H) and were selected as the basis of our audit work as follows:

- a. Houston Police Department (HPD)
- b. Houston Public Works (HPW)
- c. Department of Neighborhoods (DON)
- d. Fleet Management Department (FMD).



There are approximately 1,327 THV and motor pool vehicles in the City’s fleet that are driven approximately 5 million miles annually. HPD has the largest fleet of all City departments with approximately 718 THV and motor pool vehicles. HPW has the second largest fleet with approximately 276 THV and motor pool vehicles. HPW vehicles were driven approximately 2,760,000 miles and 43 incident reports were filed for the department. DON has approximately 87 THV and motor pool vehicles. DON vehicles were driven approximately 510,736 miles and 10 incident reports were filed for the department. FMD has approximately 11 THV and motor pool vehicles. FMD vehicles were driven approximately 172,876 miles and 0 incident reports were filed for the department.

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## Audit Scope and Objectives

The objective of this audit is to review policies and processes and related internal controls for THV to determine compliance. The engagement scope included all operations occurring during Fiscal Years 2018 and 2019.

### INTERNAL CONTROLS RELEVANT TO THE AUDIT OBJECTIVE

Internal controls are processes put in place by management to provide reasonable assurance that the organization's goals and objectives will be achieved. Our work included procedures to identify and assess the internal controls that were significant to the objectives of this audit and determine their effectiveness. In our professional judgement, the following components of internal control were determined to be significant for this audit:

- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

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## Procedures Performed

To obtain sufficient evidence to achieve engagement objectives and support our conclusions, we performed the following steps:

- Obtained and reviewed the policies and procedures for THV and motor-pool vehicles relating to the objectives of the audit.
- Performed positive confirmation procedures with City departments to determine whether the number of vehicles in their fleet matches the schedule obtained from FMD.
- Performed a reconciliation of FMD and departmental records for THV and motor-pool vehicles based on confirmations received from 22 City departments.
- Performed a risk assessment and selected four City departments: HPD, HPW, DON and FMD, for substantive audit testing.
- Performed walkthrough procedures and interviews with HPD, HPW, DON and FMD management to understand key processes and controls, and to obtain an understanding of staff responsibilities for take-home and motor-pool vehicles.
- Administered an internal control questionnaire with FMD to gain an understanding of central controls established for THV and motor-pool vehicles.
- Obtained a listing of THV and motor-pool vehicles from each of the four departments tested and performed analytical



procedures to determine whether any employees are assigned multiple vehicles.

- Reviewed AP 2-2 for guidance on storage of City vehicles while being used in a take-home capacity.
- Inquired of key management from each of the four departments tested whether any additional departmental policies or procedures address storage of City vehicles to prevent damage from inclement weather, vandalism, or other actions.
- Reviewed vehicle-use reports made available by the four departments tested and performed analytical procedures to identify signs of excessive personal use, other uses not approved by AP 2-2, or evidence of manipulation of odometer readings and mileage reports.
- Performed detailed testing over a selection of employees from each of the four departments tested to determine if approvals and authorizations are in conformance with the 30-mile radius requirement established in AP 2-2.
- Performed detailed testing over a selection of employees from each of the four departments tested to determine if all applicable approvals and authorizations were made. These authorizations include ES-1 forms, vehicle authorization forms and THV fee authorization forms.
- Inquired with management and key staff from each of the four departments tested about policies and procedures related to monitoring moving violations and reviewed documentation for evidence of monitoring procedures.
- Obtained listings of THV fees, imputed wages and vehicle allowances.
- Performed analytical procedures to determine if employees with City vehicles are also receiving vehicle allowances.
- Inquired with management and key staff from each of the four departments tested about policies and procedures related to parking fees incurred while driving a THV or motor-pool vehicle and obtained corroborating support to determine whether personal fees are presented for reimbursements as City business related expenses.

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## Observation

During the audit, we identified opportunities for strengthening internal controls which our office considers necessary. Such opportunities include the following:

- a. Measures to safeguard City assets from severe weather, theft and vandalism.

The City invests millions of dollars in fleet assets to support operations and facilitate City employees' ability to provide services. During the audit, we determined the City's fleet assets are often parked in areas that are not adequately safeguarded from extreme weather conditions, theft, or vandalism. Adequate safeguards include security cameras and enclosed and/or covered parking spaces.

- b. Electric and alternative fuel vehicles are not addressed in the Administrative Procedure.

AP 2-2 addresses issues relating to motor vehicle use and assignment within the City. However, we noted that no reference is made in the AP regarding electric and alternative fuel vehicles. It is essential that the AP be amended to address the use of these vehicles as they become more prevalent.

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## Conclusions

We believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below, as required by professional auditing standards. The conclusions are aligned with the related Audit Objectives for consistency and reference. For detailed findings, recommendations, management responses, comments and assessment of responses see the "Detailed Findings, Recommendations, Management Response, and Assessment of Response" section of this report.

The audit identified certain instances that were considered adequate measures instituted by management for strengthening internal controls and safeguarding assets. For example, HPW has well established procedures for monitoring personal use of THV through periodic reviews of vehicle use reports by supervisors. We also noted some exceptions in the performance of internal controls as well as the removal of some controls when the administrative procedure governing these activities was revised. See the "Detailed Findings, Recommendations, Management Response, and Assessment of Response" section of this report.

