Performance Audit of the Take-Home Use of City Vehicles

THE CITY HAS ALLOWED EMPLOYEES TO TAKE HOME MORE VEHICLES THAN NECESSARY TO MEET ITS OPERATIONAL NEEDS

JUNE 2011

Audit Report

Office of the City Auditor

City of San Diego

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THE CITY OF SAN DIEGO

June 29, 2011

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is an audit report on the City's take-home vehicle practices. This report is in accordance with City Charter Section 39.2. The Results in Brief is presented on page 1. The Administration's response to our audit recommendations can be found after page 59 of the report.

If you need any further information please let me know. We would like to thank staff from the San Diego Police Department and the San Diego Fire-Rescue Department, as well as representatives from other City departments for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff responsible for this audit report is Claudia Orsi, Sunny McLernon, Andy Hanau, Chris Constantin, and Kyle Elser.

Respectfully submitted,

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Results in Brief

The City of San Diego (City) owns a fleet of about 4,200 vehicles and other motive equipment, including transport, special purpose, and police and fire vehicles. The City assigns approximately 347 vehicles to employees to take home with them on a nightly basis, including 277 San Diego Police Department (SDPD) and 48 San Diego Fire-Rescue Department (Fire-Rescue) vehicles. These vehicles are assigned to personnel who are responsible for responding to after-hours emergencies.

During our audit, we found that the City lacks a review process for take-home vehicle assignments and associated costs, and many units do not have clearly defined response time expectations. In fact, the City assigns take-home vehicles to some employees who rarely respond to emergency call backs, do not have any special skills, or do not require any special equipment when responding to emergencies. As a result, during fiscal year 2010, SDPD and Fire-Rescue take-home vehicles logged about 2.5 million commute-only miles, with an estimated annual cost to the City of $2.1 million. We believe that the City could save up to $569,000 annually, while maintaining the ability to respond to emergencies, by reducing the quantity of its SDPD and Fire-Rescue take-home vehicles by 76 vehicles (23 percent). We identified an additional 23 vehicles that we recommend SDPD and Fire-Rescue review for potential elimination based on employees' self reported information. Eliminating the take-home use of these 23 vehicles would save the City an additional $149,000 per year. To address these issues, we recommend that SDPD and Fire-Rescue develop policies and procedures to assign vehicles based on criteria such as the employee's number of actual emergency responses, type of special equipment needed, and

response time. We also recommend that SDPD and Fire-Rescue work with the Public Works Department's Fleet Services Division (Fleet Services) to track costs associated with take-home vehicles.

We also found that the City lacks effective internal controls over many aspects of take-home vehicle use and does not maintain adequate records of vehicle-related data. As a result, the City has failed to seek reimbursement for approximately $212,000 in maintenance, fuel, and accident claims costs incurred by a third party, San Diego Medical Services (SDMS). We recommend that the City seek reimbursement for these expenses immediately.

In addition, we found that the City does not have processes and procedures in place to review fuel card transactions and does not collect driver identification information on some purchases. As a result, Fleet Services, SDPD, and Fire-Rescue do not review fuel card purchases consistently. While we did not identify any specific cases of fraud and abuse, we found that Fire-Rescue employees use fuel cards excessively at private gas stations when less expensive City fuel stations are located nearby, costing the City $2,685 in fiscal year 2010. In order to prevent misuse and abuse of fuel cards, we recommend that departments with fuel cards review all transactions on a monthly basis. In addition, we recommend that Fleet Services modify fuel card accounts to ensure that driver identification information is collected on all purchases.

Finally, we found that the City's established procedure to determine and report vehicle-related taxable fringe benefits is inadequate. As a result, the City may have not reported the personal use of at least 13 take-home vehicles as a taxable fringe benefit on employees' W2 forms, even though it appears that personal use of these vehicles should be considered a taxable fringe benefit under the Federal Internal Revenue Code. We recommend that Fleet Services begin to collect detailed information on all take-home vehicle assignments so that any vehicle-related fringe benefits can be calculated and reported accurately. In addition, we recommend that the City require all employees with taxable take-home vehicles to complete mileage forms documenting the personal and business use of

their vehicles.

We provide a total of 15 recommendations directed to the Public Works Department's Fleet Services Division, the San Diego Police Department, the San Diego Fire-Rescue Department, the City Attorney's Office, and the City Administration to improve the efficiency and oversight of the City's take-home vehicle assignments. The City Administration agreed with 11 of the recommendations and partially agreed with four.

Introduction

In accordance with the City Auditor's Fiscal Year 2011 Audit Work Plan, we have completed an audit of take-home vehicle usage by employees of the City of San Diego. We conducted this performance audit in accordance with generally accepted government auditing standards. 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 evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Objective, Scope, and Methodology" section of this report.

The City Auditor's Office thanks the management and staff of the Public Works Department (Public Works), the San Diego Police Department, and the San Diego Fire-Rescue Department for giving their time, information, insight, and cooperation during the audit process.

Background

The City of San Diego (City) owns a fleet of about 4,200 vehicles and equipment, including transport, special purpose, and police and fire vehicles.[1] The Public Works Department's Fleet Services Division (Fleet Services) purchases and maintains these vehicles, and individual City departments oversee the assignment and use of each vehicle. The City assigns take-home vehicles to certain City employees who are required to respond to emergencies when not on duty, also known as call-back responsibilities. Currently, each City department has the authority to assign vehicles for take-home use and there is no centralized authority for approving take-home vehicle assignments. Individual departments also have the authority to approve vehicle acquisition and direct Fleet Services to purchase vehicles. Fleet Services does not have the authority to deny the requests or review the justification. As of April 2011, the City has approximately 347 vehicles that City employees take home on a regular basis. The San Diego Police Department (SDPD) has 277 (80 percent) of these vehicles and the San Diego Fire-Rescue Department (Fire-Rescue) has 48 (14 percent) of these vehicles. Other City departments including the Public Utilities Department (PUD) and Public Works have the remaining 6 percent of take-home vehicles. **Exhibit 1** identifies take-home vehicles by City department.

[1] The total count includes vehicles such as trailers, mowers, fire trucks, automobiles, and motorcycles.

Exhibit 1

Number of Take-Home Vehicles by City Department as of April 2011*

Department	Number of Vehicles
Police	277
Fire-Rescue	48
PUD – Water Operations*	9
Facilities Management*	7
PUD – Collections*	4
Transportation and Stormwater*	2
TOTAL	347

Source: Office of the City Auditor generated with information self-reported by the various City departments.

*Note: Departments shown with an asterisk assign take home-vehicles on a rotational basis only and do not assign permanent take-home vehicles.[2]

As **Exhibit 1** illustrates, the SDPD and Fire-Rescue permanently assign vehicles for exclusive use by specific employees while other City departments assign vehicles to a group of employees on a rotating basis.

San Diego Police Department

SDPD provides patrol, traffic, investigative, records, permits and licensing, laboratory and support services. As **Exhibit 1** above illustrates, SDPD employees drive 277 of the 347 (80 percent) of the City take-home vehicles. Take-home vehicles include small and large sedans, small and large pick-up trucks, SUVs and vans. **Exhibit 2** breaks down the number of take-home vehicles by SDPD unit. See **Appendix B** for the SDPD Organizational Chart.

[2] As Exhibit 1 demonstrates, other City departments have a small number of take-home vehicles. Unlike at SDPD and Fire-Rescue, these vehicles are not assigned to specific employees. Rather, these vehicles are assigned for rotational duty. Individual operators do not always take a vehicle home on a nightly basis, only when on call-back duty.

Exhibit 2

San Diego Police Department Take-Home Vehicles by Unit as of April 2011

Unit	Number of Vehicles
Headquarter/Chiefs and Assistant Chiefs	8
Patrol/Watch Command	31
Special Events – CIM	1
Canine	26
Traffic-including Motorcycle	42
Operational Support	2
Investigations Captain	2
DART	1
Robbery	22
Gang	36
Narcotics and NTF	19
Vice	2
Economic Crimes	3
Auto Theft	3
MAST	4
Criminal Intelligence Unit	13
Training and Volunteer Services/STAR	3
Homicide	31
Child Abuse	1
Special Response Team	23
Security Detail	3
Domestic Violence	1
TOTAL SDPD TAKE-HOME VEHICLES	277

Source: Office of the City Auditor generated with information provided by SDPD.

Each SDPD unit also assigns an internal liaison who serves as the point of contact between SDPD and Fleet Services. According to SDPD staff, these SDPD fleet liaisons are in contact with Fleet Services on a weekly basis regarding any issues pertaining to the fleet.

According to SDPD, all officers with a take-home vehicle have the potential to be called back. The actual frequency of call-backs is not a factor in assigning take-home vehicles. The possibility of a call-back and the type of equipment an officer

needs are the most significant factors in assigning take-home vehicles. SDPD also assigns many take-home vehicles based upon position, not on the actual operational use of a take-home vehicle. For example, all SDPD personnel at or above the rank of Lieutenant receive take-home vehicles.

San Diego Fire-Rescue Department

Fire-Rescue's major activities include fire suppression, rescue, disaster preparedness, fire prevention and community education, medical care and hazardous material mitigation, emergency medical transport, swimmer and boating safety, cliff rescue, swift water rescue and the operation of the 9-1-1 / Fire Communications Center. Fire-Rescue assigns take-home vehicles to personnel that have immediate emergency call-back responsibilities. As at SDPD, Fire-Rescue take-home vehicles include small and large sedans, small and large pick-up trucks, SUVs and vans. **Exhibit 3** below illustrates take-home vehicle assignments within the different Fire-Rescue divisions.

Exhibit 3

San Diego Fire-Rescue Department Take-Home Vehicles by Unit as of April 2011

Unit	Number of Vehicles
Fire-Headquarters-Administration	4
Emergency Medical Services (EMS)	2
Operations	5
Special Operations	10
Lifeguards	5
Communications	1
Logistics	8
Fire Prevention Bureau (FPB)	6
Training	4
Administrative Services	1
Professional Standards Unit	2
TOTAL FIRE-RESCUE TAKE-HOME VEHICLES	48

Source: Office of the City Auditor generated with information provided by Fire-Rescue.

Fire-Rescue assigns take-home vehicles based on potential call-back responsibilities. As is the case with SDPD, the actual frequency of call-backs is not a factor in assigning the vehicles. Rather, the assignment of a take-home vehicle depends upon the nature of the equipment needed and the specific job duties of the employee. For an Organizational Chart of Fire-Rescue see **Appendix C**.

The Role of the Fleet Services Division Within the City

Fleet Services is responsible for fleet management services, including acquisition, fitting, maintenance and repair, provision of parts and fuel, painting, metal fabrication and other motive-equipment-related support services. Fleet Services has certain oversight responsibilities that are agreed upon and documented in Service Level Agreements with customer departments, such as minimizing the need for vehicle replacement, scheduling vehicle replacement based on need and economic life of the vehicles, applying the appropriate assignment and usage fees, maintaining fuel inventories at 18 fuels sites it operates within City boundaries, and issuing credit cards for fueling.[3]

According to the Independent Budget Analyst (IBA), the proposed budget for Fleet Services Division in fiscal year 2012 totals $51.4 million for operations and maintenance activities, and $23.2 million for replacement purposes. The division includes 249 positions, which remains unchanged from fiscal year 2011. **Exhibit 4** outlines Fleet Services' fund expenditures for the last three fiscal years; the proposed 2012 budget funding for vehicle replacement comes from the Fleet Services Replacement Fund.

[3] In late fiscal year 2011, an internal reorganization occurred that placed Fleet Services within the Public Works Department. This change becomes official beginning July 1, 2011.

Exhibit 4

Overview of Fleet Services' Funds for Fiscal Years 2009 – 2012

Fund Title	FY09 Expenditures	FY10 Expenditures	FY11 Expenditures	FY12 Proposed	FY12 Increase
Fleet Services Replacement Fund	$36.5 million	$34.8 million	$14.8 million	$23.2 million	$8.4 million
Fleet Services Operating Fund	$52.8 million	$51.4 million	$51.2 million	$51.4 million	$200,000

Source: Office of the City Auditor generated based on information from the City of San Diego Adopted Budgets for fiscal years 2009 through 2011 and the Independent Budget Analyst's Review of the Fiscal Year 2012 Proposed Budget.

As indicated in **Exhibit 4**, the fiscal year 2012 budget represents an increase in replacement expenditures of $8.4 million from fiscal year 2011. According to the IBA, previous budget reduction proposals that were implemented included extending the useful life of all vehicles by two years and reducing the rates charged to customer departments for replacement of vehicles to postpone purchases.

To carry out its responsibility to assess and replace fleet vehicles, Fleet Services creates the annual Motive Equipment Replacement Acquisition Plan. These plans identify the total number of vehicles to be replaced, the fund that will cover the replacement, payment method such as cash or lease-purchase, and a general statement on the status of the fund. **Exhibit 5** provides a general overview of equipment that Fleet Services annually planned to replace between fiscal year 2008 and fiscal year 2010. Fleet Services does not evaluate the justification for a vehicle, but rather, it screens and acquires the most appropriate vehicle for each work assignment.

Exhibit 5

Percent of All Fleet Planned for Replacement Per Fiscal Year

Fiscal Year	Percent of Fleet Replaced[4,5]
2008	21
2009	10
2010	11.5

Source: Office of the City Auditor generated with information from the Annual Acquisition Plans.

Fleet Services annually assesses a usage rate and an assignment rate to departments with City-owned vehicles. Usage rates cover expenses to operate and maintain equipment in the City inventory, such as fuel, repairs, and preventive maintenance. Assignment rates establish funds to replace equipment at the end of its lifecycle. These assignment rates include the cost of the replacement equipment, outfitting charges, and Fleet Services overhead. Assignment rates are amortized over the life of the equipment.

