

**REVIEW OF FLEET FUEL EXPENSES
AND CHARGES TO DEPARTMENTS**

NOVEMBER 2008




**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

November 24, 2008

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Jack Donovan, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Review of Fleet Fuel Expenses and Charges to Departments

Recommendation

The Audit, Finance and Legislative Committee recommend that the City Commission:

- 1) Accept the City Auditor's report and the response from the City Manager and General Manager for Utilities, and
- 2) Instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

Explanation

In accordance with our Annual Audit Plan, we have completed a Review of Fleet Fuel Expenses and Charges to Departments. Our report, which includes a response from the City Manager and General Manager for Utilities, is attached for your review.

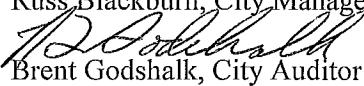
We request that the Committee recommend the City Commission accept our report and the management response. Also, in accordance with City Commission Resolution 970187, Section 10, Responsibilities for Follow-up on Audits, we request that the Committee recommend the City Commission instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

City of
Gainesville

Inter-Office Communication

October 16, 2008

TO: Russ Blackburn, City Manager

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Review of Fleet Fuel Expenses and Charges to Departments

In accordance with our Annual Audit Plan, we have completed a Review of Fleet Fuel Expenses and Charges to Departments. During our review, we interviewed key personnel, analyzed financial and operating information and tested management controls.

The attached draft report provides several recommendations we believe will assist Fleet Management and operating departments in strengthening management controls. Our recommendations have been reviewed with Milton Reid, Director of General Services and Matt Alday, General Services Support Manager. We have also discussed specific individual recommendations with representatives of GPD, GRU and Human Resources, as appropriate. We would like to acknowledge the professional courtesy and cooperation of all City staff with whom we worked during our review and we look forward to continuing to work together with them to finalize this report and management's response.

In accordance with Commission Resolution 970187, Section 9, please submit your written response to the recommendations presented in the attached report within 30 days and indicate an actual or expected date of implementation for each recommendation. Our final report, which will include your written response, will then become public record and be submitted to the City Commission's Audit, Finance and Legislative Committee for review and approval. The next meeting is scheduled for November 24, 2008.

As always, please feel free to contact me or my staff to discuss any questions or concerns regarding this draft report.

cc: Fred Murry, Assistant City Manager
Milton Reid, Director of General Services
Matt Alday, General Services Support Manager

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Annual Audit Plan, the City Auditor's Office completed a Review of Fleet Fuel Expenses and Charges to Departments. The primary focus of this review was to evaluate the system of management control over fuel expenses and the allocation of charges to user departments. Management controls include the processes for planning, organizing, directing and controlling program operations, including systems for measuring, reporting and monitoring program performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, methods and procedures adopted to ensure goals are met. Specific audit objectives included determining if fuel expenses and charges were appropriate, authorized and accurate.

Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures included interviewing key staff, observing operations, reviewing management controls and testing selected samples of transactions and supporting documentation. The scope of our review was generally for fleet fuel expenses incurred during fiscal years 2007 and 2008, excluding Regional Transit System (RTS) costs.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's written response, can be found in the following sections of this report.

BACKGROUND INFORMATION

Fleet Management is a division within the General Services Department (GSD) of the City of Gainesville. Currently, 11 GSD staff members have varying responsibilities in the administration of fleet fuel. GSD's mission is to provide courteous and quality services to its customers in a manner that will allow for safe and maximum utilization of vehicles, equipment and facilities at a minimal cost.

Fleet Management provides fleet-related services to all City departments, except RTS. Fleet Management's responsibilities are to assist in the procurement, maintenance, repair and disposal of all General Government and GRU vehicles and fleet-related equipment. This involves providing services to a wide variety of approximately 1,450 vehicles and fleet-related equipment, maintained at several locations throughout the City.

Fuel Operations

The City purchases its fuel through a contract with Lewis Oil Company that is managed by Fleet Management. The users of the contract include General Government, GRU, the Gainesville Police Department (GPD) and RTS. However, GPD and RTS administer their portions of the contract.

For General Government and GRU, fuel is generally dispensed at one of three City-owned locations, the 5th Avenue Garage, 39th Avenue Garage or Springhill Garage. Fuel transactions are recorded by a fuel information system entitled GASBOY and are then uploaded into a Fleet Management System entitled FASTER. FASTER accumulates detailed fuel utilization data by vehicle, which is then utilized by Fleet Management to administer and oversee fueling activities. Fuel pumps at City locations require departmental users to insert pre-programmed vehicle fuel keys, which are distributed by Fleet Management.