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## Audit Standards

We conducted this performance/compliance audit in accordance with generally accepted government auditing standards and in conformance with the International Standards for the Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the available evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our work did not constitute an evaluation of the overall internal control structure of neither the City of Houston nor that of FMD, HPD, HPW or DON. Management is responsible for establishing and maintaining a system of internal controls to ensure City assets are safeguarded, financial activity is accurately reported and reliable, and management and employees are following laws, regulations, policies and procedures. The objectives are to provide management with reasonable, but not absolute assurance that the controls are in place and effective.

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## Acknowledgement

The audit team would like to thank the management of FMD, DON, HPW and HPD for their cooperation, time, and efforts throughout the course of the engagement.

# Detailed Findings, Recommendations, Management Responses, and Assessment of Responses

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## Finding #1 - FMD Fleet Records Do Not Match Department Records

Risk Rating = High  
(Impact and Magnitude)

### Background

FMD maintains the City's fleet providing transportation services to the City's 22 departments. FMD is responsible for asset management, maintenance and repairs, fueling services, vehicle acquisition and dispositions, equipment specifications, the alternative fuel program and the shared motor pool program known as *FleetShare*. Per the December 2012 version of AP 2-2, Section 6.3.1, the FMD Director or their designee(s) is responsible for establishing and maintaining City-wide vehicle records and files. During the planning process, we obtained a detail listing of all THV for the City from FMD, excluding the HPD fleet. To verify the accuracy and completeness of this listing, AD initiated a confirmation procedure. The process requested each department to confirm directly to the auditor the following information:

1. Number of Take-Home Vehicles
2. Number of Motor Pool Vehicles
3. Average Number of Miles Driven Annually
4. Number of Incidents in FY 2018-2019

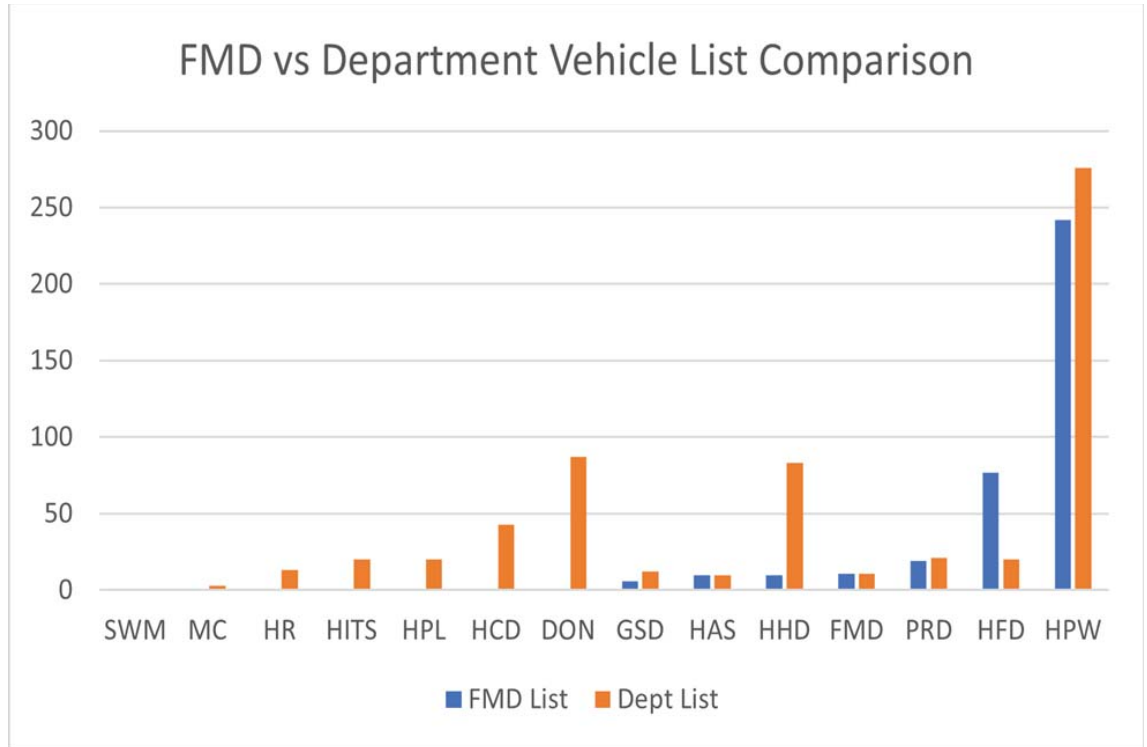
The confirmation procedure allowed us to compare the list from the department to the list we received from FMD and determine if any differences existed. Excluding HPD, there were 14 departments with THV.

### Finding

We performed a reconciliation of the THV detail provided by FMD, with the numbers reported by the individual departments via confirmation. The procedures performed noted several discrepancies in the number of THV and motor pool vehicles reported by FMD when compared with the direct confirmations received from the departments. Of the 14 departments assigned THV, FMD only had a vehicle listing for seven (50 percent) of those departments. FMD's records only matched one department in addition to their own. In total, FMD's files contained four motor pool vehicles and 375 THV compared to 302 motor pool vehicles and 1,025 THV confirmed by the departments. This includes 718 THV and motor pool vehicles in HPD, whose records are not maintained by FMD for security purposes. These exceptions represent a material weakness in internal control relating to the ability to account for and manage THV and motor pool vehicles. See

the graphical representations in the Appendix for additional detail.