Recent Fleet Reduction Proposals

According to the IBA (Report 11-25, issued April 29, 2011), prior budgetary changes included the identification and elimination of underutilized vehicles in the City fleet by 20 percent. Underutilized vehicles are categorized as less than 5,000 miles per year or 500 operational hours per year. Savings would be derived by reducing the size of the fleet and eliminating associated usage fees. In addition, in fiscal year 2010, a reduction of the number of Police and Fire-Rescue take-home vehicles by 10 percent was planned, which was expected to generate annual savings of $5,000 per vehicle.[6]

Fuel Cards

Fleet Services assigns Voyager cards—fuel credit cards— which allow employees to fuel at gas stations when fueling at a City-owned site is not practical. For example, the Motorcycle unit within SDPD cannot fuel at City facilities because the City does not provide the Super Unleaded fuel that the BMW RT-1200 motorcycles use, and each motorcycle officer is assigned a fuel

[4]According to Fleet Services, its 2012 budget may change based on the managed competition project.
[5] These percentages represent the total City fleet, not take-home only.
[6] The Office of the City Auditor estimates that in fiscal year 2010, SDPD and Fire-Rescue average commuting costs are approximately $6,186 per vehicle.

credit card to allow them to purchase Super Unleaded fuel at private gas stations. Currently, there are 750 fuel credit cards issued to City employees, vehicles, or work groups. Of these, 472 (63 percent) are assigned to Fire-Rescue and 44 (6 percent) are assigned to SDPD. In fiscal year 2010, the City's fuel cards were used to purchase 85,708 gallons of regular unleaded fuel and 33,406 gallons of Super Unleaded fuel at a total cost of $345,378.

Taxable Benefits of Take-Home Vehicles

Annually, the Office of the City Comptroller (City Comptroller) forwards to City department heads a memorandum asking them to report personal vehicle uses that are considered a taxable fringe benefit under Internal Revenue Service (IRS) regulations. This memorandum provides guidelines describing the type of City vehicle uses that are excluded from taxable income. The City is responsible for accurately reporting employees' income, including taxable fringe benefits such as personal vehicle use, to the IRS on an employee's W-2 form.

Objectives, Scope, and Methodology

We conducted a review of City take-home vehicles to:

- Assess the reasonableness of current practices and identify potential opportunities to reduce the number of take-home vehicles.
- Assess whether the City's internal controls pertaining to the use of take-home vehicles and the City's fuel credit cards are sufficient to reduce the risk of fraud and abuse pertaining to those practices.
- Assess whether the City has adequate procedures in place to recover vehicle-related costs as appropriate.

To assess the reasonableness of current practices and potential opportunities to reduce the number of take-home vehicles, we obtained an understanding of the roles and responsibilities of various City departments regarding take-home vehicle assignment. We reviewed State and local regulatory requirements, interviewed certain department officials with regard to their roles and responsibilities, and analyzed City departments' policies and procedures pertaining to vehicle use. We compiled a listing of City vehicles that are currently assigned on a take-home basis. We then evaluated a statistically random sample of 55 vehicles assigned on a take-home basis to SDPD and Fire-Rescue employees and determined whether those assignments were in accordance with the identified regulatory requirements.[7] We also reviewed an additional judgmental sample of 17 vehicles assigned on a take-home basis to SDPD and Fire-Rescue employees to ensure that those assignments were appropriate. To ensure the completeness and accuracy of take-home vehicle listings, we obtained departmental confirmation of the accuracy of the information provided. We also verified that the vehicles that

[7] Statistical sample size confidence level is 95 percent.

were assigned at the departmental level as take-home vehicles were on the Public Works lists of City fleet.

To determine the cost associated with take-home vehicles during fiscal year 2010, we calculated the average per-mile cost for each vehicle type of take-home vehicle using data from all similar vehicles in the City fleet.[8]

For our statistical sample of 55 vehicles and personnel we calculated the shortest round-trip commute distance for each take-home driver based on their home and work locations using the Google Maps online mapping application. We projected these results to the entire population of take-home vehicles. We performed data reliability testing on personnel data that we used to estimate commute mileage and number of days worked, and determined that the data was sufficiently reliable. Using the commute distance, number of days worked, and the per-mile cost of each vehicle type, we then estimated the cost associated with take-home vehicle commuting for fiscal year 2010.

To ensure that City departments assign only necessary vehicles on a take-home basis, we analyzed vehicle call-back frequency to the extent possible, special equipment needed in the vehicle, number of individuals in the unit, the nature of any emergency response duties, and the response time required. We also surveyed all SDPD and Fire-Rescue employees with a take-home vehicle regarding their use of the vehicle and their call-back responsibilities, type of equipment needed to perform their duties, and response time. Based on the responses provided to us, we interviewed several SDPD and Fire-Rescue staff with take-home vehicles regarding the relationship between their take-home vehicle and their job duties.

To benchmark the City's use of take-home assignments with other jurisdictions, we researched best practices and surveyed various jurisdictions' policies and procedures pertaining to the use and assignment of take-home vehicles, such as call-back frequency, type of assignments, special equipment needs and departmental justification for take-home vehicle assignments.

[8] Data includes costs for fuel, maintenance and repair, and vehicle replacement for fiscal year 2010.

To determine whether the City has the necessary internal controls to guard against the risk of fraud and abuse, we selected a statistical and judgmental sample of 72 take-home drivers and reviewed all 757 City fuel card purchases made by these subjects in fiscal year 2010. In addition, we reviewed whether the City reports all taxable fringe benefits in accordance with federal law.

To assess whether the City recovers vehicle-related costs as appropriate, we identified a number of vehicles owned or operated by a City partner, San Diego Medical Services (SDMS), in order to determine if the City is entitled to reimbursement for any maintenance, fuel, and insurance costs incurred on behalf of SDMS. We obtained lifetime service records for each of the vehicles as well as fuel records dating back to April 2009. In addition, we obtained liability payment information from the City's Risk Management Department to determine if the City had provided liability coverage for any of these vehicles. We also reviewed records of invoices the City has submitted to SDMS to determine if the City has recovered any of these costs.

We reviewed data from fiscal year 2010 unless otherwise noted. We performed data reliability testing of the data provided to us and upon which we relied in this report, and searched for indicators of fraud. We evaluated internal controls related to the assignment of take-home vehicles and the oversight of Voyager credit cards. Our conclusions on the effectiveness of these controls are detailed within the following audit results.[9]

[9] In September 2010, Mayor Jerry Sanders announced that fleet maintenance will be among the first City services put out to bid under managed competition, the process that allows the private sector to compete with city employees to submit bids to deliver services more efficiently. Because of the efforts involved with preparing for the bid process, the Office of the City Auditor agreed with the City Administration and General Services that our audit review would not focus its efforts on Fleet Services, but on practices of City departments' take-home vehicle assignments. Fleet Maintenance is expected to complete the managed competition process during fiscal year 2012.

Audit Results

Finding 1: The City Has More Employees Taking Home Fleet Vehicles Than Operationally Necessary

The City spent approximately $2.1 million on total commuting costs for San Diego Police Department (SDPD) and San Diego Fire-Rescue Department (Fire-Rescue) take-home vehicles in fiscal year 2010. Our review of the City's take-home vehicle assignments revealed that during fiscal year 2010 SDPD and Fire-Rescue employees took home more vehicles than necessary to meet the City's operational and emergency response needs. We estimate that the City could save up to $569,000 annually, while maintaining the ability to respond to emergencies, by reducing the quantity of its SDPD and Fire-Rescue take-home vehicles by 76 (23 percent). We identified an additional 23 vehicles that we recommend SDPD and Fire-Rescue review for potential elimination based on employees self-reported information. Eliminating these 23 vehicles would save the City an additional $149,000 per year. We also found that the City lacks a well-defined policy for take-home use of City vehicles and that in some cases, City take-home vehicles are assigned on the basis of position responsibilities instead of actual emergency response needs. In addition, City vehicles are assigned to personnel based on position responsibilities rather than actual emergency call-backs. Moreover, the City does not maintain an accurate and complete listing of take-home vehicles and does not review those assignments' call-back frequencies, special equipment requirements, the nature of the emergency response duties, and any response time requirements. As a consequence, the City cannot be certain that all of its assigned take-home vehicles are operationally necessary to fulfill the City's responsibilities or that the estimated $2.1 million incurred in commuting costs during fiscal year 2010 were justifiable.

We identified the following:

- During fiscal year 2010, the City incurred an estimated $2.1 million in commuting costs on behalf of employees with take-home vehicles;
- The City can reduce costs associated with take-home vehicles;
- The City lacks a review process for take-home vehicle assignments and associated costs; and
- SDPD and Fire-Rescue do not consistently track call-backs and do not have clearly defined response times.

To reduce the costs associated with take-home vehicles, we recommend that the City review for potential elimination 76 vehicles for take-home use for a total annual savings of $569,000. We identified an additional 23 vehicles that we recommend SDPD and Fire-Rescue review for potential elimination based on employees self reported information. Eliminating these 23 vehicles would save the City an additional $149,000 per year. In addition, to reduce the costs associated with excessive commutes, we recommend that the City establish guidelines for maximum one-way commute distance and develop a process to recover excessive commute costs from employees with commutes that exceed the guidelines.

During Fiscal Year 2010 the City Incurred An Estimated $2.1 Million in Commuting Costs on Behalf of Employees With Take-Home Vehicles

Our review of take-home vehicle assignments revealed that some City employees with take-home vehicles have long commuting distances and during fiscal year 2010, SDPD and Fire-Rescue take-home vehicles logged about 2.5 million commute-only miles, with an estimated annual cost to the City of $2.1 million.[10] Specifically, in our total sample of 72 drivers, we found that seven drivers live outside county limits, between 53 to 69 miles from their work location. One driver in our sample had a round-trip commute distance of 138 miles. Based on our calculations, using vehicle type and cost associated with maintaining and fueling the vehicle, we estimate that the commute cost for this one driver alone is about $29,800 annually. Another officer in the gang unit logged a round-trip

[10] Based on the cost information we obtained from Fleet Services, we estimate the cost for SDPD and Fire-Rescue employees to operate a take-home vehicle as approximately $0.85 per mile.

commute distance of 129 miles, costing the City approximately $15,800 per year. In addition to these two examples, we identified at least six other drivers with round-trip commutes greater than 100 miles for a cumulative annual cost of almost $150,000.

Other audits on take-home vehicle assignments from nationally recognized audit organizations identified King County, Washington as a jurisdiction with good policies and procedures pertaining to the use and assignment of take-home vehicles.[11] The King County Fleet Administration Division was recognized as one of the 100 best public sector fleets in the nation by Government Fleet, a reputable organization that publishes information on managing public sector vehicles and equipment. According to King County's administrative policies and procedures, eligibility for a county-owned take-home vehicle is subject, among other conditions, to whether an employee resides within King County.[12] In addition, SDPD identified the City of Los Angeles Police Department (LAPD) as relevant to our benchmarking because it is the largest municipal agency in the State. Our review of the LAPD policies and procedures indicate that LAPD employees at the rank of Lieutenant and below must live within Los Angeles County, or, if outside the County, within 60 miles of the city limits of Los Angeles to have a take-home vehicle.[13] In addition, the City of Berkeley, also identified by other nationally recognized audit organizations in their take-home vehicle audits, requires reimbursements for commuting costs. Consequently, City policies on geographic restrictions for take-home vehicle assignment are an acceptable means of reducing commuting costs. **Exhibit 6** displays alternative practices we identified pertaining to commuting cost-saving strategies.

[11] Audit of the City's Take-Home Vehicles: The City Has Allowed More Take-Home Use of City Vehicles Than Necessary. Office of the San Jose City Auditor. Report 10-11, October 2010.
[12] King County's Administrative Policies and Procedures document titled "Take-Home Policy For County-Owned Vehicles and Collective Bargaining Agreements Which Specifically Provide For Take-Home Vehicles", April, 2001.
[13] Los Angeles Police Department Special Order # 31, issued June 23, 2009.

Exhibit 6

Take-Home Vehicle Assignment Requirements Among Various Jurisdictions

	Commute Distance Restrictions	Required Number of Call-Backs	Required Call-Back Response Time	Special Equipment[14]
City of San Diego	None	Employees are subject to emergency call-back responses outside of scheduled shift	SDPD has written call-back response time requirements only for certain units with take-home vehicles	Employees must need special equipment
King County	Employees must reside within the County[15]	12 times a quarter or 48 times per year	None specified	Employees must need specialized equipment
Los Angeles County[16]	Employees may not take County-owned vehicles beyond the border of Los Angeles County	Employee assignment involves frequent activities during non-business hours	None specified	Employees must need special non-portable equipment
City of Los Angeles Police Department	Employees must reside within 60 miles of the city limits if outside the County	Employees are regularly subject to emergency call-backs	Does not provide specific time requirements, but states that time is a critical factor and direct response serves the public interest	Individual expertise of specialized equipment
City of Berkeley	Employees are charged for commute on a sliding scale ranging from $58 per month for commutes of less than 5 miles to $290 per month for employees living more than 20 miles from City Hall	None Specified	None Specified	None Specified
West Palm Beach	Officer must reside within 30 mile radius of the West Palm Beach Police Department	None Specified	None Specified	None Specified
Clayton County	Employees must reside within Clayton County	Call-back responsibility may be used to justify take-home vehicle assignments	None Specified	Special equipment needs may be used to justify take-home vehicle assignments

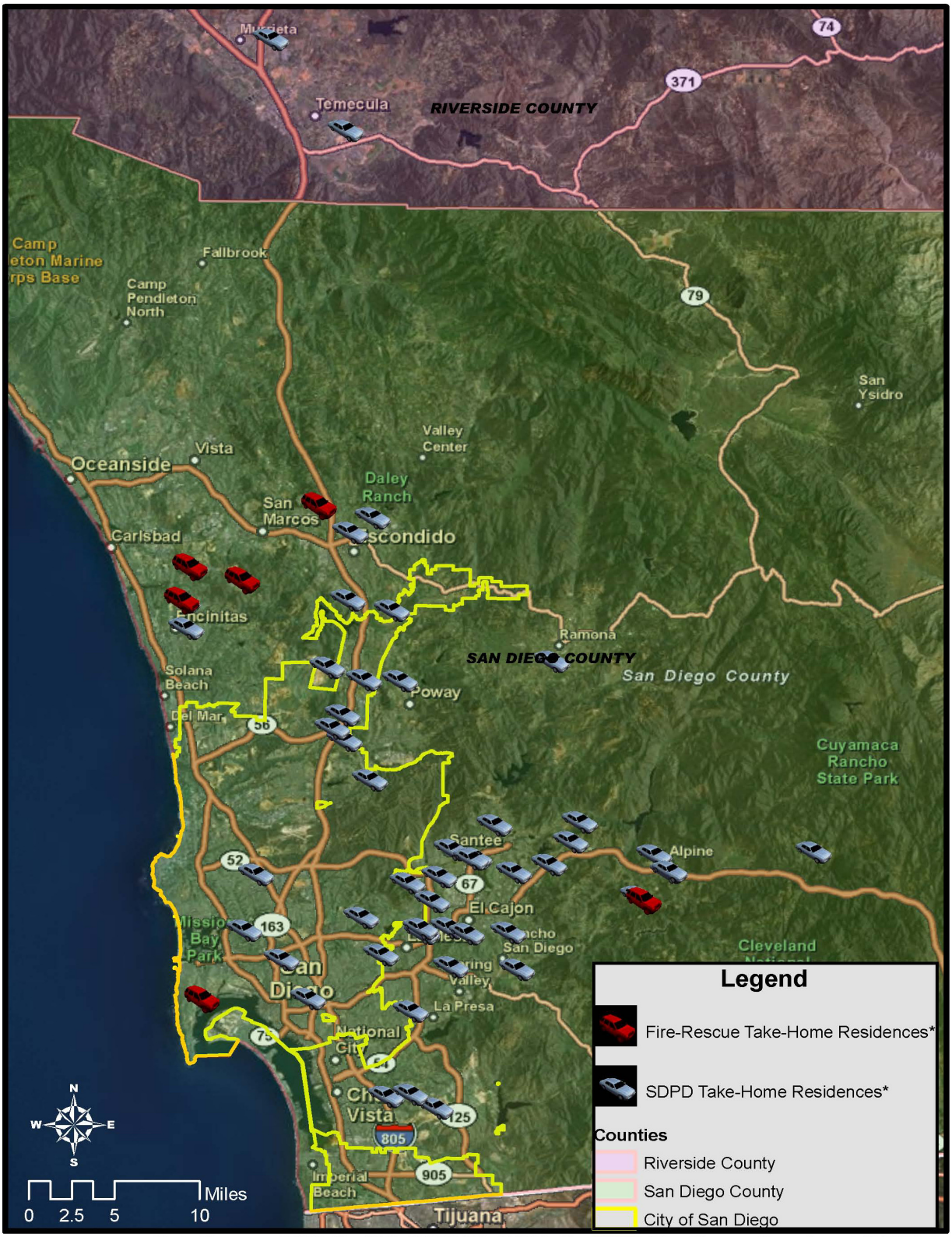
Source: Office of the City Auditor generated with information obtained during our review of alternative practices.