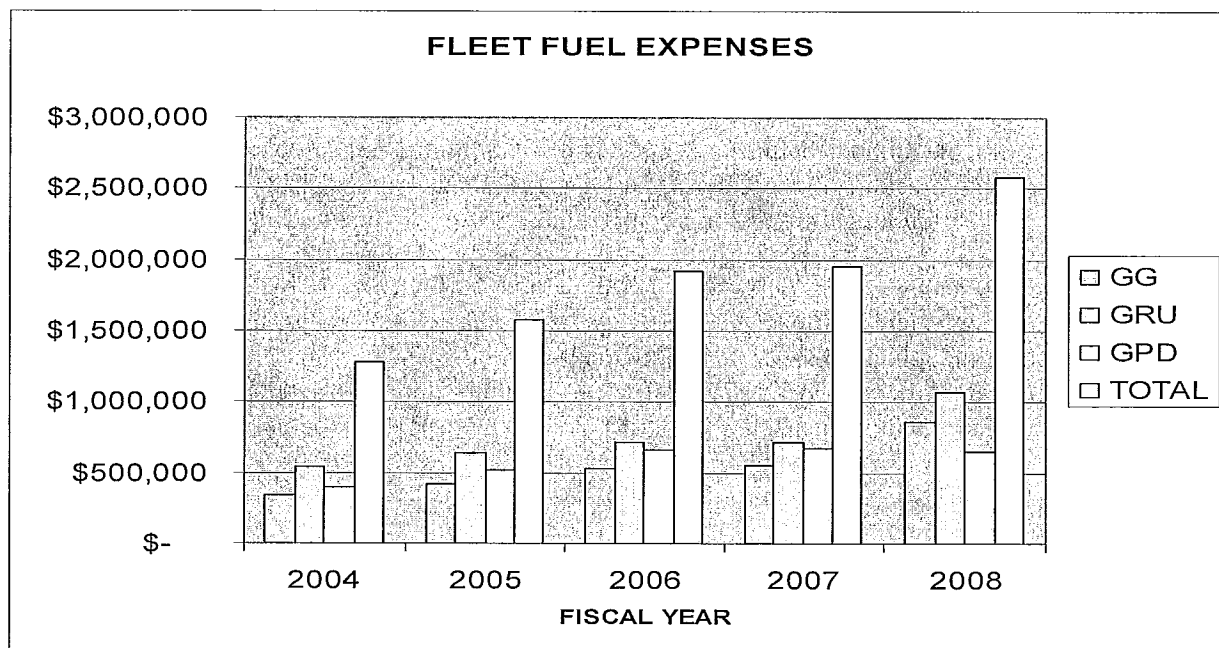
GPD's portion of the contract with Lewis Oil Company allows vehicle operators to access fuel at five pre-determined privately owned filling stations in Gainesville and Alachua County. GPD transactions require users to insert an assigned fuel card and enter a personal identification number. GPD's fuel

transactions are recorded at the filling stations and are transmitted monthly to Fleet Management for uploading into the FASTER Fleet Management System. GPD also receives a paper copy of their fuel activity from Lewis Oil Company for review and reconciliation to billing requests.

Fleet Management performs weekly reconciliations of fuel transactions against a fuel usage schedule provided by Lewis Oil. Fleet Management then authorizes payment to Lewis Oil for total monthly fuel charges based on the number of gallons dispensed and the established contractual prices. Fleet Management also generates a monthly summary billing spreadsheet for departmental billing, based on the usage by department, including a 15% markup to cover Fleet Management operating costs.

Fuel Costs

As seen in the following chart, fuel costs for City fleet operations have been rising at a significant rate over the past several years, with total fuel costs generally doubling from \$1.3 million in fiscal year 2004 to \$2.6 million in fiscal year 2008. Virtually all of this increase in costs has been driven by fuel price increases, with average retail fuel prices also generally doubling from fiscal year 2004 to 2008.



During our review, we noted the following areas where Fleet Management has taken proactive steps in an attempt to control rising fleet fuel costs:

- Replacement vehicles are evaluated for purchase in part based on fuel economy. Fleet Management staff make recommendations to operating departments based on the expected fuel efficiency, salvage value, purchase price and standardization of equipment. For instance, Fleet Management is currently replacing the Ford Crown Victoria and Chevrolet Lumina with the smaller, more fuel efficient Dodge Charger and Ford Focus. Fleet also purchases hybrid vehicles when evaluations indicate they are advantageous and cost-effective replacements for gasoline vehicles.
- The number of take-home vehicles has been evaluated and reduced in previous years. In 2007, management reviewed General Government take-home vehicle assignments for reasonableness. After reviewing the vehicle assignments and conferring with department management, 11 vehicles were removed from take-home status, resulting in an estimated annual savings of \$34,000.