### Vehicle Record Comparison Chart



Our recommendations are as follows:

#### Recommendations

- a. FMD should perform periodic inventories of City THV and motor pool vehicles to determine the actual number vehicles in its fleet.
- b. FMD should ensure the inventory of the City's fleet is accurate. This is necessary to determine accuracy and most importantly, to assess the condition of the vehicles in the fleet.
- c. FMD should reinstate the policy for performing annual audits in the new AP 2-2. Once reinstated, any exceptions in these annual audits should be investigated and resolved with the departments.



## Management Response

The AP 2-2 policy statement cited in determination of this finding was discontinued as active City of Houston policy effective January 19, 2021. In addition, the current version of AP 2-2 discontinued the following requirements of the superseded policy.

- a. Responsibility of department directors and fleet coordinators to provide take-home storage assignments and documentation to the Fleet Management Department (See Sections 6.1.1 and 7.3.6 of superseded AP 2-2).
- b. Requirement for the Fleet Management Department to perform annual audits of take-home vehicle information for all City departments (See Sections 6.3.2 and Section 7.3.6).
- c. Requirement for the Fleet Management Department to review and modify home storage rates at the beginning of each fiscal year.
- d. Requirement for the Fleet Management Department to develop standard forms required by AP 2-2. (See Section 6.3.3 of the superseded policy).

The current Director of the Fleet Management Department was not involved in the development of the active version of AP 2-2. However, it is very apparent that there was a concerted effort to move the tracking responsibilities for take-home vehicles from the Fleet Management Department to the City departments with ownership of the vehicles.

The current version of AP 2-2 requires departments to submit a properly completed ES-1 to the Fleet Management Department to properly record a department director's approval of a take-home vehicle. The accuracy of Fleet Management's records of take-home vehicle assignments is completely dependent on each department's adherence to the policy.

The Fleet Management Department is responsible for all rolling stock (vehicle) lifecycle activities except for operation (see Ordinance 2010-803 § 2). The operation of fleet vehicles, which includes take-home vehicle assignments, is determined solely by the vehicle owning department. Departments frequently interchange and/or adjust vehicle assignments within their operation.

The Fleet Management Department has no practical way of verifying how a particular vehicle is being used within a department relative to department records especially when considering the current fleet is composed of more than 13,700 units.

Relative to ensuring the inventory of the City fleet is correct, the Fleet Management Department is in process of purging the City fleet of underutilized vehicles. Vehicle records are being reconciled with owning departments. Though FY22, more than 800 City fleet vehicles have been disposed or repurposed. Additionally, ES-1s transactions are processed daily.

Assessing the condition of the fleet is a daily operation. Preventive maintenance inspections are performed, fleet reviews are undertaken, and underutilized vehicles are identified and processed. Vehicle operational issues are reported by vehicle owning departments and Fleet Management responds.

More than 25% of staff positions within the Fleet Management Department are currently vacant. The available staff are focused on priorities necessary to ensure essential City services are maintained. Looking for each of the 13,700 City vehicles to verify department records would require an enormous amount of labor that is not available.

The Fleet Management Department will comply fully with the active AP 2-2 relative to the take-home vehicles assignments within the department.

**Responsible Party**

Per the active version of AP 2-2, each department is responsible for properly recording and reporting details of their respective take-home vehicles.

The Fleet Management Department will ensure the take-home vehicle assignments within Fleet Management are processed in accordance with active AP 2-2.

**Estimated Date of Completion**

On-going

**Assessment of Response**

We understand that the current AP 2-2 no longer requires FMD to perform audits of department fleet, however management's responsibility to provide oversight and establish effective measures to accurately account for the City's fleet has not changed. We continue to believe proactive monitoring activities, such as audits, give management the best opportunity to oversee, account for and safeguard the City's fleet assets. We also recognize that FMD is experiencing a critical staffing shortage but strongly suggest that efforts be made to address capacity constraints, reallocate resources or both to ensure the department is able to appropriately account for fleet assets.

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## Finding #2 - No Take-Home Vehicle Deduction

Risk Rating = High  
(Impact and Magnitude)

### Background

Per AP2-2 Section 7.3.11, "Employees who are assigned home storage privileges will be required to authorize a bi-weekly deduction to their paycheck to reimburse the City for non-City business driving, unless exempted by the Mayor." In the revised version of AP 2-2 this requirement is stated in Section 5.3.11. Additionally, the Internal Revenue Service (IRS) considers any personal use of THV as a fringe benefit. This fringe benefit is taxable to the employee.<sup>2</sup>

Per HPD circular No. 10-1112-249 issued November 12, 2010, "This fee is applicable to all permanently assigned THVs, regardless of the originating source. Additionally, only those employees who are currently exempt from the THV fee will continue to be exempt; Note: There is no longer an "Operational Necessity" exemption as provided within HPD Circular No. 03-0716-092, Vehicle Use Reimbursement Fee, effective July 16, 2003. We noted that per the provisions of HPD Circular No. 10-1112-249 certain employees which were exempted prior to its issuance were considered exempted from paying the THV fee. As a result, these 11 exceptions should not be considered exempt from paying the THV fee. This fee is identical to the deduction referred to in AP 2-2. For clarity we will use the term "deduction."

We reviewed supporting documentation to determine whether departments have properly authorized the bi-weekly deduction, or THV use reimbursement fee.

### Finding

Audit procedures identified the following findings:

#### **HPD:**

Eleven of the 40 samples tested (28 percent) were not present on the ARA listing of THV fee deductions and imputed wages for the period tested.

However, we noted that the provisions of HPD Circular No. 03-0716-092 contradict both AP 2-2 and HPD circular No. 10-1112-249 which requires personnel with a THV to pay the requisite deduction unless approved by the Mayor's office.