[14] "Special Equipment" is typically defined as equipment which is necessary to perform a specific job function.
[15] The only exception to this requirement is for commissioned officers of the Sheriff's Office. Vehicles may be assigned to those residing within 15 miles of the border of King County.
[16] Los Angeles County policies and procedures will go into effect July 1, 2011.

The City does not have a policy that establishes a maximum commute distance and it does not review justification of assignments. In addition, take-home vehicle assignment is at times based on position responsibilities rather than review of actual emergency call-back responses and special equipment needs. For instance, during our review of the Fire Prevention Bureau (FPB), we found that take-home vehicles were assigned because of position responsibilities within Fire-Rescue, rather than actual emergency call-back needs, special equipment requirements, the nature of emergency response duties, and any response time requirements. Additionally, we found that in SDPD all Chiefs, Captains and Lieutenants have take-home vehicles, regardless of the frequency of their call-backs, their special equipment requirements, the nature of their emergency response duties, or their response time requirements. As a result, the City allows more of its employees to use take-home vehicles than needed to meet its operational and emergency response needs. **Exhibit 7** illustrates the proximity of take-home vehicle drivers' residences to the City of San Diego.

Exhibit 7

Proximity of Take-Home Vehicle Drivers' Residences to the City of San Diego



Data Sources: ESRI, SanGIS, SANDAG, SDPD, San Diego Fire-Rescue Department, SAP Data
*Residences shown represent a random sample of 55 take-home drivers.

Commuting Outside of the City Limits is Expensive and Accelerates the Need for Vehicle Replacement, Which Results in Increased Cost Exposure to the City

When Fleet Services purchases a vehicle, it assigns the vehicle an expected lifespan, or lifecycle based on the vehicle type (sedan, truck, motorcycle). For instance, a full-size sedan has an expected lifecycle of eight years. The City bases replacement cost estimates on the idea that the vehicle, as well as its special equipment, will need to be replaced at the end of its lifecycle. In mid-fiscal year 2010, Fleet Services increased all lifecycles by two years in an effort to reduce annual expected replacement costs in the budget.

Fleet Services has recently increased the lifecycle years and mileage for SDPD and Fire-Rescue vehicles. For instance, the full-size sedan referenced above has an expected lifecycle of eight years and 120,000 miles. Police motorcycles have an expected lifecycle of seven years and 75,000 miles. When a vehicle reaches its expected lifecycle, Fleet Services evaluates it to determine its working condition. If it is no longer deemed in working condition, it is retired from the City fleet. In some cases, such as accidents with high repair costs or mechanical failures, a vehicle will be retired before it reaches its anticipated lifecycle.

Because a vehicle's lifespan is affected by mileage, both as an evaluation criterion and because mileage is associated with increased wear and tear and maintenance costs, commuting has the potential to diminish the lifespan of City vehicles and thereby accelerate replacement. For example, using Fleet Services' estimates of expected lifecycles, if the City replaces a police motorcycle after 75,000 miles and seven years, the average motorcycle would have accrued 52,000 commuting miles in its seven year lifespan, based on current commuting averages. This is 69 percent of its total lifespan miles. The commute mileage, which the City incurs significant costs for, also significantly accelerates the time it takes for a motorcycle to reach its mileage lifecycle.

Comparably, using fiscal year 2010 data, Fleet Services estimates the lifecycle of a SDPD canine sedan at 120,000 miles and nine years. Based on the average round trip commute of 42.5 miles that we identified in our random sample, in nine years this SDPD sedan would have accumulated almost 67,000

commuter miles, or 56 percent of its lifecycle miles. Without commuting, that sedan potentially could have lasted another eight years, and the City could have delayed replacement costs of about $42,342, which includes equipment and projected inflation.

To reduce the commuting costs the City incurs for vehicles assigned on a permanent basis to City employees, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

Recommendation # 1

Develop policies and procedures establishing guidelines for a maximum one-way commute distance and develop a process to recover the costs associated with commutes that exceed the guidelines. (Priority 2)

The City Can Reduce Costs Associated With Take-Home Vehicles

Our review indicates that the City could reduce the costs associated with take-home vehicles by up to $569,000 while preserving the ability to adequately respond to emergencies. We identified an additional 23 vehicles that we recommend SDPD and Fire-Rescue review for potential elimination based on employees' self-reported information. Eliminating these 23 vehicles would save the City an additional $149,000 per year. For example, we found that six employees within the Fire-Rescue Fire Prevention Bureau (FPB) receive call-backs 3 to 12 times per year, carry little special equipment, and do not have a clearly-defined response time expectation. In addition, most of their after-hours call-backs are managed from home on their phones without actually driving to the emergency scene. As a result, these take-home vehicles are primarily used as commuter vehicles and cost the City $35,900 during fiscal year 2010. In addition, we found that SDPD's motorcycle and canine units receive infrequent call backs. According to our interviews and survey responses, typically officers from these units respond to call-backs ranging from zero to 12 times per year. Yet these units are assigned 39 and 26 take-home vehicles respectively. For fiscal year 2010, we estimate that the City has incurred almost $400,000 in commute costs for the SDPD motorcycle unit and $178,000 for its canine unit.

Similarly, the Economic Crimes Unit Lieutenant also has a take-

home vehicle. He stated that he is eligible to be called back when needed. However, we found that the officer is rarely called back. He also indicated that in the last 12 months he has responded to an after-hours call-back once or twice. His commute cost is $3,974 for fiscal year 2010.

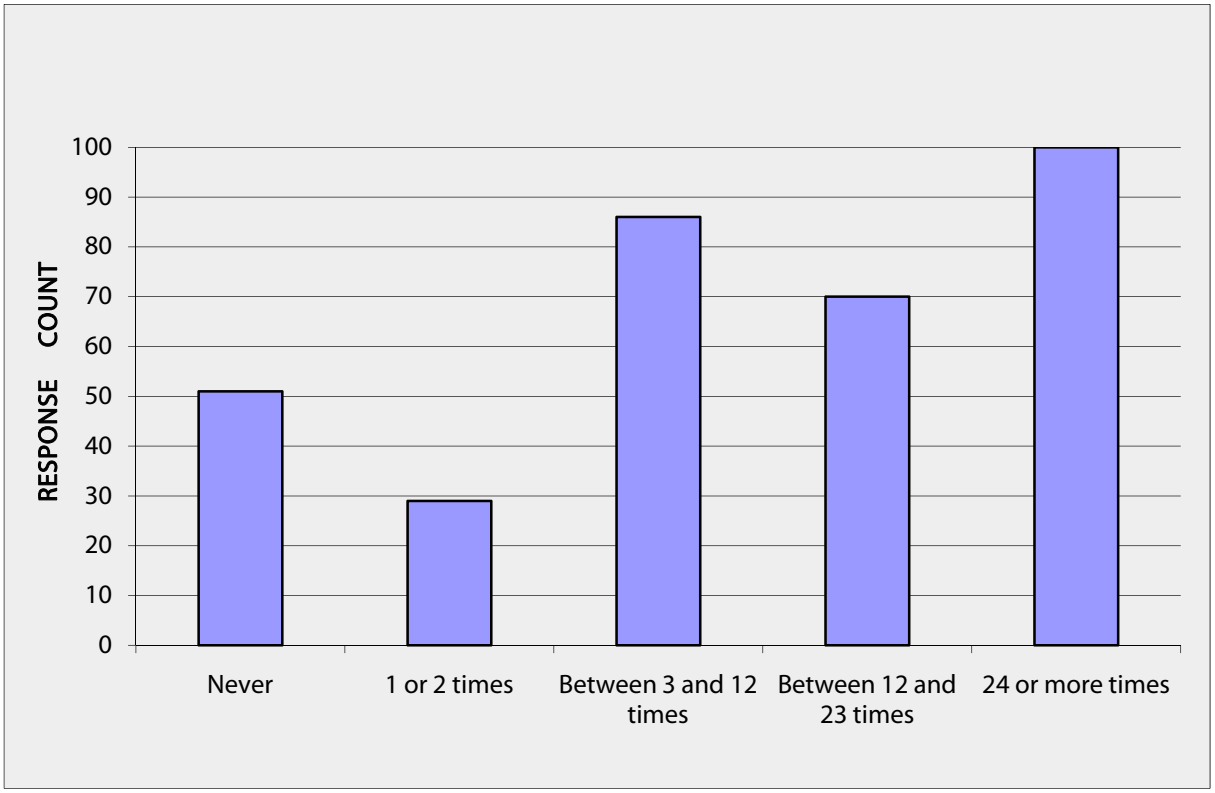
Other jurisdictions have policies and procedures in place to reduce and control the costs of take-home vehicles. For instance, King County employees that are assigned a take-home vehicle must respond to an emergency call-back when off duty at least 12 times per quarter or 48 times a year. LAPD requires that employees with take-home vehicles have duties that regularly subject them to emergency call-backs. The Los Angeles County Vehicle Policy dictates that individual department heads are responsible for reviewing and approving the issuance of take-home vehicles provided that issuance is based on business necessity. In addition, the Los Angeles County Vehicle Policy does not include seniority as a factor to assign vehicles; therefore, any criteria in a policy that the City of San Diego develops should not include seniority as a factor.

Some Take-Home Vehicles Are Not Assigned Based on Actual Emergency Call-Back Responses Received, Putting Into Question the Need of Such Assignment

SDPD and Fire-Rescue assign take-home vehicles to staff based on many factors such as branch or unit, position held within the department, standby rotation and potential call-back duties. In addition, SDPD assigns some vehicles based on rank. However, the departments do not assign take-home vehicles to drivers based on actual call-back frequency or response time requirements. **Exhibit 8** summarizes the number of call-backs based on the survey we received from SDPD and Fire-Rescue employees with take-home vehicles.

Exhibit 8

Survey Responses Received From Public Safety Take-Home Drivers: Number of Callbacks in Last 12 Months



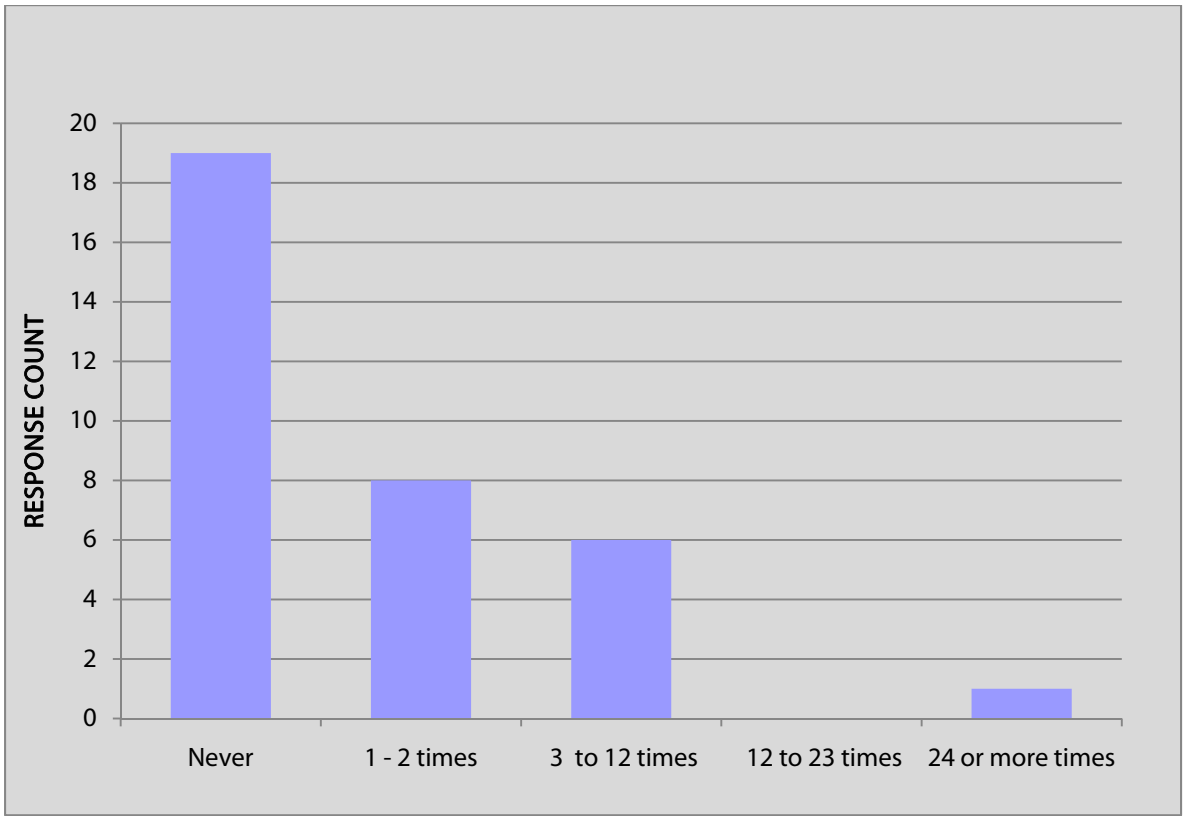
Source: Office of the City Auditor generated based on information obtained from SDPD and Fire-Rescue surveys.

