

Internal Audit Report

**HOWARD COUNTY SHERIFF'S OFFICE
TAKE-HOME VEHICLE PROGRAM AUDIT
NOVEMBER 2017**

Office of the County Auditor





OFFICE OF THE COUNTY AUDITOR

Craig Glendenning, CPA
County Auditor

November 2017

Sheriff William McMahon
The Honorable Members of the County Council
The Honorable Allan Kittleman, County Executive

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we have conducted an audit of the take-home vehicle program at the Howard County Sheriff's Office. This report contains recommendations we believe will improve accountability and compliance with applicable policies.

This report has been reviewed by the Sheriff and we have included his responses. We wish to express our gratitude to the Sheriff's Office for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in blue ink, appearing to read "CGlending", is positioned above the typed name.

Craig Glendenning, CPA
County Auditor

EXECUTIVE SUMMARY

We conducted a performance audit of the take-home vehicle program at the Howard County Sheriff's Office (Sheriff's Office). The objectives of our audit were to:

1. Determine if vehicle assignments agree with department policies and union agreements.
2. Determine if monthly reporting requirements are being met.
3. Determine if applicable employees are charged with a taxable fringe benefit in accordance with Internal Revenue Service guidance.
4. Determine the efficiency and effectiveness of the take-home vehicle program.

Conclusions

For the audit objectives, we found that:

1. Several out of county vehicle assignments did not comply with the Sheriff's Office Vehicle Policy (Policy). Additionally, the Policy did not require formal, documented approval of take-home vehicles.
2. The Policy did not require formal periodic mileage reports. Current reporting only included monthly odometer readings and did not contain a breakdown of business and non-business mileage.
3. In accordance with Internal Revenue Service guidance, the financial benefits of program participation are excluded from employees' wages.
4. The Sheriff's Office cited benefits of the program including enhanced public safety and its use as a recruiting tool. However, the Sheriff's Office did not prepare an analysis to document program costs and benefits. We did not have sufficient data to prepare any such analysis.

BACKGROUND

The Howard County Sheriff's Office (Sheriff's Office) provides judicial enforcement and physical security for the Circuit Court, assists other law enforcement agencies in maintaining law and order in Howard County, and provides a variety of other services to County citizens.

The Sheriff's Office has 57 vehicles including 52 vehicles which are assigned to employees. Of the 52 assigned vehicles, 38 are assigned as either take-home or on-call vehicles. All the vehicles are purchased and maintained by the County.

The Sheriff's Office Vehicle Policy (Policy) covers the use of vehicles by Sheriff's Office employees. The County and other County public safety departments also have policies for take-home vehicles. We were advised by the Office of Law that since the Sheriff is an independently elected State constitutional officer, the County policy generally does not apply to the Sheriff's Office. The Sheriff's Office's union agreement states that the present take-home vehicle Policy "will remain in effect for the duration of this agreement, unless the pattern of off-duty activity increases the cost to a level unacceptable to the Sheriff, or an unanticipated event which otherwise makes the policy economically unfeasible." Under the union agreement, the Sheriff's Office may modify or terminate the program, after giving the union notice, should these circumstances occur.

FINDINGS AND RECOMMENDATIONS

Finding 1

The Sheriff's Office did not always comply with its Policy regarding out of county vehicle assignments.

Our review found five instances in which the Sheriff's Office did not comply with its Policy regarding out of county vehicle assignments. In four instances, employees had take-home vehicles even though they lived from between 14 to 25 miles from the County. The Policy allows vehicle assignments to deputies who live within the County or within 10 miles of the County's border.

In the fifth instance, an employee who lived in Pennsylvania parked their assigned vehicle at a Designated Vehicle Parking Area (DVPA). However, the DVPA was 20 miles from the County by road, and the Sheriff's Office was unable to provide documentation to support the Sheriff's approval of its use. The Policy requires that designated vehicles provided to deputies who do not reside within 10 miles of the County be parked in a Designated Vehicle Parking Area (DVPA) to allow for fast and easy access in the event of an emergency. The Policy defines a DVPA as a safe location, typically a state/local government facility within Howard County. Additionally, a list of approved in County DVPAs was not maintained by the Chief Deputy. A list of the locations is to be maintained by the Chief Deputy, and authorization for their use is to be granted by the Sheriff.