#### **FMD:**

A similar issue was noted in FMD. Most of the employees assigned THV in FMD do not have a THV deduction or recognize imputed wages due to their "exempt" status derived from "operational necessity."

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<sup>2</sup> IRS Publication 15-B: Employer's Tax Guide to Fringe Benefits

However, a directive from a former mayoral administration noted in the Circular No. 10-1112-249 above requires every department in the City to implement the THV deduction. For instance, seven individuals tested out of the sample population of 10 did not have a THV deduction due to their “exempt” status. The circumstances related to the absence of THV deductions in FMD closely mirror those of HPD. FMD management approved exempt status to individuals based on operational necessity, which contradicts the requirements of AP 2-2 noted above.

Based on the instances noted above, we calculated an estimate of revenue lost as a result of failure to establish THV deductions for the period under audit as follows:

**HPD:** HPD management provided an estimate of approximately 200 individuals that are currently exempt from the THV deduction as of April 2022. That equates to approximately \$603,200 per year in unpaid THV deductions.

**FMD:** A total of seven individuals did not have THV deductions during the period tested. This amounts to approximately \$21,112 in unpaid deductions to the City annually.

Our recommendations are as follows:

## Recommendations

- a. FMD should ensure all personnel with a THV have a form on file authorizing a THV deduction or have received an exemption from the Mayor.
- b. An audit of the THV fees should be performed to determine the actual unpaid THV fees over a certain determinable period that should have accrued to the City’s treasury. Such exercise should be performed by FMD, supported by personnel from Human Resources (HR) and the Payroll Services Division of ARA.
- c. Based on the amount obtained from the procedures performed in subsection (b) management will determine collectability and modalities in conjunction with HR and the Payroll Division of ARA for re-payment.
- d. FMD should work with department management to establish internal control measures that ensure all personnel with THV complete all appropriate authorizations.

## Management Response

**HPD:** Management does not entirely agree with the recommendations. Historically, THV fee exemptions were granted for various reasons over the course of several previous Mayoral and Police Chief administrations.

There is an acknowledged process failure in terms of the historical documentation to memorialize the exemptions. However, management will not penalize current THV Fee Exempt employees if findings show they were granted exemption to the fee through management without documentation of mayoral consultation.

Chief Finner has had no discussions with the Mayor about the THV fee exemptions. However, current HPD Management will audit all employees shown to have a THV fee exemption and ensure they meet a specified exemption guideline to be detailed in a new Circular. The new circular will detail valid justification for fee exemption and all requests will be authorized through Management and Mayor consultations. The new process will have documentation requirements and will only be effective with approval by the Mayor.

Management will draft a new Circular that will 1) clarify the THV fee deduction justifications and 2) describe the new defined process to document when and the reasons why the Mayor and Chief of Police exercise the discretion to grant THV Fee Exemptions.

**FMD:** The HPD Circular cited above is not applicable to the Fleet Management Department. In addition, please note that both the superseded version of AP 2-2 (12/04/2012) and the active version of AP 2-2 (1/19/2021) were each made City policy subsequent to the November 12, 2010, issue of the cited HPD circular. The superseded and active versions of AP 2-2 both provide for exemptions from paying the home storage payroll deduction fee.

According to Section 5.3.9 of the current version of AP 2-2, "Directors are required to determine: Whether the employee is exempt or not exempt from paying the home storage payroll deduction fee." Section 5.3.11 of the current AP 2-2 reads "Employees who are assigned home storage privileges will be required to authorize a bi-weekly deduction to their paycheck to reimburse the City for non-City business driving, unless exempted by the Mayor or the Mayor's designee."

Six FMD employees currently operate take-home vehicles. Three of the six employees are paying the home storage payroll deduction fee. The three employees not paying the home storage payroll deduction fee drive City utility trucks with vehicle repair tools and spare parts to respond to emergency vehicle breakdowns as expedient as possible. These three employees are on call 24-hours a day in support of emergency operations. The employees have been exempted from the fee in consideration of their 24-hour a day on-call requirement.



The Fleet Management Department acknowledges that the AP 2-2 take-home fee exemption approvals for Fleet Management have not been properly recorded. The Fleet Management Department intends to correct this deviation from City policy. Additionally, the Fleet Management Department will review each of the six take-home vehicle assignments within the department to ensure the assignments and all related reporting are aligned with the requirements of active AP 2-2.

**Responsible Party**

**HPD:** Support Services Command and its designees will be responsible for conducting the internal audit and ensuring the findings are corrected to prevent further issues with Take Home Vehicle Fee Exemptions.

**FMD:** WeiYao Chang, Assistant Director

**Estimated Date of Completion**

**HPD:** As this process will require hundreds of man hours and meetings with Executive Command and Chief of Police to ensure policy is corrected and to ensure all parties are corrected and systems adapted to aid in future accounting of THV authorizations for audits. January 2023.

**FMD:** 10/1/2022

**Assessment of Response**

Management response as presented above, addresses the issues identified and proposed corrective actions are considered appropriate.

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### Finding #3 - Take-Home Vehicle Audits Not Performed

Risk Rating = High  
(Impact and Magnitude)

#### Background

As noted in our report, one of the components of internal control is monitoring. For any entity, monitoring activity involves two underlying principles:

1. The entity selects, develops, and performs ongoing and/or separate evaluations to determine whether the components of internal control are present and functioning.
2. The entity evaluates and communicates internal control deficiencies.