In general, SDPD and Fire-Rescue do not have polices or guidelines to determine which staff would best serve the City by having a take-home vehicle. In SDPD, all Lieutenants have take-home vehicles regardless of their job description and duties. Lieutenants are eligible to be called back, but not all are called back frequently. Some of the Lieutenants we surveyed reported that they have not been called back at all in the previous 12 months, or have only been called back one or two times in the previous 12 months. Additionally, all 39 officers in the Motorcycle unit have take-home vehicles, despite their very low number of call-backs. Finally, as discussed above, the Fire Prevention Bureau (FPB) within Fire-Rescue rarely responds to call-back emergencies, yet the unit has a total of 6 take-home vehicles. Because SDPD and Fire-Rescue do not have policies or guidelines that require take-home vehicle assignments to be based on reviews of actual emergency call-back responses and response time, the City has incurred more commute costs than needed.

We reviewed survey responses from SDPD and Fire-Rescue take-home drivers to help assess how a take-home vehicle assists employees in providing a higher level of public service. During our review we identified many drivers that indicated that in the last 12 months they never or rarely respond to call-backs. We also reviewed survey responses explanations to determine what types of, and how much special equipment take-home drivers carry with them. As noted previously, in some instances we interviewed take-home drivers to learn more about how take-home vehicles assist drivers in performing their duties. Based on this review, we identified drivers in SDPD and Fire-Rescue that reported that they have responded to call-backs either zero times; one to two times; or three to twelve times in the past 12-month period, and have indicated they have limited special equipment such as lights, siren and radio in their vehicles. Drivers from the SDPD Canine Unit and the Fire-Rescue FPB unit that responded to the survey indicated that they rarely or never respond to call-backs. We should note that according to department officials, in some cases, take-home vehicles are assigned even to those personnel with low call-back rates in order to preserve the capacity to respond to infrequent emergency situations. **Exhibit 9** summarizes the Motorcycle Unit survey responses.

Exhibit 9

Motorcycle Unit Survey Responses: Number of Callbacks in Last 12 Months



Source: Office of the City Auditor generated based on information obtained from SDPD and surveys.

Exhibit 10 summarizes all the vehicles that we identified as primarily commuter vehicles by unit and for which we believe that the elimination as take-home vehicles would not affect the City's ability to effectively respond to emergencies. It also includes an additional 23 drivers that the City should review to ensure that a take-home vehicle is providing a benefit to the public rather than just providing a commuter vehicle to the driver. These 23 vehicles were identified based on survey responses indicating that the number of call-backs these drivers had received in the prior 12 months was zero, one to two, or three to 12. In addition, these drivers indicated that the special equipment that their vehicles were equipped with was limited to items such as lights, siren and radio.

Exhibit 10

Proposed Reduction of Take-Home Vehicle for SDPD and Fire-Rescue

Unit	Number of Take-Home Vehicles Currently Assigned*	Proposed Reduction in the Number of Take-Home Vehicles	Number of Take-Home Vehicles Remaining	Estimated Annual Savings
Recommended to be Reviewed by Departments for Potential Elimination Based on Auditor Field Work				
Special Ops CERT, Fire-Rescue	1	**1**	0	$8,032
Canine	26	**26**	0	177,860
Economic Crime Unit Lieutenant	1	**1**	0	3,974
Fire Prevention Bureau	6	**6**	0	35,907
Lifeguard Services (Rotation)[17]	5	**3**	2	16,991
Traffic-including Motorcycle (Rotation)	42	**29**	13	278,521
Patrol-not including Watch Command (Rotation)	27	**10**	17	47,240
SUBTOTAL	108	**76**	32	$568,525
Recommended to be Reviewed by Departments for Potential Elimination Based on Employees Self-Reported Information				
Robbery	22	**2**	20	$10,203
Investigations I	1	**1**	0	5,118
Auto Theft	3	**2**	1	10,380
Administration, SDPD	8	**1**	7	5,417
Domestic Violence	1	**1**	0	5,118
Logistics, Fire-Rescue	8	**2**	6	13,387
Special Ops, Fire-Rescue (Rotation)	9	**2**	7	20,770
STAR/Volunteer	2	**1**	1	5,118
Gang Unit	36	**2**	34	13,145
Training, Fire-Rescue (Rotation)	4	**2**	2	17,027
Training, SDPD	1	**1**	0	5,118
Administration, Fire-Rescue	4	**1**	3	8,854
Operational Support- CIM, SDPD	2	**1**	1	5,118
Operations, Fire-Rescue (Rotation)	5	**1**	4	8,854
Narcotics Street Team	2	**1**	1	6,396
Watch Commander, SDPD (Rotation)	4	**2**	2	9,408
SUBTOTAL	112	**23**	89	$149,431
GRAND TOTAL	**220**	**99**	**121**	**$717,956**

Source: Office of the City Auditor generated.

*Note: this column indicates take-home vehicles for units that we are recommending a reduction in the number of take-home vehicles. It does not detail all units in the SDPD or Fire-Rescue.

[17] Units for which we indicate (Rotation) are instances we are suggesting a rotation schedule rather than total elimination of take-home vehicles.

By eliminating the 76 vehicles listed above, the City could avoid approximately $569,000 in annual commuting costs. We identified an additional 23 vehicles that we recommend SDPD and Fire-Rescue review for potential elimination based on employees' self-reported information. Eliminating these 23 vehicles would save the City an additional $149,000 per year. If all 99 vehicles identified in **Exhibit 10** were eliminated, this would represent a 30 percent reduction in take-home vehicle assignments for SDPD and Fire-Rescue. For instance, Fire-Rescue's FPB could eliminate the six take-home vehicles within the FPB where employees' use of the vehicles for emergency work-related purposes is minimal, and it could establish a rotational stand-by schedule for its Lifeguard Unit, which would eliminate the need for three take-home vehicles. Additionally, SDPD could reduce the number of take-home vehicles assigned to Lieutenants in its Patrol division from 27 to 17 and establish a rotational stand-by schedule. We identified survey respondents that indicated they responded to zero, one to two, or three to 12 callbacks in the last 12 months in **Exhibit 8**.

To reduce the costs associated with take-home vehicles while maintaining an adequate level of emergency responders, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

Recommendation # 2

Identify opportunities to eliminate take-home vehicles not regularly needed in emergency responses. This review should take into consideration the number of actual emergency responses, types of special equipment needed and response time. In addition, the San Diego Police Department and the San Diego Fire-Rescue Department should identify additional strategies to reduce take-home vehicles assignments by creating stand-by rotational assignments, increase the use of pooled vehicles, and ensure that the justification for each take-home assignment is well documented. (Priority 2)

Recommendation # 3

To the extent possible, consider inserting into the fleet the vehicles eliminated as take-home vehicles, reducing the need to purchase some vehicles during fiscal year 2012. (Priority 2)

In addition, to ensure that take-home vehicle utilization remains optimal, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

Recommendation # 4

Establish policies and procedures to annually review take-home vehicle utilization and identify opportunities to increase the use of pooled vehicles and/or reduce the number of vehicles taken home nightly. (Priority 3)

The City Lacks a Review Process for Take-Home Vehicle Assignments and Associated Costs

Our review of the City's take-home vehicle assignments and use revealed that the City lacks a process of review and accountability for assigning take-home vehicles to City employees. In fact, although Fleet Services maintains a listing of the City's approximately 4,200-vehicle fleet, it could not identify the specific vehicles that are assigned on a take-home basis. We also inquired with the City Administration and department heads whether, in accordance with Council Policy 200-19, it obtains and reviews yearly take-home vehicle assignments and found that it could not demonstrate that it conducted such annual reviews. Although SDPD and Fire-Rescue maintain an internal listing of vehicles assigned to City employees as take-home vehicles, these departments do not conduct an annual review of these listings to assess the continuing need for employees to be assigned take-home vehicles.

Council Policy 200-19 states that the City Manager[18] or independent department head shall ensure that a determination has been made for the necessity for the twenty-four hour use of a vehicle. In addition, the policy states that a list of employees who are authorized to use City vehicles on a twenty-four hour basis and the justification for such use shall be maintained by the City Manager or the department head.

[18] The City does not have a City Manager since voters passed Proposition C in 2006, implementing a Strong Mayor form of government. The equivalent position is the City's Chief Operating Officer.

Moreover, according to Council Policy 200-19, the assignment of a vehicle to an employee on a twenty-four hour basis must be reviewed annually to determine the propriety and priority of take-home vehicle usage. We benchmarked the City of San Diego with other jurisdictions of comparable size and needs and we found that other jurisdictions require, on a scheduled basis, that all departments create a report for each take-home vehicle that includes justification, round-trip mileage, and emergency equipment requirements. In addition, policies for several of the jurisdictions we reviewed require that all reports be sent to their respective fleet management organization, which in turn is required to create a report on jurisdiction-wide take-home vehicle assignments. In some cases, the legislative body receives the jurisdiction-wide report on take-home assignments, public safety needs, justifications and costs of such assignments.

Although the City has a policy requiring that the City Manager maintain and review take-home vehicle assignments yearly to determine the propriety and priority of the vehicle usage, we found that in practice no City entity with take-home vehicles has policies to perform this review yearly. However, Council Policy 200-19 is vague and provides little guidance as to what information needs to be provided to the entity performing the review. For instance, Council Policy 200-19 does not address the need to compile information pertaining to call-back reports for those individuals with take-home vehicle assignments, and/or the nature of the equipment carried in the vehicle. According to the IBA, prior budgetary changes included the identification and elimination of underutilized vehicles in the fleet by 20 percent. Underutilized vehicles are categorized as those driven less than 5,000 miles per year or that have less than 500 operational hours per year. Savings would be derived by reducing the size of the fleet and eliminating associated usage fees. In addition, reductions to the number of Police and Fire-Rescue take-home vehicles by 10 percent were planned which were expected to generate annual savings of $5,000 per vehicle.[19]

[19] The Office of the City Auditor estimates that a reduction in take-home vehicles would save approximately $6,186 per vehicle in annual commuting costs.

Because the City lacks a consistent process of review for take-home vehicles, the City does not know whether the costs incurred by City employees taking vehicles home are justified by operational and emergency call-back needs. Without a city-wide review process for take-home vehicle assignments, the City is unable to demonstrate that all vehicles assigned on a twenty-four hour basis are necessary to meet its operational and emergency call-back needs. Thus, the City cannot evaluate costs incurred pertaining to take-home vehicles or determine if take-home vehicle costs are justifiable based on emergency call-back needs. As a result, the City does not know if the estimated $2.1 million in commuting costs are justified.

To ensure that the City establishes a uniform and effective process to review the public safety needs and justification of take-home vehicle assignments, we recommend that the City Administration:

Recommendation # 5

Work in consultation with the San Diego Police Department and the San Diego Fire-Rescue Department to revise Council Policy 200-19 regarding the use of City vehicles by City employees. The revised policy should require that a complete listing of take-home vehicles be provided by each City department yearly with a justification for those assignments. In addition, the revised policy should clearly define the purpose of take-home vehicles and restrict their assignment to the greatest extent possible. (Priority 2)

In addition, to increase oversight of the costs associated with take-home vehicles, we recommend that the San Diego Police Department and San Diego Fire-Rescue Department:

Recommendation # 6

Work with the Fleet Services Division to calculate the cost of commuting in department vehicles. These costs should be calculated and reported to the City Administration on an annual basis by the Fleet Services Division. (Priority 3)

Recommendation # 7

The San Diego Police Department and the San Diego Fire-Rescue Department should draft respective process narratives pertaining to take-home vehicle assignments. This newly drafted regulation should require City departments to maintain and review yearly take-home vehicle assignments, their justification, call back-reports, response time, and costs. (Priority 3)

SDPD and Fire-Rescue Do Not Consistently Track Emergency Responses and Do Not Have Clearly Defined Response Times

We found that both SDPD and Fire-Rescue did not track call-backs for all divisions in a consistent and uniform manner. Thus, throughout the course of the audit it was challenging for us to gather accurate information on the number of call-backs for staff with take-home vehicles. In addition, during our review process it was difficult to obtain a clear understanding of an acceptable response time for emergencies. In addition, we found that Fire-Rescue and many units within SDPD do not have clearly defined response time expectations for City employees that are authorized for take-home use of City vehicles. Specifically, only the Homicide, Domestic Violence, and Gang units within SDPD have established response times. Both SDPD and Fire-Rescue stated that the standard practice is to require employees to respond to emergencies "as soon as possible." However, based on the previous discussion of our analysis of commute distances, "as soon as possible," can range dramatically.

Our review of other jurisdictions revealed that take-home vehicles are subject to, among other requirements, whether the employee has primary emergency response duties and the employee's assignment involves frequent activities conducted during non-business hours at various locations throughout the jurisdiction. In addition, in the case of King County employees must respond to at least 48 emergency calls after business hours per year. See **Exhibit 6** on page 19 for more benchmarking information.

Council Policy 200-19, which governs the use of take-home vehicles by City employees, is silent in regard to the reasonableness of a response time in case of emergencies, or number of call-backs required prior to take-home vehicle assignments. In addition, SDPD and Fire-Rescue did not

establish policies and procedures defining a maximum response time and minimum number of call-backs.

Without a well-defined and written expected response time for emergency situations and call-backs, it is difficult to determine whether City employees should be allowed to commute with a take-home vehicle or whether, instead, those employees should simply pick up pooled vehicles from City parking lots. In addition, a response standard of "as soon as possible" can differ dramatically between employees with take-home vehicles depending on where the employee lives. "As soon as possible" represents a very different response time for employees living in Murrieta versus employees living in San Diego.