We recommend that the Sheriff's Office comply with the requirements of its Policy regarding the assignment of vehicles to employees living outside of Howard County. Additionally, we recommend that a list of approved DVPAs be maintained by the Chief Deputy, and the Sheriff's approval for their use be documented.

Sheriff's Response:

The current Sheriff's Office policy pertaining to vehicle use is under review. In fact, we were awaiting the outcome of this audit before finalizing those changes. Once the policy is finalized and issued, we will ensure Office and staff compliance.

Finding 2

The Sheriff's Office Vehicle Policy did not require formal, documented approval of vehicle assignments.

The Policy does not include a requirement that vehicle assignments be documented and approved by supervisory personnel. As a result, there is a lack of assurance that assignees meet the criteria

for assignment contained in the Policy. Documentation that substantiates that employees meet established criteria and that supervisory staff approves the assignment of vehicles is required by County and other public safety department policies. According to the Office of Law, the County may enter into an agreement with the Sheriff's Office. This agreement may subject the Sheriff to terms and conditions related to providing vehicles to the Office (such as complying with County policies). However, such an agreement may not interfere with the performance of the Sheriff's constitutional duties.

We recommend the Sheriff's Office modify the existing Policy by developing and requiring a form that documents the approval of vehicle assignment. Assignments should be approved by the Sheriff or his designee. We also recommend that assignments be reviewed on a periodic basis (such as annually) or when employees change roles or responsibilities.

Sheriff's Response:

The new policy will establish criteria for the assignment of vehicles, including parameters and guidelines for off-duty and out-of-County use. An approval process, including forms, will be implemented. Approval for take home vehicles will be made by the Sheriff or Chief Deputy and will be reviewed periodically, including when deputies change assignments or addresses.

Finding 3

The Policy does not require detailed reporting of vehicle use.

The Policy does not require monthly reporting of vehicle use. Although employees report odometer readings each month, the current mileage reported by each employee simply shows aggregate miles. It does not break down miles driven between official work-related mileage and non-business mileage (including commute miles).

County policies require that employees complete a vehicle use log daily and submit completed logs monthly to a fleet coordinator. These logs separate business and non-business miles. As noted above, the County may enter into an agreement with the Sheriff regarding terms and conditions of providing vehicles to the Sheriff's Office.

We recommend that the Sheriff's Office adopt the County's Vehicle Utilization and Mileage Log. We further recommend that the logs be completed daily and submitted monthly to the Sheriff's Office Fleet Coordinator for review and statistical purposes.

Sheriff's Response:

The Sheriff's Office agrees with this recommendation and will implement a policy and process that accounts for on-duty and off-duty use. We will consider the County Vehicle Utilization and Mileage Log, but may develop a separate form that better meets our needs.

Finding 4

The Sheriff's Office has not analyzed the programmatic or financial benefits of the take-home vehicle program.

The Sheriff's Office has not performed any type of analysis to determine the costs and benefits of operating a take-home vehicle program. According to the Sheriff Deputy Union Agreement, the take home vehicle policy "*will remain in effect for the duration of this agreement, unless the pattern of off-duty activity increases the cost to a level unacceptable to the Sheriff, or an unanticipated event which otherwise makes the policy economically unfeasible.*"

The Policy requires the Sheriff's Office Fleet Coordinator to compile take-home, on-call, designated, and staff vehicle statistics on a monthly and annual basis. However, as noted above, the Sheriff's Office currently only tracks the total mileage driven each month for each vehicle. Due to the lack of statistical data, we were unable to perform an analysis of the efficiency and economy of the program.

According to Sheriff's Office personnel, the use of take-home vehicles enhances public safety by increasing the presence of law enforcement in the County. In addition, the program increases the overall compensation package allowing the Sheriff's Office to remain competitive with surrounding jurisdictions when recruiting new employees.