One important element of monitoring activity established by management for ongoing and separate evaluations of existing internal control is the conduct of periodic audits.

Per AP 2-2 Section 6.3, "The Director of the department where City Fleet Management resides, or his/her designee(s) shall be responsible for: Section 6.3.2 - Conducting annual audits of department records maintained in accordance with Section 7.3.6." In addition, per AP 2.2 Section 7.3.6; "Audits shall be conducted annually, at a minimum, by the director of the Fleet Management Department or designee".

#### Finding

During the audit, we performed procedures to determine whether FMD was performing annual audits as required by the provisions of AP 2-2.

FMD: As part of audit procedures, we interviewed FMD management regarding the performance of audits. Management indicated that no audits were performed since 2017. Management also indicated that personnel shortage was the primary reason for the inability to conduct annual audits, as the last audit was performed by a staff member who is no longer employed and has not been replaced.

#### Recommendations

We recommend that FMD amend the current version of AP 2-2 to reinstate the annual audit of THV.

## Management Response

FMD: The two Sections of AP 2-2 cited in this finding were deleted in the active version of AP 2-2. The current AP 2-2 assigns responsibility for quarterly and annual reports to department directors. Under the active version of AP 2-2, the Fleet Management Department holds no authority or responsibility in performing the subject audits.

The Fleet Management Department is responsible for all vehicle life-cycle activities except operation. The operation of City vehicles is managed independently by the vehicle owning departments. Assignment of take-home vehicles is a component of vehicle operation. The active version of AP 2-2 reflects this fact.

The Fleet Management Department is currently severely understaffed due to position vacancies. The Fleet Management Department lacks both the resources and expertise to perform the recommended audits in accordance with industry standards.

The Fleet Management Department will fully comply with the active version of AP 2-2. Quarterly and annual reports will be completed for Fleet Management take-home vehicles.

## Responsible Party

**FMD:** Under the Active AP 2-2, each City department is responsible for all record keeping, information reporting, and audits relative to take-home vehicles.

WeiYao Chang, Assistant Director will oversee the Fleet Management Department's adherence to the active AP 2-2.

## Estimated Date of Completion

On-going.

## Assessment of Response

Management response as presented above, addresses the issues identified and proposed corrective actions are considered appropriate.

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## Finding #4 - Inability to Provide Vehicle Use Reports

Risk Rating = High  
(Impact and Magnitude)

### Background

Report preparation and review are essential elements of internal control established by management. Reports document performance and enable remediation efforts to be adopted where considered necessary.

Per AP 2-2 Section 7.3.6, "Home storage requests, approvals, and quarterly vehicle use reports shall be completed and maintained by the department director or designee... Quarterly reports shall be prepared by the Department's fleet coordinator or designee in April, July, October, and January for the preceding three months and submitted to FMD on a quarterly basis. The quarterly report shall include the data shown below. Changes to the data collected in the quarterly reporting may be made without requiring revisions to this AP.

- Vehicle shop number
- Assigned employee including employee number
- Odometer reading at the beginning and end of quarter
- Total vehicle miles for the quarter
- Total home storage miles for the quarter
- Total City business miles for the quarter; and
- Average monthly City business miles."

We performed procedures to determine whether vehicle reports were prepared in accordance with the provisions of the Section 7.3.6 as indicated in the preceding paragraph.

### Finding

Audit procedures identified the following findings:

Of the four departments selected for testing, only HPW provided vehicle use reports for the period under audit. The remaining three departments tested were unable to provide vehicle use reports for the period under audit. Both DON and FMD had reports on file for other periods. The reports DON provided did not contain the information required by AP 2-2.

HPD was also unable to provide a vehicle use report.

### Recommendations

Our recommendations are as follows:

- a. FMD should review reports submitted to identify those that are not in compliance with AP 2-2 requirements.
- b. FMD should communicate with department management to provide education on reporting requirements and how personnel can meet those requirements.
- c. Departments should prepare and maintain accurate records of vehicle use and provide vehicle use reports to FMD as required by AP 2-2.

## Management Response

**DON:** In December 2021, the Finance Department kicked off a new program to address the citywide deficiencies of the City audit. The program included compliance monitoring for all departments related to completing and maintaining the required reports for home storage. DON is currently working in conjunction with the Finance Department with this program and provided the auditor the information granted from the Fleet Mgt Department for the Fiscal years 2018 and 2019. Please note the information requested is restricted to upper level mgt employees only in the Fleet Mgt Dept. DON did not and does not have access to the M-5 (Fleet Mgt Dept) to provide the requested information through the M-5 database.

**FMD:** The AP 2-2 Section cited in this finding has been superseded and revised in Section 5.3.6 of the active AP 2-2 as follows.

“Home storage requests, approvals, and quarterly vehicle use reports shall be completed and maintained by each department director or designee which are subject to audit. Quarterly reports shall be prepared by each department director or designee for the preceding three months. Quarterly and annual reports shall include the data shown below and are subject to review.

- Vehicle shop number
- Assigned employee including employee number
- Odometer reading at the beginning and end of quarter
- Total vehicle miles for the quarter
- Total home storage miles for the quarter
- Total City business miles for the quarter; and
- Total days vehicle was used for the quarter.

Changes to the data collected in the quarterly or annual reporting may be made without requiring revisions to this AP “

Under the active version of AP 2-2, the Fleet Management Department lacks the authority and responsibility of collecting and reviewing take-home vehicle records of the various City departments.