SDPD and Fire Rescue base some take-home vehicle assignments on position responsibilities within the departments and specific job duties and do not incorporate call-back frequency. In addition, there is no City policy requiring departments to track employees' emergency call-back responses. SDPD and Fire-Rescue lack an internal process incorporating review of call-backs prior to vehicle assignment.

When take-home vehicle assignments are not backed by actual emergency response needs, those City vehicles become primarily a commuter vehicle paid for by taxpayers. This amount can be significantly reduced if the departments only allowed take-home use for limited vehicles that are critical for responding to an emergency. According to SDPD and Fire-Rescue, the departments aim at being prepared in the event of an emergency and thus they do not base take-home vehicle assignments on actual call-back frequency.

To ensure that take-home vehicle assignments include consideration of call-back needs and to ensure that the rationale for these assignments can be independently justified, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

Recommendation # 8

Establish a process to maintain accurate and updated records on the number of call-backs for individuals, positions and units with take-home vehicles. (Priority 2)

To improve the efficiency and effectiveness of take-home vehicle assignments and to reduce costs associated with take-home vehicles that are assigned unnecessarily, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

Recommendation # 9

Develop policies and procedures establishing a maximum one-way commute distance and response time by unit for City employees that are assigned a take-home vehicle. For those job functions for which the maximum response time is unspecified, City employees should be required to pick up a City vehicle in response to a call-back rather than driving a take-home vehicle. (Priority 3)

Finding 2: The City Can Strengthen Its Internal Controls Pertaining to Take-Home Vehicle Use

To assess whether the City has the necessary internal controls to reduce the risk of fraud and abuse associated with the use of take-home vehicles, we reviewed the use of City-issued fuel cards as well as maintenance records for take-home vehicles. We also reviewed the City's procedures for reporting taxable fringe benefits associated with take-home vehicle use to the Internal Revenue Service (IRS) to determine compliance with federal income reporting requirements. Specifically, we noted the following:

- The City has failed to seek reimbursement for at least $212,025 in maintenance, fuel, and accident claim costs incurred on vehicles operated by San Diego Medical Services (SDMS);
- The City lacks clearly defined processes and procedures to ensure proper use of its fuel cards and does not maintain adequate records of fuel transactions;
- The City may have failed to report take-home vehicle use as a taxable fringe benefit for some of its employees.

We recommend that the City Attorney's Office (City Attorney) immediately seek reimbursement from SDMS for the $212,025 in total costs incurred by the City to maintain and fuel 15 vehicles operated by SDMS. This total also includes costs to pay one accident claim on an SDMS-operated vehicle. Additionally, to ensure that the City has the necessary controls to reduce the risk of fraud pertaining to the use and assignment of its take-home vehicles, we recommend that the Public Works Department's Fleet Services Division (Fleet Services) modify its Service Level Agreement with customer departments to require that each City department review fuel card transactions on a monthly basis for indications of fraud and abuse. Finally, we recommend that the City develop policies and procedures to accurately determine and report the taxable personal use of take-home vehicles.

The City Has Failed to Seek Reimbursement for At Least $212,025 In Maintenance, Fuel, and Accident Claim Costs Incurred on Vehicles Owned Or Operated By San Diego Medical Services (SDMS)

We found that, since 2001, the City has spent at least $212,025 on maintenance, fuel, and insurance expenses for vehicles owned or operated by San Diego Medical Services (SDMS),[20] and that the City has not sought reimbursement from SDMS for these expenses. Specifically, we found that at least 14 vehicles that are owned by a non-City entity, Rural/Metro Corporation (Rural Metro),[21] and operated by SDMS have received maintenance and fuel at City facilities. Many of these vehicles also received fuel at private service stations using City-issued fuel cards. In addition, we identified a City-owned vehicle that has obtained maintenance and fuel at City facilities while being assigned to employees performing SDMS business. The City paid for these expenses and, as of May 2011, Fire-Rescue has not produced any evidence that the City was reimbursed for any of these costs. Total maintenance costs for those vehicles totaled $145,194 while fueling costs from City-owned fueling sites and fuel purchased using a City fuel card since April 2009 totaled $65,677. We were unable to review fueling records prior to April 2009 because the City only maintains fuel records for two years, and this data is not backed up by the San Diego Data Processing Corporation when it is deleted from the City's systems. Thus, it is likely that the total cost of all fuel provided to these vehicles since 2001 is much higher.

We also found that the City-owned vehicle was involved in an accident while being used to perform SDMS business, and the City settled a claim with a third party as a result of this accident. The cost of the claim to the City was $1,158.

SDMS is a limited liability corporation joint venture between the City and Rural/Metro. Article V, Section 5.1 of the Emergency Medical Services (EMS) Agreement between SDMS and the City states in part:

> "SDMSE [SDMS] shall, at no cost to the City, acquire and maintain all ambulances, support vehicles, on-board medical supplies/equipment, and office equipment, to be used by SDMSE [SDMS] in performing services under

[20] On May 11, 2011 we issued a memo to the City Attorney and the Chief Operating Officer addressing this issue.
[21] In 1997, Fire-Rescue partnered with Rural/Metro of San Diego (Rural Metro) to form San Diego Medical Services Enterprise, LLC to provide the City's 9-1-1 paramedic service. SDMS now operates as San Diego Medical Services (SDMS).

> this EMS Agreement. SDMSE [SDMS] shall be responsible for all maintenance costs, including the cost of: parts, supplies, spare parts, and extended maintenance agreements."

In addition, the Government Finance Officers Association[22] (GFOA) recommends that computer records should be regularly backed up and that records should be maintained to allow for adequate analytical review of data. Furthermore, the Internal Revenue Service requires documentation be maintained for at least three years.

In April 2011, the Office of the City Auditor issued a performance audit of the City's Fire-Rescue Emergency Medical Services.[23] This report identified significant shortcomings in the City's oversight of the EMS Agreement between the City, Rural/Metro, and SDMS, and found that the City was entitled to recover significant costs. Specifically, the report underlines that the City has not adequately managed or monitored the financial activities of Rural/Metro, resulting in significant accounting issues. Moreover, the report indicates that the City's oversight of the financial performance of the partnership is limited, with Rural/Metro controlling all SDMS financial operations, including billing, collections, and financial reporting functions. Additionally, the report found that the City has not sought full reimbursements for various costs associated with the partnership. In our opinion, these same issues caused the City to acquire, maintain, fuel and pay an insurance claim for SDMS vehicles for which it did not obtain reimbursements. As a result, the City incurred at least $212,025 in expenses related to SDMS vehicles for which it was not reimbursed. We are unable to document SDMS-related fuel costs incurred prior to April 2009 because the City does not maintain this data for more than two years. If the City maintained this data for a longer period of time to allow for additional review, the total of all documented unreimbursed expenses would likely be significantly higher.

To ensure that the City recovers the full costs associated with

[22] Governmental Accounting, Auditing, and Financial Reporting – Using the GASB 34 Model (2005).
[23] Performance Audit of Fire-Rescue's Emergency Medical Services: Significant Opportunities for Improvements Exist to Strengthen Oversight, Recover Costs, and Enhance Response Time Reporting. April 2011.

the maintenance, fueling, and insurance of vehicles operated by San Diego Medical Services, we recommend that the Office of the City Attorney:

Recommendation # 10

Work with the San Diego Fire-Rescue Department to immediately seek reimbursement for all maintenance, fueling, and accident claim costs incurred by the City for non-City vehicles used for San Diego Medical Service business, as well as acquisition costs of City-owned vehicles used for San Diego Medical Services business. (Priority 1)

In addition, to ensure that adequate data is available to enable the City to track, and, where applicable, seek reimbursement for vehicle-related costs, we recommend that the Public Works Department's Fleet Services Division:

Recommendation # 11

Maintain backup files of all data on vehicle maintenance and fuel costs according to Internal Revenue Service records retention regulations. (Priority 1)

The City Lacks Clearly Defined Processes and Procedures to Ensure Proper Use of Its Fuel Cards And Does Not Maintain Adequate Records of Fuel Transactions

The City lacks internal controls over the use of the City's fuel cards, and it is not clear which City department holds responsibility for oversight of fuel card use. Our review did not identify any specific cases of fraud and abuse, but we did find that Fire-Rescue employees used fuel cards excessively when cheaper City-operated fuel stations were nearby, costing the City approximately $2,685 in fiscal year 2010. In addition, we noted that the fuel card data system has failed to collect driver identification data on approximately 20 percent of purchases made since January 2011, making effective oversight more difficult.

According to the GFOA, an internal control framework is fundamental to the effective operation of a government entity. A truly comprehensive framework of internal control includes the risk assessment, the design, implementation, and maintenance of effective control-related policies and procedures and provides for ongoing monitoring of the effectiveness of the control-related procedures. According to the GFOA, "individual control-related procedures can be

divided between those that are designed to prevent the occurrence of errors and irregularities and those that are designed to detect errors and irregularities after they have occurred." The GFOA further indicates that "controls designed to detect errors and irregularities also can be highly effective in preventing their occurrence, as the prospect of prompt detection and exposure can be a powerful disincentive to fraud."[24]

Fleet Services enters into Service Level Agreements (SLAs) with customer departments. These SLAs identify the responsibilities of Fleet Services and the customer departments with respect to the provision of fleet management services. Among various responsibilities is the issuance of City fuel cards, which are credit cards used for fueling at private service stations. The SLAs between SDPD, Fire-Rescue, and Fleet Services assign responsibility for the issuance and administration of fuel cards to Fleet Services, but do not delineate specific oversight processes and procedures for the use of those cards. In addition, City departments such as SDPD and Fire-Rescue do not have other internal policies and procedures to oversee and monitor the use of fuel cards.

The lack of clear language in the Service Level Agreements results in confusion between Fleet Services, SDPD, and Fire-Rescue over what oversight responsibilities and procedures exist. As a result, neither Fleet Services nor the customer departments review fuel card transactions on a regular basis. In addition, effective oversight is difficult because the City has failed to collect identification information on approximately 20 percent of purchases since January 2011. Consequently, no entity in the City is appropriately and effectively monitoring and providing oversight over the use of fuel cards.

Our review of fuel card purchases by Fire-Rescue and SDPD employees did not reveal any instances of fraud or abuse, but did indicate that Fire-Rescue employees use fuel cards at private gas stations excessively when less-expensive City-operated fuel sites are available nearby. In total, 25 percent of all fuel card purchases by Fire-Rescue personnel during fiscal

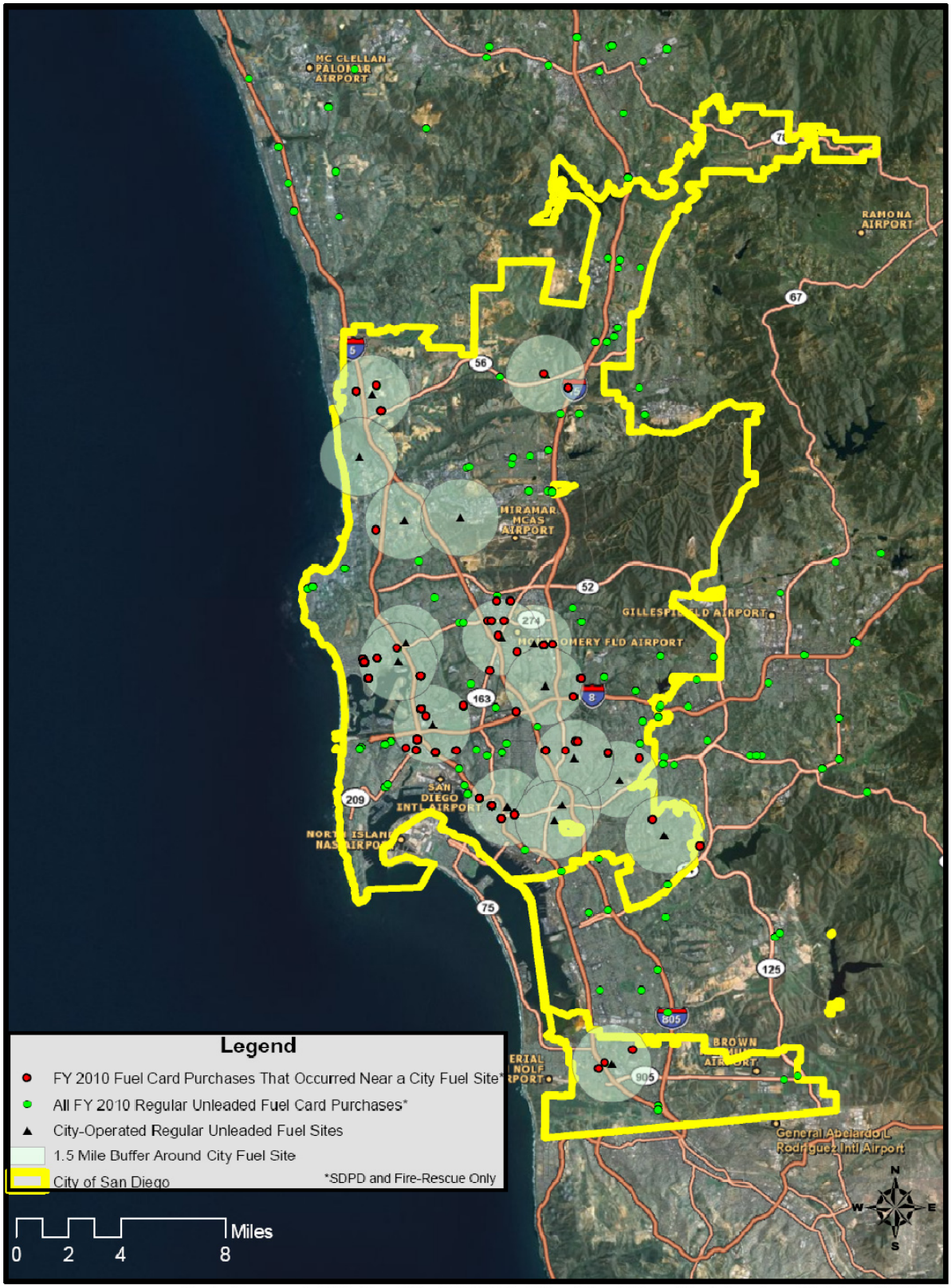
[24] Governmental Accounting, Auditing, and Financial Reporting – Using the GASB 34 Model (2005), p. 332.

year 2010 occurred within 1.5 miles of a City-operated fueling site.[25] As a result, 8,951 gallons of regular unleaded fuel were purchased near City fuel sites at an average cost of $2.85 per gallon, while the City paid only $2.55 per gallon for fuel dispensed at City-operated fuel sites. The Fire-Rescue department stated that they were not aware that purchasing fuel at private stations is more costly than using City-owned fueling sites. **Exhibit 11** shows the locations of all regular unleaded fuel card purchases made by SDPD and Fire-Rescue in fiscal year 2010 as well as City fueling stations.