We recommend that the Sheriff's Office analyze the costs and benefits of the current take-home vehicle program including the required vehicle statistics. We also recommend that any analysis be used to assist in managing the program.

Sheriff's Response:

The Sheriff's Office recognizes the need to analyze the value of a "take-home car" program, and will work to better quantify those incidents in which an off-duty deputy provided service to the community or another public safety agency. It should be noted that the benefit of the visibility of law enforcement vehicles in the community is often hard to quantify. The deterrent effect on criminals and traffic violators in addition to the sense of security for the community in seeing these vehicles, is difficult to track. The benefits also include recruitment and retention of deputies, particularly important given current salary limitations.

Finding 5**Sheriff's Office vehicle inventory records did not agree with County Central Fleet records.**

Our comparison of motor vehicle inventory records maintained by the Sheriff's Office to the County's official Central Fleet records disclosed five differences. We found that the Sheriff's Office's records included one vehicle which was not on Central Fleet's records and Central Fleet's records included four vehicles which were not on the Sheriff's Office's records. We provided these differences to the Sheriff's Office for investigation.

We recommend that the Sheriff's Office compare its vehicle inventory records with those of Central Fleet on a periodic basis (such as annually) and work with Central Fleet to resolve any discrepancies.

Sheriff's Response:

The Sheriff's Office does maintain contact with Central Fleet on an ongoing basis to discuss vehicle replacement and maintenance issues. The discrepancies noted may be attributed to the fluid nature of vehicles assignments when vehicles are "totaled" because of collisions or taken out of service for significant maintenance issues. The Office does meet with Central Fleet on an annual basis to discuss vehicle replacements for the coming Fiscal Year. These discussions involve a validation of vehicle assignment lists. The most recent occurred in November 2017.

ADDITIONAL COMMENTS

Internal Revenue Service (IRS) guidance specifies that transportation (commuting) benefits are general taxable and should be included in an employee's pay. However, products and services provided to employees so the employee can perform his or her job are excluded from wages. The guidance specifically excludes qualified nonpersonal use vehicles as a taxable benefit. A qualified nonpersonal use vehicle is any vehicle the employee is not likely to use more than minimally for personal purposes because of its design. These vehicles include (among other examples):

- Clearly marked, through painted insignia or words, police, fire, and public safety vehicles.
- Unmarked vehicles used by law enforcement officers if the use is officially authorized.

Our analysis of the Sheriff's Office take-home vehicles found that all assigned vehicles met one of these two criteria and as a result, the transportation (commuting) benefit was properly excluded from employee wages.

AUDIT SCOPE, OBJECTIVES AND METHODOLOGY

We conducted a performance audit of take-home vehicles at the Howard County Sheriff's Office (Sheriff's Office). The audit reviewed take-home vehicles assigned as of January 2017.

We conducted our audit in accordance with generally accepted government auditing standards prescribed by the Comptroller General of the United States, except for the requirement to obtain an external peer review at least once every three years. We have not contracted for a peer review due to our recent conversion to the use of government auditing standards. We believe that not complying with this requirement had no impact on the audit or the findings contained in this report.

Government auditing standards require us to 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 evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to:

1. Determine if vehicle assignments agree with department policies and union agreements.
2. Determine if monthly reporting requirements are being met.
3. Determine if applicable employees are charged with a taxable fringe benefit in accordance with Internal Revenue Service guidance.
4. Determine the efficiency and effectiveness of the take-home vehicle program.

To accomplish our objectives, we met with Sheriff's Office staff responsible for oversight of the take-home vehicle program. We reviewed County and Sheriff's Office policies and the union agreement. We reviewed documentation related to the assignment of take-home vehicles. We performed tests designed to determine if the Sheriff's Office adheres to its policies.

Sheriff's Office management is responsible for establishing and maintaining effective internal control. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

We conducted our field work from June 2017 to August 2017. The Sheriff's Office's responses to our findings and recommendations are included in this report.

AUDIT TEAM

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