The Fleet Management Department is responsible for all vehicle life-cycle activities except operation. The operation of City vehicles is managed independently by the vehicle owning departments. Assignment of take-home vehicles is a component of vehicle operation. The active version of AP 2-2 reflects this fact.

**Responsible Party**

**DON:** Reggie Harris, Assistant Director

**FMD:** WeiYao Chang, Assistant Director

**Estimated Date of Completion**

**DON:** FY 2023 1ST QTR. - NOVEMBER 1, 2022

**FMD:** 10/1/2022

**Assessment of Response**

Management response as presented above, addresses the issues identified and proposed corrective actions are considered appropriate.

---

## Finding #5 - Proper Approvals Are Not Given for Take-Home Vehicles

Risk Rating = Medium  
(Impact and Magnitude)

### Background

Internal control is established by management primarily to minimize risks, protect assets, ensure accuracy of records, promote efficiency, and to encourage adherence to laws, regulations, policies, and procedures. An important element required to fulfill these objectives is the use of appropriate forms.

Per AP 2-2 Section 7.1.3' "City vehicles may be assigned to individual employees or a group of employees (pool) when providing a City vehicle is required to perform assigned duties. The need and use for assigned vehicles and names of employees assigned to the City vehicle must be documented on the prescribed form, currently Form A - ES-1 Equipment Storage/Assignment Disposal Data Form."

AD selected samples from each of the four departments tested. Each sample was verified for proper approval of ES-1 forms or equivalent, THV fee payroll deduction forms, and imputed wage approval if necessary.

During the audit we performed procedures to determine whether proper approvals were obtained prior to the assignment of THV.

### Finding

Audit procedures performed identified the following findings:

**DON:** Two of the three vehicles (67 percent) in DON's THV fleet did not have current ES-1 forms for the period tested.

**FMD:** Five of the 12 vehicles (42 percent) in FMD's fleet did not have ES-1 forms with proper approval from the department director.

### Recommendations

Our recommendations are as follows:

- a. FMD should educate all department heads about the full range of requirements imposed by AP 2-2 prior to and following the assignment of the THV by the department.
- b. FMD should initiate a periodic review of the authorization and approval process relating to vehicle assignments. This is necessary to prevent abuse and ensure compliance with the provisions of AP 2-2.

## Management Response

**FMD:** The Fleet Management Department is responsible for all vehicle life-cycle activities except operation. The operation of City vehicles is managed independently by the vehicle owning departments. Assignment of take-home vehicles is a component of vehicle operation. The active version of AP 2-2 reflects this fact.

The Fleet Management Department agrees to educate and remind all departments of requirements associated with the active version of AP 2-2.

Fleet Management will check ES-1 forms for each Fleet Management take-home vehicle to ensure compliance with the active version of AP 2-2.

The Fleet Management Department will perform quarterly reviews of Fleet Management take-home vehicles in accordance with the active version of AP 2-2 to ensure all records are in proper order.

Regarding the “curtail abuse” statement of Recommendations (b), the Fleet Management Department has no reason to believe abuse is occurring among the 6 each, Fleet Management take-home vehicles. If abuse was identified during the course of this audit, Fleet Management in coordination with OIG will investigate accordingly.

**DON:** Software updates rendered Sharepoint obsolete. This system did previously house the information but is no longer being utilized by the City and 2 of the DON ES1 forms were lost in the system. Recognizing the error, DON has resubmitted the ES1 Forms through Fleet for the Mayor’s approval.

## Responsible Party

**DON:** Reggie Harris, Assistant Director

**FMD:** WeiYao Chang, Assistant Director

## Estimated Date of Completion

**DON:** FY 2023 1ST QTR. - NOVEMBER 1, 2022

**FMD:** 12/1/2022

## Assessment of Response

Management response as presented above, addresses issues identified and proposed corrective actions are considered appropriate.

---

**Finding #6 - Improper Authorization and Approval for Take-Home Vehicles Assigned Outside  
of the 30-Mile Radius to City Hall/1200 Travis St**

Risk Rating = Medium  
(Impact and Magnitude)

**Background**

Employees who are required to report directly to various field work sites, placed “on call,” or provide special repair and/or emergency services after normal working hours may be assigned a City vehicle for home storage. However, employees with THV privileges must live within a certain radius to City Hall.

Per AP 2-2 Section 7.3.2, effective 12/4/2012, “Authorizations for home storage of city vehicles shall be approved only for employees who live within a 30-mile radius of city hall.”

The exception to this provision is provided by AP 2-2 Section 7.3.2.1, “With the approval of the Mayor or his/her designee, department directors are given discretion to authorize home storage outside the established radius for employees whose job functions are critical to the department operations, such as maintenance mechanics who perform emergency repairs to City facilities and must transport their tools and equipment to the facility.”

Given the above guidance, employees should either live within a 30-mile radius, have formal approval from the mayor’s office to live outside of that radius, or not have THV privileges.

**Finding**

**FMD:** Two of the nine individuals with THV in the department were outside of a 30-mile radius to City Hall, and the department was unable to provide support that the mayor or his designee approved of the vehicle assignment.

**HPD:** Of the 30 individuals, two exceptions were noted in which management provided vehicle authorization forms for employees living outside of the 30-mile radius to 1200 Travis St without Chief or designee review and approval for THV privileges.