[25] Because some Fire-Rescue vehicles were not equipped to fuel at all City fuel sites until the fall of 2010, we also reviewed fuel card purchases made between January 1 and April 11, 2011 to determine if Fire-Rescue use of City fuel sites had increased. We found that 29 percent of Fire-Rescue employees' purchases of regular unleaded fuel occurred within 1.5 miles of a City fueling site in early 2011.

Exhibit 11

Fuel Card Purchases Near City Fuel Sites During Fiscal Year 2010



Data Sources: ESRI, SanGIS, SANDAG, City of San Diego Fleet Services Division, US Bank

Even though our review of the City's fuel card use did not reveal instances of fraud or abuse, the City could benefit from designing a system of internal controls that, at a minimum, establishes a responsible entity for centralized tracking and oversight of fuel card use.

To strengthen the internal controls over the use of the City's fuel cards, we recommend that the Public Works Department's Fleet Services Division:

Recommendation # 12

Modify its Service Level Agreements with customer departments specifically requiring that all fuel card transactions be reviewed by customer departments on a monthly basis. The Service Level Agreements should also describe situations in which use of a fuel card is acceptable, such as emergencies or in cases where personnel are conducting official City business outside of San Diego. (Priority 2)

In addition, to ensure that all information pertaining to the use of the City's fuel cards is maintained and that effective oversight is possible, we recommend that the Public Works Department's Fleet Services Division:

Recommendation # 13

Collect identification information on all fuel purchases. (Priority 2)

The City Does Not Have Adequate Processes and Procedures to Determine Vehicle-Related Fringe Benefits and May Have Failed To Report Some Taxable Benefits To The IRS

Our analysis shows that the City may have under reported the personal use of at least 13 take-home vehicles as a taxable fringe benefit on employees' W-2 forms, even though it appears employees' personal use of these take-home vehicles should be considered taxable under the Federal Internal Revenue Code. This includes the personal use of two SDPD vehicles and 11 Fire-Rescue vehicles.

According to the IRS Guide to Taxable Fringe Benefits, personal use, such as commuting, of take-home vehicles that are unmarked and that are not driven by law enforcement officers is considered a taxable fringe benefit. The IRS requires the City to report these benefits on an employee's W-2 form. Some jurisdictions, such as Clayton County, Georgia, require drivers of

take-home vehicles to submit an annual take-home vehicle assignment form to the jurisdiction's payroll division so that the taxable fringe benefit status of the vehicle can be determined. In addition, some jurisdictions require that take-home vehicle drivers submit mileage logs on a monthly basis so that the value of any vehicle-related fringe benefits can be calculated and reported to the IRS.

The Office of the City Comptroller (City Comptroller) sends out a memo to all departments annually that outlines the situations in which personal use of a take-home vehicle is considered taxable income. The personal use of the two SDPD vehicles is defined as a taxable use based on the Internal Revenue Code and the information contained in the memo, and SDPD did not report these vehicles to the City Comptroller.

The basic overview contained in the City Comptroller's memo does not provide a complete IRS description of the types of vehicles and uses that should be considered a taxable benefit. Specifically, the memo does not mention that in order to be considered "marked," the vehicle's markings must be substantial enough to make it unlikely that an employee would use the vehicle for personal business. The 11 Fire-Rescue vehicles have minimal markings, such as the word "Fire" written in small script on the bumper that may not satisfy this requirement based on a preliminary review of the IRS code by the City Attorney's Office. See **Exhibit 12** for an example of these vehicle markings.

Exhibit 12

Sample Fire-Rescue Vehicle Markings

Source: San Diego Fire-Rescue Department.

In addition, departments are only asked to report to the City Comptroller the personnel whose vehicle assignments they consider taxable. The City Comptroller does not collect information on each take-home vehicle assignment and relies on the individual departments to determine whether vehicle use should be considered taxable.

Departments do not have expertise on these types of tax issues, and the memo issued by the City Comptroller does not provide enough information to make a determination whether certain vehicles qualify as a taxable fringe benefit. As a result, the City may not be consistent with federal income reporting requirements and could be subject to additional taxes, penalties, and interest if it does not begin reporting vehicle-use

benefits accurately. The City Comptroller stated that it is seeking an IRS legal opinion on this issue.

To ensure that the City strengthens its internal controls pertaining to the reporting of taxable fringe benefits, we recommend that the City Administration:

Recommendation # 14

Draft a process narrative requiring that each City department submit documentation on each take-home vehicle assignment to the Public Works Department at the time of take-home vehicle assignment and on an annual basis afterwards. This documentation should include all information necessary to determine the taxable nature of the vehicle assignment, including a description of the vehicle, the reason the vehicle is assigned for take-home use, and the job duties and law enforcement qualifications of the assigned driver. These documents should be made available to the Office of the City Comptroller as necessary. (Priority 2)

In addition, to ensure that the value of the personal use of City vehicles is reported accurately, the San Diego Police Department and the San Diego Fire-Rescue Department should:

Recommendation #15

Require all employees with taxable take-home vehicles to complete mileage forms documenting trips made for personal use, consistent with Internal Revenue Service regulations. This documentation should be submitted to the Office of the City Comptroller on an annual basis. (Priority 2)

Conclusion

Our review of City take-home vehicles revealed that commuting costs for San Diego Police Department (SDPD) and San Diego Fire-Rescue Department (Fire-Rescue) vehicles assigned for permanent take-home use cost the City an estimated $2.1 million in fiscal year 2010. We found that opportunities exist for SDPD and Fire-Rescue to review their take-home fleet needs and potentially reduce the number of vehicles taken home nightly. We estimate that the City could reduce the costs associated with take-home vehicles by up to $569,000 while preserving the ability to adequately respond to emergencies. In addition to this reduction, we identified 23 other vehicles that we recommend SDPD and Fire-Rescue review for potential elimination based on employees' self-reported information. Eliminating these 23 vehicles would save the City an additional $149,000 per year.

Further, we found that SDPD and Fire-Rescue do not have defined criteria or justification to identify which staff would best serve the City by having a take-home vehicle. Neither department has written minimum requirements for the number of call-backs, amount of special equipment, or specialized job duties or skills for staff to be assigned a take-home vehicle. Finally, we also determined that the City does not have adequate processes to determine vehicle-related fringe benefits. We identified 13 instances in which the City may have under reported the personal use of a take-home vehicle on an employee's W-2 form, even though the employee's personal use of the take-home vehicle may be considered a taxable fringe benefit under the Federal Internal Revenue Code.

To reduce the commuting costs the City incurs for vehicles assigned on a permanent basis to City employees, we recommend that SDPD and the Fire-Rescue develop policies and procedures establishing guidelines for maximum one-way commute distance and develop a process to recover the costs

associated with commutes that exceed the guidelines. Additionally, to reduce the costs associated with take-home vehicles while maintaining an adequate level of emergency responders, we recommend that the departments identify opportunities to eliminate take-home vehicles not regularly needed in emergency responses. To ensure that the City strengthens its internal controls pertaining to the reporting of taxable fringe benefits, we recommend that the City Administration draft a process narrative requiring that each City department submit documentation on each take-home vehicle assignment to the Public Works Department at the time of take-home vehicle assignment and on an annual basis afterwards.

Other Pertinent Information

City-issued take-home vehicles are driven both for work purposes as well as for commuting. While most City employees who drive to work must purchase their own insurance, Council Policy 200-19 states that when the driver of the City vehicle is at fault, the City will provide liability coverage for employees driving take-home City vehicles while off-duty, including while they are commuting to work. This includes property damage coverage and medical liability coverage for the driver of the vehicle as well as passengers. In addition, it includes workers' compensation coverage for City employees only.

Because the City insures take-home vehicles even when they are not being driven for business purposes, the City incurs greater liability for accidents as a result of the commuter and other personal miles driven by City employees with take-home vehicles.

The City is self-insured up to $4 million and does not purchase commercial vehicle insurance. This makes it difficult to calculate the added cost of the City's liability related to the take-home use of City vehicles because costs are decentralized. Costs associated with third party liability claims are paid from Risk Management's Public Liability Fund, while repairs to City vehicles are typically made by Fleet Services and then billed to customer departments through vehicle usage fees. In addition to the workers' compensation and medical coverage noted above, in some cases, employees who are injured while commuting in a City vehicle are eligible for Industrial Leave benefits, which are billed to the employee's department. Finally, while the City typically recovers all costs associated with accidents where a third party is at fault, the City may not be able to obtain reimbursement for all costs when damages

exceed the coverage limits of the third party's insurance.

As an alternative, we approximated the City's liability costs using American Automobile Association (AAA) estimates of the cost of private vehicle insurance.[26] We estimate that the City's exposure to liability for commute-related vehicle accidents is approximately $166,000 per year. If take-home vehicle use is reduced per our recommendations, we estimate that the City's liability exposure will be reduced by approximately $50,000 per year.

Because the City is self-insured, the City's actual liability costs for a given year will vary widely due to variability in the number and severity of accidents. We reviewed accidents involving take-home vehicles that have occurred since the beginning of fiscal year 2010 and identified four incidents that resulted in liability payments to a third party. These payments totaled $17,847. However, in years where a major accident occurs and the City is at-fault, the City's liability costs will be much higher. We identified two recent incidents where the City settled claims for $116,250 and $375,000 respectively. In addition, the City spent a total of $17,747 to negotiate these settlements.[27] While these incidents did not occur while commuting, these examples illustrate the high costs the City could incur if a major accident occurs while commuting with a take-home vehicle.

[26] AAA estimates that the annual cost of full-coverage insurance for a low-risk driver who drives 15,000 miles per year is approximately $1,006. This equates to approximately 6.7 cents per mile.
[27] These two settlements were selected by audit staff to demonstrate potential worst case scenarios based on recent SDPD vehicle accidents, so actual experience may vary.

Recommendations

To reduce the commuting costs the City incurs for vehicles assigned on a permanent basis to City employees, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

1. Develop policies and procedures establishing guidelines for a maximum one-way commute distance and develop a process to recover the costs associated with commutes that exceed the guidelines. (Priority 2)

To reduce the costs associated with take-home vehicles while maintaining an adequate level of emergency responders, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

2. Identify opportunities to eliminate take-home vehicles not regularly needed in emergency responses. This review should take into consideration the number of actual emergency responses, types of special equipment needed and response time. In addition, the San Diego Police Department and the San Diego Fire-Rescue Department should identify additional strategies to reduce take-home vehicles assignments by creating stand-by rotational assignments, increase the use of pooled vehicles, and ensure that the justification for each take-home assignment is well documented. (Priority 2)

3. To the extent possible, consider inserting into the fleet the vehicles eliminated as take-home vehicles, reducing the need to purchase some vehicles during fiscal year 2012. (Priority 2)

In addition, to ensure that take-home vehicles utilization remains optimal, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

4. Establish policies and procedures to annually review take-home vehicle utilization and identify opportunities to increase the use of pooled vehicles and/or reduce the number of vehicles taken home nightly. (Priority 3)

To ensure that the City establishes a uniform and effective process to review the public safety needs and justification of take-home vehicle assignments, we recommend that the City Administration:

5. Work in consultation with the San Diego Police Department and the San Diego Fire-Rescue Department to revise Council Policy 200-19 regarding the use of City vehicles by City employees. The revised policy should require that a complete listing of take-home vehicles be provided by each City department yearly with a justification for those assignments. In addition, the revised policy should clearly define the purpose of take-home vehicles and restrict their assignment to the greatest extent possible. (Priority 2)

In addition, to increase oversight of the costs associated with take-home vehicles, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

6. Work with the Fleet Services Division to calculate the cost of commuting in department vehicles. These costs should be calculated and reported to the City Administration on an annual basis by the Fleet Services Division. (Priority 3)

7. The San Diego Police Department and the San Diego Fire-Rescue Department should draft respective process narratives providing guidance pertaining to take-home vehicle assignments. This newly drafted regulation should require City departments to maintain and review yearly take-home vehicle assignments, their justification, call back reports, response time, and costs. (Priority 3)

To ensure that take-home vehicle assignments include consideration of call-back needs and to ensure that the rationale for these assignments can be independently justified, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

8. Establish a process to maintain accurate and updated records on the number of call-backs for individuals, positions and units with take-home vehicles. (Priority 2)

To improve the efficiency and effectiveness of take-home vehicle assignments and to reduce costs associated with take-home vehicles that are assigned unnecessarily, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department:

9. Develop policies and procedures establishing a maximum one-way commute distance and response time by unit for City employees that are assigned a take-home vehicle. For those job functions for which the maximum response time is unspecified, City employees should be required to pick up a City vehicle in response to a call-back rather than driving a take-home vehicle. (Priority 3)

To ensure that the City recovers the full costs associated with the maintenance, fueling, and insurance of vehicles operated by San Diego Medical Services, we recommend that the Office of the City Attorney:

10. Work with the San Diego Fire-Rescue Department to immediately seek reimbursement for all maintenance, fueling, and accident claim costs incurred by the City for non-City vehicles used for San Diego Medical Services business, as well as acquisition costs of City-owned vehicles used for San Diego Medical Services business. (Priority 1)

In addition, to ensure that adequate data is available to enable the City to track, and where applicable, seek reimbursement for vehicle-related costs, we recommend that the Public Works Department's Fleet Services Division:

11. Maintain backup files of all data on vehicle maintenance and fuel costs according to Internal Revenue Service records retention regulations. (Priority 1)

To strengthen the internal controls over the use of the City's fuel cards, we recommend that the Public Works Department's Fleet Services Division:

12. Modify its Service Level Agreements with customer departments specifically requiring that all fuel card transactions be reviewed by customer departments on a monthly basis. The Service Level Agreements should also describe situations in which use of a fuel card is acceptable, such as emergencies or in cases where personnel are conducting official City business outside of San Diego. (Priority 2)

In addition, to ensure that all information pertaining to the use of the City's fuel cards is maintained and that effective oversight is possible, we recommend that the Public Works Department's Fleet Services Division:

13. Collect identification information on all fuel purchases. (Priority 2)

To ensure that the City strengthens its internal controls pertaining to the reporting of taxable fringe benefits, we recommend that the City Administration:

14. Draft a process narrative requiring that each City department submit documentation on each take-home vehicle assignment to the Public Works Department at the time of take-home vehicle assignment and on an annual basis afterwards. This documentation should include all information necessary to determine the taxable nature of the vehicle assignment, including a description of the vehicle, the reason the vehicle is assigned for take-home use, and the job duties and law enforcement qualifications of the assigned driver. These documents should be made available to the Office of the City Comptroller as necessary. (Priority 2)

In addition, to ensure that the value of the personal use of City vehicles is reported accurately, the San Diego Police Department and the San Diego Fire-Rescue Department should:

15. Require all employees with taxable take-home vehicles to complete mileage forms documenting trips made for personal use, consistent with Internal Revenue Service regulations. This documentation should be submitted to the Office of the City Comptroller on an annual basis. (Priority 2)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3
AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

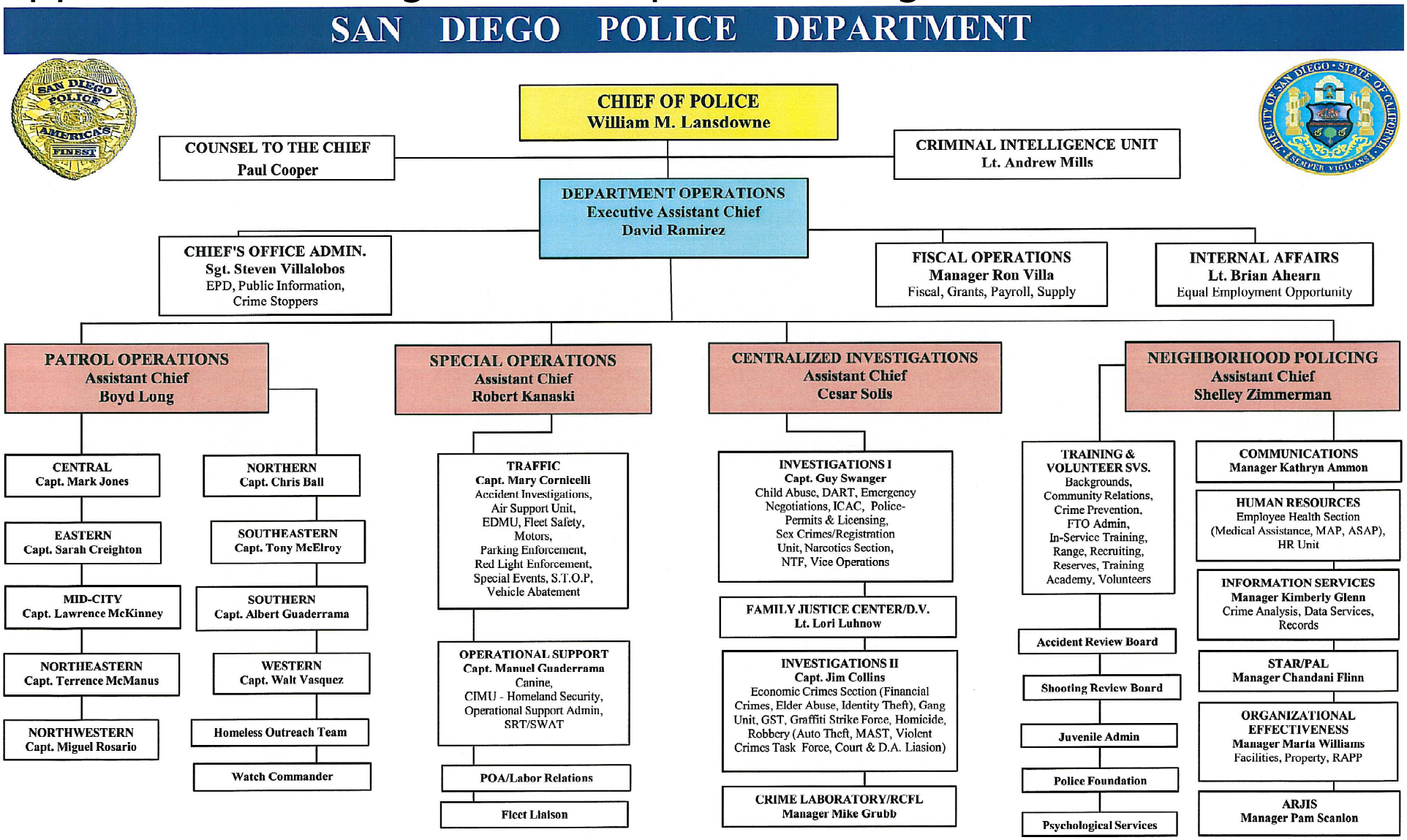
Priority Class[28]	Description[29]	Implementation Action[30]
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring.	Immediate
2	A potential for incurring significant or equivalent fiscal and/or non-fiscal losses exist.	Six months
3	Operation or administrative process will be improved.	Six months to one year

[28] The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

[29] For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of $50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of $100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its residents.

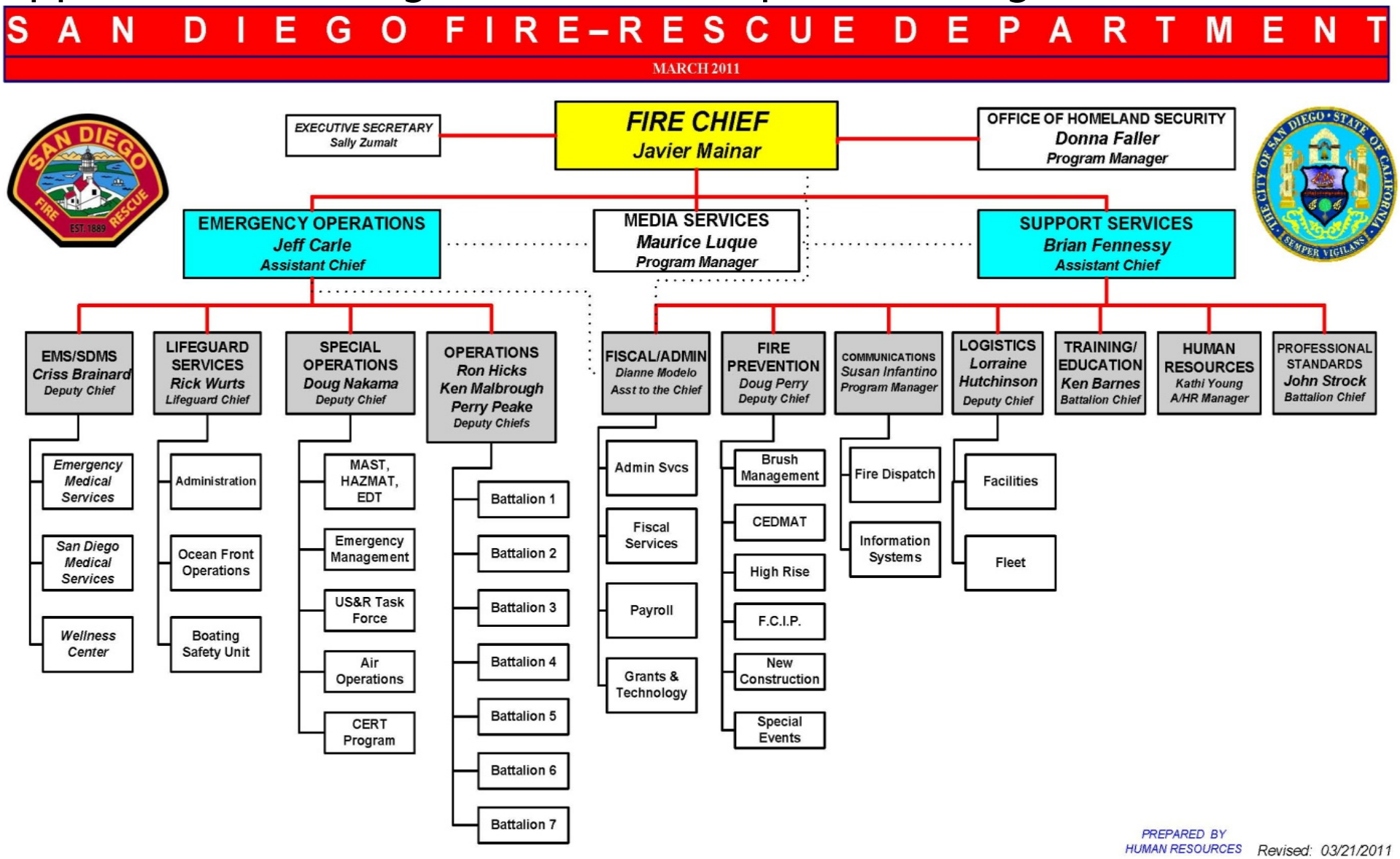
[30] The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.

Appendix B: San Diego Police Department Organizational Chart



Source: San Diego Police Department.

Appendix C: San Diego Fire-Rescue Department Organizational Chart



Source: San Diego Fire-Rescue Department.

Appendix D: Cost Components

We estimated that San Diego Police Department (SDPD) and San Diego Fire-Rescue Department (Fire-Rescue) City vehicles commuted about 2.5 million miles, at a cost of $2.1million, in fiscal year 2010. The SDPD accounted for the largest portion of these miles, commuting 2.1 million miles and a cost of $1.75 million.

Department	Number of Vehicles	Estimated Commute Miles	Estimated Cost
SDPD	277	2,116,691	$1,750,958
Fire-Rescue	48	369,729	$367,539

The calculations in this report were generally based on the following approaches and assumptions:

Cost Component	Description
Number of Take-Home vehicles	The number of vehicles assigned to a specific SDPD/ Fire-Rescue employees 24-hours a day.
Home Address	Home address identified using the City's personnel records.
Vehicle Type	Vehicle type as determined by Fleet Services. The type also denotes any special equipment fittings, such as lights, radio or communication gear.
Estimated Cost per Mile	Includes fuel, maintenance, special equipment, equipment fitting costs, and future replacement costs, according to Fleet Services' data. We calculated this cost for each vehicle type that was in our total sample of take-home vehicles. The denominator of the calculation, miles, is the average fiscal year 2010 mileage for the vehicle type based on Fleet Services' data.
Commute Miles	Driving distances calculated using employee home addresses, work locations, and Google Maps online mapping software. If multiple commute routes were possible, we used the shortest route provided by Google Maps in all calculations.
Estimated Commute Miles	The number of scheduled roundtrips in fiscal year 2010 multiplied by roundtrip commute miles. The number of round trips was calculated using payroll data. For individuals in the sample that are salary, and whose payroll records would not indicate the number of shifts they worked, we used 196 as the number of commutes. This number assumes that the employee works four days per week, 49 weeks of the year (4 x 49= 196).

Source: Office of the City Auditor generated.

THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: June 28, 2011

TO: Eduardo Luna, City Auditor

FROM: William Lansdowne, Chief of Police
Javier Mainar, Fire Chief
Tony Heinrichs, Public Works Director
Ken Whitfield, Comptroller

SUBJECT: Management Responses to City Auditor's Performance Audit of Take-Home Use of City Vehicles

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The City Auditor conducted a performance audit of take-home use of City vehicles by the Police and Fire-Rescue Departments, as well as certain practices of the General Services Department and Comptroller as they relate to use and tracking of City vehicles. The audit report has been reviewed by management and this memorandum reflects the consolidated responses of the reviewers from these departments.

While management does not fully agree with all audit findings and recommendations, we find that the work performed is valuable and will result in improved City operations and controls. We'd like to take this opportunity to thank the City Auditor and his team for undertaking this review.

To provide the proper context for readers of this audit report it is important to note that it focuses on take-home use of City vehicles by uniformed and non-uniformed employees of the City's two public safety departments, Police and Fire-Rescue.

The operations of public safety departments are fundamentally different from those of non-public safety departments in that the mitigation of emergency incidents is highly dependent upon the ability to deliver the right type and number of response resources to an emergency in a timeframe that will achieve the desired mitigation outcomes. In addition to providing an augmented emergency response capability of specially equipped and/or trained personnel, some unique operating requirements such as the need to safely transport and care for highly trained service canines makes the assignment of take-home vehicles practical and operationally beneficial.

While the audit report appropriately recommends that the expense associated with take-home vehicle use and less costly alternatives to the assignment of take-home vehicles should always be considered, it does not reflect that in the absence of these assignments the City may incur additional risk or expense due to the loss of the capability or services provided by these vehicle assignments.

The determination of whether timely response of off-duty personnel who bring specialized training, equipment and/or capabilities to an emergency incident is sufficient to offset the added risk that may be incurred if the vehicles are not provided is a matter that must be entrusted to the judgment of the Chief of Police and Fire Chief. The same rationale holds true for the assignment of vehicles in those unique cases where alternatives will not adequately address operational needs.

While these department heads should be granted this discretion, they must also be held accountable for establishing and using take-home vehicle assignment criteria that is valid, defensible and takes into consideration operational necessity, possible alternatives, associated costs, and risk tolerance. Moreover, they must fairly and plainly provide assurances to City policy makers and the taxpayers that take-home vehicle assignments made are appropriate, via periodic reports.

Lastly, the report finds that frequency of emergency call back responses and maximum commuting distances should be considered when determining whether a take-home vehicle assignment will be made. It suggests that practices of some agencies who establish a minimum number of call backs per year or maximum commuting distances should be considered for adoption.

Management disagrees with the concept of establishing a minimum call back frequency criteria and believes that once a potential assignment passes the tests of operational necessity, the frequency of call back should be a minor consideration. In addition, it is felt by management that establishing a maximum response time is a more appropriate control measure than establishing maximum commute distances.

Recommendations and Management Responses

Recommendation 1: Develop policies and procedures establishing guidelines for maximum one-way commute distance and develop a process to recover the costs associated with commutes that exceed the guidelines. (Priority 2)

Response: Partially Agree. This recommendation will be implemented by January 1, 2012.

We agree that maximum commute distances should be established when assigning a take-home vehicle if there is no routine expectation of a call back response. If maximum commute distances are exceeded the decision to collect excess commuting expenses from the employee is best addressed as a meet and confer issue.

For take-home vehicle assignments where a call back response is required for operational efficiency, we believe that establishing a maximum response time for each position is preferable to establishing a maximum commute distance. If the maximum response time requirement can be met, then the maximum commute distance should not be considered.