**Recommendations**

Our recommendations are as follows:

- a. AD recommends that FMD and HPD management prioritize following the guidance provided by AP 2-2 for authorization of home storage for individuals that live outside of a 30-mile radius to City Hall or 1200 Travis St, as applicable.
- b. An audit of employees with THV outside the 30-mile radius should be performed by the management of FMD and HPD. This is necessary to determine whether the proper approvals

were obtained for the 30-mile radius requirement.

- c. FMD should consider the installation of tracking devices in city vehicles that would notify and provide information when the vehicle is driven beyond the 30-mile radius. This is necessary to detect, deter and prevent abuse of the provisions of the AP.

## Management Response

**FMD:** The Fleet Management Department has investigated and identified two Fleet Management employees with take-home vehicles that live outside the allowed 30-mile radius from City Hall. Fleet Management will act to ensure the necessary exemption documentation is recorded for each of these two employees.

Each take-home vehicle of the Fleet Management Department is equipped with a GPS based, vehicle location system.

**HPD:** Management will be performing an Annual Audit of the Houston Police Department Fleet and will include a Take Home Vehicle Audit. The Take Home Vehicle Audit will include auditing Mile from Travis to Employee, Take Home Vehicle Fee, and to ensure the PPS System is accounting for changes to an employee's Take Home Vehicle accounting.

## Responsible Party

**FMD:** WeiYao Chang, Assistant Director

**HPD:** Support Services Command and Fleet Unit will be responsible for the Fleet and Take Home Vehicle Annual Audits.

## Estimated Date of Completion

**FMD:** 12/1/2022

**HPD:** Annual Audit has already begun and is designed to begin in January of each year.

## Assessment of Response

Management response as presented above, addresses the issues identified and proposed corrective actions are considered appropriate.

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## Finding #7 - Driving Records of Employees With Take-Home Vehicles Are Not Reviewed Annually

Risk Rating = Low  
(Impact and Magnitude)

### Background

Under the previous version of AP 2-2, effective 12/4/2012, department supervisors were responsible for reviewing employee driving records. In any policy relating to fleet management the maintenance of employee driving records is essential as part of internal control measures to ensure vehicle maintenance and safeguard the organization's assets. Per AP 2-2 Section 6.6.3, effective 12/4/2012, department supervisors shall be responsible for "Carefully reviewing an employee's driving records, including each report of any Moving Civil Infraction, Moving Violation, Motor Vehicle Crash or Incident in order to determine action to be taken with regard to driving and ensure that all forms and reports are submitted to the persons responsible for decisions."

In addition, per AP 2-2 Section 6.3.1, the director of the department is responsible for "Establishing and maintaining City-wide vehicle records and files".

### Finding

Audit procedures revealed the following:

**HPD:** We found no evidence of review of employees' driving records. Per discussions with the Patrol Support Command Sergeant, and after consultation with the Assistant Chief of Command, management indicated that HPD does not centrally track driving violations. Payment of violations are the sole responsibility of the officer that received it. In addition, the Chief is made aware of violations and may discipline the officer. As such, the internal controls to prevent individuals in HPD with multiple moving violations from operating city vehicles is not functioning efficiently and effectively.

**DON:** We found no evidence of review of employee driving records. Per discussion with the Deputy Assistant Director of DON, HR-Safety provides motor vehicle record (MVR) reports every two years and intends to start reviewing MVR reports annually. As such, the internal controls to prevent individuals in DON with multiple moving violations from operating city vehicles is not functioning efficiently and effectively.

**FMD:** We found no evidence of review of employee driving records. Per discussions with a FMD Management Analyst IV and the FMD Director there is not a designated vehicle coordinator for FMD who reviews MVR reports. As such, the internal controls to prevent individuals in FMD with multiple moving violations from operating City vehicles is not functioning efficiently and effectively.

## Recommendations

We recommends that FMD implement a City-wide requirement for the formal review of employee driving records annually for those with THV privileges.

## Management Response

**DON:** DON has strengthened and reinforced its safety practices and measures to include designating a full-time Safety Officer to work closely with HR Safety, reviewing MVR reports every year instead of every two years, ensuring drivers are DDC compliant, maintaining a safety/training file for each employee, investigating all incidents/accidents to determine what actions to be taken and a safety committee to review all incidents/accidents.

**FMD:** The paragraphs cited as basis for this finding were not included in the active version of AP 2-2. In Section 5.6.3 of the active version of AP 2-2, responsibility for an annual review of driving records is placed upon each department director.

The Safety Advisor of the Human Resources Department assigned to Fleet Management completes and reports MVR data for Fleet Management employees on a quarterly basis. Because of privacy issues, only the employees with issues are reported to Fleet Management managers for follow-up. Although the MVR of Fleet Management employees are regularly checked, Fleet Management recognizes that there are insufficient records of these reports. Fleet Management will work with Human Resources to better record these activities.

A vehicle coordinator within the Fleet Management Department has been designated to facilitate compliance with the active version of AP 2-2.

## Responsible Party

**DON:** Reggie Harris, Assistant Director

**FMD:** WeiYao Chang, Assistant Director

## Estimated Date of Completion

**DON:** FY 2023 1ST QTR. - NOVEMBER 1, 2022

**FMD:** 10/1/2022

## Assessment of Response

Management response as presented above, addresses the issues identified and proposed corrective actions are considered appropriate.



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## Finding #8 - Unauthorized Alternative Home Storage

Risk Rating = Low  
(Impact and Magnitude)

### Background

Per the provisions of AP 2-2 employees must live within a 30-mile radius to City Hall to be eligible for THV privileges. However, based upon the approval of the mayor or their designee, an alternative mileage radius may be established by department directors as provided under Section 7.3.2.1 as follows: "With the approval of the Mayor or his/her designee, department directors are given discretion to authorize home storage outside the established radius for employee whose job functions are critical to department operations, such as maintenance mechanics who perform emergency repairs to City facilities and must transport their tools and equipment to the facility".

As a deterrent against potential management override, management established as a guide the provisions of Section 7.3.2.3 as follows: "Home storage limitations shall not be circumvented by allowing an employee to leave the City vehicle in a facility, whether controlled by the City or not, or to be assigned to a work site where he/she does not perform his/her regular duties".

During the audit we performed procedures to determine whether departments established home storage outside the 30-mile radius of City Hall in accordance with the provisions of AP 2-2. Furthermore, we performed procedures to determine whether the alternative home storage was authorized.

### Finding

Audit procedures revealed that one (1) vehicle assigned to DON did not have the appropriate form on file for home storage outside of the 30-mile radius. Additionally, DON failed to obtain approval from the Mayor or the Mayor's designee as required.

### Recommendations

We recommend that DON management obtain approval from the Mayor or his designee if the department continues to use alternative home storage methods.

### Management Response

DON has submitted the requisite forms to the Mayor's office and await current approval. Please note that DON's current process for home storage outside of the 30 mile radius is compliant with AP 2-2 and was approved by the previous and current administration.

**Responsible Party**

**DON:** Director TaKasha L. Francis Esq.

**Estimated Date of Completion**

**DON:** FY 2023 1ST QTR. - NOVEMBER 1, 2022

**Assessment of Response**

Management response as presented above, addresses issues identified and proposed corrective actions are considered appropriate.

# APPENDIX

## Appendix 1

TAKE-HOME/ POOL VEHICLE CONFIRMATION					
	Line	A	B	C=B-A	D=C/B
	Departments	# Of Take-Home & Motor Pool Vehicles		# Difference	% Difference
		Per FMD Listing	Per Dept Confirmation		
1	Administration and Regulatory Affairs	0	0	0	0%
2	Houston Airport System	10	10	0	0%
3	City Secretary's Office	0	0	0	
4	Finance Department	0	0	0	0%
5	Houston Fire Department	77	20	(57)	(285%)
6	Fleet Management	11	11	0	0%
7	General Services	6	12	6	50%
8	Houston Health Department	10	83	73	88%
9	Houston and Community Development	0	43	73	100%
10	Human Resources	0	13	13	100%
11	HITS	0	20	20	100%
12	Legal Department	0	0	0	0%
13	Houston Public Library	0	0	0	100%
14	Municipal Courts	0	3	3	100%
15	Department of Neighborhoods	0	87	87	100%
16	Office of Business Opportunity	0	0	0	0%
17	Parks & Recreation Department	19	21	2	10%
18	Planning and Development	0	0	0	0%
19	Houston Police Department	N/A	718		N/A
20	Houston Public Works	242	276	34	12%
21	Solid Waste Department	0	1	1	100%
	Total	375	1338		

# MANAGEMENT ACKNOWLEDGMENT STATEMENTS

# FLEET MANAGEMENT DEPARTMENT ACKNOWLEDGEMENT STATEMENT

Office of the City Controller

Audit Division



## Acknowledgement Statement

Date: July 14, 2022

Chris B. Brown  
City Controller  
Office of the City Controller

Subject:

Fleet Management Department (FMD) City-Wide Take-Home Vehicles Audit- Acknowledgement of Management Responses

I acknowledge that the management responses contained in the above referenced report are those of the Fleet Management Department. I also understand that this document will become a part of the final audit report that will be posted on the Controller's website.

Sincerely,

A handwritten signature in black ink that reads "Gary Glasscock". The signature is written in a cursive style and is positioned above a horizontal line.

Gary Glasscock, Director  
Fleet Management Department



# HOUSTON POLICE DEPARTMENT ACKNOWLEDGEMENT STATEMENT



## Acknowledgement Statement

Date:

Chris B. Brown  
City Controller  
Office of the City Controller

Subject: Fleet Management Department (FMD) City-Wide Take-Home Vehicles Audit-  
Acknowledgement of Management Responses

I acknowledge that the management responses contained in the above referenced report are those of the Fleet Management Department. I also understand that this document will become a part of the final audit report that will be posted on the Controller's website.

Sincerely,

  
\_\_\_\_\_  
Troy Finner, Chief  
Houston Police Department

# DEPARTMENT OF NEIGHBORHOODS ACKNOWLEDGEMENT STATEMENT

## Acknowledgement Statement

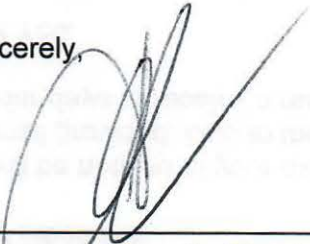
Date: August 11, 2022

Chris B. Brown  
City Controller  
Office of the City Controller

Subject: Fleet Management Department (FMD) City-Wide Take-Home Vehicles Audit-  
Acknowledgement of Management Responses

I acknowledge that the management responses contained in the above referenced report are those of the Department of Neighborhoods. I also understand that this document will become a part of the final audit report that will be posted on the Controller's website.

Sincerely,



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TaKasha L. Francis, Director  
Department of Neighborhoods

---

**Audit Team**

Dillon Marsh, CIA, Lead Auditor

Olaniyi Oyedele, CPA, Audit Manager

**City Auditor**

Courtney Smith, CPA, CIA, CFE

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Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>