Recommendation 2: Identify opportunities to eliminate take-home vehicles not regularly needed in emergency responses. This review should take into consideration the number of actual emergency responses, types of special equipment needed and response time. In addition, the San Diego Police Department and the San Diego Fire-Rescue Department should identify additional strategies to reduce take-home vehicles assignments by creating stand-by rotational assignments, increase the use of pooled vehicles, and ensure that the justification for each take-home assignment is well documented. (Priority 2)

Response: Agree. This recommendation will be implemented by January 1, 2012.

We agree that alternatives to the assignment of a take-home vehicle should always be considered and that other less costly options may meet operational needs in some cases. In addition, we agree that justification for take-home vehicle assignments should be well-documented.

However, while all listed factors should be considered in determining whether assignment of a take-home vehicle will benefit department operations, so too should the operational value of that assignment. Once that criterion has been met, the frequency of response becomes a minor consideration whose costs must be weighed against the potential added risks of not having that response capability available.

Recommendation 3: To the extent possible, consider inserting into the fleet the vehicles eliminated as take-home vehicles reducing the need to purchase some vehicles during fiscal year 2012. (Priority 2)

Response: Agree. This recommendation will be implemented by January 1, 2012.

Recommendation 4: Establish policies and procedures to annually review take-home vehicle utilization and identify opportunities to increase the use of pooled vehicles and/or reduce the number of vehicles taken home nightly. (Priority 3)

Response: Agree. This recommendation will be implemented by January 1, 2012.

Recommendation 5: Work in consultation with the San Diego Police Department and the San Diego Fire-Rescue Department to revise Council Policy 200-19 regarding the use of City vehicles by City employees. The revised policy should require that a complete listing of take-

home vehicles be provided by each City department yearly with a justification for those assignments. In addition, the revised policy should clearly define the purpose of take-home vehicles and restrict their assignment to the greatest extent possible. (Priority 2)

Response: Agree. This recommendation will be implemented by January 1, 2012.

The Public Works Department will collaborate with the Police and Fire-Rescue Departments to develop recommendations for the revision of Council Policy 200-19 to include the elements listed in the recommendation.

Recommendation 6: The listed departments will collaborate to calculate the cost of the commuting component of take-home vehicle assignments to assist in determining whether elimination of a take-home vehicle assignment will result in cost avoidance that outweighs the additional risk that may be incurred if that call back response capability is not available. These costs will be reported to the City Administration on an annual basis by the Fleet Services Division. (Priority 3)

Response: Agree. This recommendation will be implemented by January 1, 2012.

The listed departments will collaborate to calculate the costs associated with the commuting component o take-home vehicle assignments. This calculation will be used to assess whether the cost avoidance associated with elimination of a take-home vehicle is sufficient to offset any additional risk or other expenses that may be incurred as a result of eliminating a take-home vehicle assignment.

Recommendation 7: The San Diego Police Department and the San Diego Fire-Rescue Department respectively should draft process narratives providing guidance pertaining to take-home vehicle assignments. This newly drafted regulation should require City departments to maintain and review yearly take-home vehicle assignments, their justification, call back reports, response time, and costs. (Priority 3)

Response: Agree. This recommendation will be implemented by January 1, 2012.

Recommendation 8: Establish a process to maintain accurate and updated records on the number of call backs for individuals, positions and units with take-home vehicles. (Priority 2)

Response: Agree. This recommendation will be implemented by September 1, 2011.

The Police and Fire-Rescue Departments will strengthen polices to ensure that all call back responses are captured in dispatch records.

Recommendation 9: Develop policies and procedures establishing a maximum one-way commute distance and response time by unit for City employees that are assigned a take-home vehicle. For those job functions for which the maximum response time is unspecified, City employees should be required to pick up a City vehicle in response to a call-back rather than driving a take-home vehicles. (Priority 3)

Response: Partially Agree. This recommendation will be implemented by January 1, 2012.

As noted in our response to Recommendation #1, we agree that maximum commute distances should be established when assigning a take-home vehicle if there is no routine expectation of a call back response. For take-home vehicle assignments where a call back response is required for operational efficiency, we believe that establishing a maximum response time for each position is preferable to establishing a maximum commute distance. If the maximum response time requirement can be met, then the maximum commute distance should not be considered.

For those assignments made on the basis of utility rather than call back requirements, it is not operationally practical to have the employee pick up a City vehicle rather than be assigned a take-home vehicle.

Recommendation 10: Work with the San Diego Fire-Rescue Department to immediately seek reimbursement for all maintenance, fueling and accident claims costs incurred by the City for non-city vehicles used for San Diego Medical Services business, as well as acquisition costs of City-owned vehicles used for San Diego Medical Services business. (Priority 1)

Response: Agree. This recommendation will be implemented by July 1, 2012.

Fire-Rescue will work with the City Attorney's Office to seek reimbursement of the listed expenses incurred by San Diego Medical Services.

Recommendation 11: Maintain backup files of all data on vehicle maintenance and fuel costs according to Internal Revenue Service regulations. (Priority 1)

Response: Agree. This recommendation will be implemented by August 1, 2012.

Public Works/Fleet Services currently maintains all vehicle maintenance records for the life of the vehicle plus two years and fuel records for only two years consistent with City's records retention schedules. The retention schedule for vehicle fuel transaction records will be modified (extended) to be consistent with other vehicle maintenance data and Internal Revenue Service regulations.

Recommendation 12: Modify its Service Level Agreement with customer departments specifically requiring that all fuel card transactions be reviewed by customer departments on a monthly basis. The Service Level Agreement should also describe situations in which use of a fuel card is acceptable, such as emergencies or in cases where personnel are conducting official City business outside of San Diego. (Priority 2)

Response: Partially Agree. This recommendation will be implemented by January 1, 2012*.

Public Works/Fleet Services concurs with the recommended requirements. However, Fleet Services needs to determine if the Service Level Agreement is the most appropriate document for executing the first requirement. Additionally, Fleet Services does currently provide the regulations for the use of fuel cards (Voyager) when the fuel cards are requested and issued to customer departments (see attached). However, it is unknown whether these requirements are made readily available to the individual drivers of City vehicles. Therefore Fleet Services will coordinate with customer departments to determine the most effective method of advising drivers in the correct use and regulations of City fuel cards.

*It should be noted that Fleet Services just extended all FY11 Service Level Agreements into FY12 pending the outcome of the current managed competition process in Fleet Services. The results and any potential changes related to managed competition could impact the stated implementation timeline.

Recommendation 13: Collect identification information on all fuel purchases. (Priority 2)

Response: Partially Agree. This recommendation will be implemented by January 1, 2012.

In conjunction with current payables practices, Fleet Services provides customer departments detailed fuel transaction information related to fuel card usage. However, this practice is related to accounts payable and may not be provided to the appropriate customer department manager. Fleet Services will work more closely with customer departments to ensure fuel card information is provided to the appropriate vehicle liaison contact.

Recommendation 14: Draft a process narrative requiring that each City department submit documentation on each take-home vehicle assignment to the Public Works Department at the time of take-home vehicle assignment and on an annual basis afterwards. This documentation should include all information necessary to determine the taxable nature of the vehicle assignment, including a description of the vehicle, the reason the vehicle is assigned for take-home use, and the job duties and law enforcement qualifications of the assigned driver. These documents should be made available to the Office of the City Comptroller as necessary**.** (Priority 2)

Response: Agree. This recommendation will be implemented by September 1,,2011.

In conjunction with the Police and Fire Departments, Fleet Services will develop a policy and/or procedure for annually reporting on each take-home vehicle that includes the requirements of Internal Revenue Service.

Recommendation 15: Require all employees with taxable take-home vehicles to complete mileage forms documenting trips made for personal use, consistent with Internal Revenue Service regulations. This documentation should be submitted to the Office of the City Comptroller on an annual basis.

Response: Agree. This recommendation will be implemented by September 1, 2011.

JM/jm

Attachments: Voyager Vehicle Card Request
Voyager Additional Driver PIN Request
Voyager Misc. Fuel Card Request

cc: Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst

General Services/ Fleet Services Division Request Form

Voyager Vehicle Card

Off-Site Fueling Credit Cards for Fleet Equipment

☐ New Vehicle Card ☐ Replacement Vehicle Card

Department/Division:	Date:
Equipment Coordinator (Print):	Phone #:
Authorized Signature:	MS:

By signing the above, I understand & agree to the Fleet Services Division's **Expectations & Guidelines** regarding the use of the Voyager **Vehicle** Fuel Credit Cards.

Division / Department #:	Vehicle #:	License #:

Listed below are Fleet Services Division's **Expectations & Guidelines** regarding the use of the Voyager **Vehicle** Fuel Credit Cards:

1. To be used only for legitimate City-related purposes.
2. To be used only for the assigned vehicle embossed on the credit card.
3. Not to be used for Non-Fleet (Job Order) fuel transactions.
4. Driver Personal Identification Numbers (PIN) are driver specific & not to be shared. A 4 digit PIN shall be assigned per authorized driver.
5. 'Supreme' or 'Unleaded Plus' shall not be purchased with the exception of emergency situations only. Any emergency must be communicated by your Division's Equipment Coordinator to Fleet Services Division within 24 hours.
6. Non-fuel related items (i.e. food, drink, personal items, etc.) shall not be purchased at any time with any Voyager Card.
7. Correct odometer readings shall be entered for each transaction.
8. Any transaction problem shall be reported to your Division's Equipment Coordinator, who is responsible for reporting information to the Fleet Services Division within 24 hours.
9. Modifications, additions and deactivations of **Vehicle** Cards or PIN's are the ultimate responsibility of your Division's authorized Equipment Coordinator. Approval from any supplementary source will not be valid unless prior consent is established via Fleet Services Division.
10. As your vehicle #'s are changed or replaced, your Equipment Coordinator must request a new card if needed. Old cards should accompany the vehicle when turned into Fitting & Acquisition for transfer, inactivity or disposition. Failure to do so may result in inaccurate Usage and Assignment rates and/or disruption in service.

Below for Fleet Services Division Office Use Only:

Ordered By:	Order Date:	Via:

Send completed request form to **Sara Webb** or **Suzie Cochrell** to: **MS 42** or **Fax** to **619-533-3291**

General Services/Fleet Services Division Request Form

VOYAGER

Additional Driver Request

- The PIN should be an easily remembered 4 digit number, such as the last 4 digits of the Operator's Social Security Number or Driver's License Number.

Department/Division:	Date:
Equipment Coordinator (Print):	Phone #:
Authorized Signature:	MS:

By signing the above, I understand & agree to the Fleet Services Division's **Expectations & Guidelines** regarding the use of the Voyager Fuel Credit Cards and Driver PIN assignment.

Division / Department #:	Driver/Operator Name:	Requested Pin #:

Listed below are the Fleet Services Division's **Expectations & Guidelines** regarding the use of the Voyager Fuel Credit Cards and Driver PIN assignment:

1. To be used only for legitimate City-related purposes.
2. Driver Personal Identification Numbers (PIN) are driver specific & not to be shared. A 4 digit PIN shall be assigned per authorized driver.
3. 'Supreme' or 'Unleaded Plus' shall not be purchased with the exception of emergency situations only. Any emergency must be communicated by your Division's Equipment Coordinator to the Fleet Services Division within 24 hours.
4. Non-fuel related items (i.e. food, drink or personal items) shall not be purchased at any time with any Voyager Card.
5. Correct odometer readings shall be entered for each transaction.
6. Any transaction problem shall be reported to your Division's Equipment Coordinator, who is responsible for reporting information to the Fleet Services Division within 24 hours.
7. Modifications, additions and deactivations of PIN's are the ultimate responsibility of your Division's authorized Equipment Coordinator. Approval from any supplementary source will not be valid unless prior consent is established via Fleet Services Division.

Below for Fleet Services Division Office Use Only		
Ordered By:	Via:	Date:

Send completed request form to **Sara Webb** or **Suzie Cochrell** to:
MS: 42 or **Fax: 619-533-3291**

General Services/ Fleet Services Division Request Form

Miscellaneous Voyager Card

Off-Site Fueling Credit Cards for Non-Fleet Equipment

☐ New Misc. Card ☐ Replacement Misc. Card

Department/Division:	Date:
Equipment Coordinator (Print):	Phone #:
Authorized Signature:	MS:

THE ABOVE SIGNATURE SHALL SERVE AS RECEIPT & ACCEPTANCE OF THE VOYAGER CARD TERMS & CONDITIONS BELOW

DEPT # (LEVEL 3)	COST CENTER/ INTERNAL ORDER #	FUND # (LEVEL 4)	CREW/LOCATION DESCRIPTION (VIN ID # FIELD)	VEHICLE ID FIELD (ANY MISC # OK)

PLEASE REVIEW THE EXPECTATIONS & GUIDELINES BELOW AS THEY RELATE TO VOYAGER CREDIT CARD USAGE

1. To be used only for legitimate City-related purposes.
2. To be used only for the miscellaneous equipment associated with the embossed # located on the credit card.
3. Not to be used for Fleet (numbered equipment units) fuel transactions.
4. Driver Personal Identification Numbers (PIN) are driver specific & not to be shared. A 4 digit PIN shall be assigned per authorized driver.
5. 'Supreme' or 'Unleaded Plus' shall not be purchased with the exception of emergency situations only. Any emergency must be communicated by your Division's Equipment Coordinator to Fleet Services Division within 24 hours.
6. Non-fuel related items (i.e. food, drink, personal items, etc.) shall not be purchased at any time with any Voyager Card.
7. Correct odometer readings shall be entered for each transaction when applicable.
8. Should your card become lost or stolen, please notify Fleet Services Fuel Office immediately for instruction and replacement .
9. shall be reported to your Division's Equipment Coordinator, who is responsible for reporting information to the Fleet Services Division Fuel Office within 24 hours.
10. Modifications, additions and deactivations of **MISC** Cards or PIN's are the ultimate responsibility of your Division's authorized P.O.C. /Equipment Coordinator. Approval from any supplementary source will not be valid unless prior consent is established & authorized by the Fleet Services Fuel Liaison.
11. As your cost center #'s, internal order #'s &/or fund #'s change or are replaced, your Equipment Coordinator must request a new card to reflect the updated information. Old or unwanted cards should be turned into Fitting & Acquisition as needed for cancellation Failure to do so may result in inaccurate Usage and Assignment rates and/or disruption in service.

Below for Fleet Services Division Office Use Only:

Ordered By:	Order Date:	Via:

Send completed request form to **Sara Webb** or **Suzie Cochrell** to: **MS 42** or **Fax** to **619-533-3291**