ISSUE #1

Controls Over Gainesville Police Department Fuel Transactions

Discussion

The Gainesville Police Department (GPD) administers a contract with Lewis Oil Company, separate from the Fleet Management contract, which allows vehicle operators to access fuel at five pre-determined privately owned filling stations in Gainesville and Alachua County. GPD transactions require users to insert an assigned fuel card and enter a personal identification number (PIN). GPD's fuel transactions are recorded at the filling stations and transmitted monthly to Fleet Management for uploading into the FASTER Fleet Management System. GPD also receives a paper copy of their fuel activity from Lewis Oil Company for review and reconciliation to billing requests.

Fuel Card Assignment and Control

GPD staff distribute Lewis Oil fuel cards to employees for fueling assigned vehicles. New GPD employees are assigned fuel cards and an attached PIN based on an e-mail from their supervisor. GPD administrative staff maintain a log of fuel cards distributed by employee name, card number, PIN number and date issued. When employee's leave GPD's employment, fuel cards are required to be returned to the employee's supervisor, who then returns the card to GPD staff responsible for maintaining the log of fuel cards. Fuel cards are subsequently deactivated, destroyed and removed from the log.

GPD General Order 17.5, entitled Fleet Management, provides rules and procedures for the use of GPD fleet vehicles and corresponding fuel cards. Section 5b of General Order 17.5 states that department personnel will use their gas cards only to fuel their assigned vehicles (pool or take-home). In order to accurately track fuel usage, GPD fuel cardholders are required to enter their PIN, vehicle number, an accurate odometer reading and the pump number used for dispensing fuel.

Audit Testing Results

During our review of GPD fuel transactions, we compared employee names from GPD's payroll transactions to recent fuel transaction data and the fuel card log. The purpose of this test was to determine whether all fueling transactions reflected valid cardholders and whether all cardholders were current GPD employees.

The results of our testing identified three previously terminated GPD employees and two non-GPD employees appearing on the active fuel card log. For the previous GPD employees, we confirmed that no fuel usage occurred with these cards after the termination of their employment.

For the two non-GPD employees, GPD staff indicated that the two cardholders were Reichert House employees who had previously been assigned fuel cards. Further investigation by GPD management indicated that one of the two Reichert House employees was no longer working at the agency. Ultimately, it was determined that an active GPD employee gained access to this fuel card and reportedly used it to fuel a personal vehicle(s). The total cost of the fuel inappropriately used by the employee was approximately \$3,100 over an approximate 3-year period. The employee subsequently resigned and a GPD investigation ensued.

Our review also generated some individuals with what appeared to be excessive fuel usage. Because the utilization of fuel is dependent on specific work assignments, we referred these high usages to GPD Internal Affairs for further analysis.

Conclusion

In our opinion, the instance of unauthorized fuel card usage noted above occurred due to the following weaknesses in internal control:

- Fuel cards are sometimes issued to individuals who are not GPD employees – the standard exit interview process generally utilized to retrieve fuel cards from exiting GPD employees are not in place for the non-GPD employees.
- It appears that GPD staff generally keep PIN labels affixed to their fuel cards – this allows anyone gaining possession of the fuel cards to inappropriately execute fuel transactions.

We also believe that the unauthorized fuel card usage was not detected in a timely manner because control procedures did not include periodically comparing the active fuel card log to current payroll records and fueling activity reports.

Recommendation

Controls over the utilization of vehicular fuel at GPD should be improved in order to provide greater assurance that fuel utilization is appropriate and reasonable. We recommend management enhance current controls over fleet fuel processes by:

1. Discontinuing issuance of fuel cards to individuals who are not GPD employees.
2. Requiring GPD staff to remove the PIN label from their fuel card upon receipt.
3. Periodically reminding supervisors and staff performing exit interviews to retrieve fuel cards from exiting employees and to return them to appropriate GPD staff in a timely manner.
4. Maintaining an accurate record of fuel cards in circulation and periodically comparing this log to payroll listings and actual fuel usage in order to help detect any unauthorized usage.
5. Periodically reviewing fuel transactions for unusually high usage and evaluating reasonableness and appropriateness based on the officers' assignments.

Management's Response

Management provided the following comment on the recommendations made for fuel transactions:

1. As of October 16, 2008, non-GPD employees do not retain or are not issued fuel cards.
2. This procedure is being written into the Department's Policy Manual. Until formalization of the procedure into Department Manual, personnel will be informed of the new procedure and instructed to remove PIN labels from fuel cards.
3. As of March 1, 2008, the Fiscal Office has assumed responsibility for the deactivation of fuel cards when an employee leaves the Department.
4. This will be conducted on a biannual schedule by the Fiscal Office.
5. The Fiscal Office has begun a bi-monthly review of fuel usage. This review involves a request for written documentation from Departmental Members who exceed 50 gallons of fuel per week.

In addition to these recommendations, GPD has implemented other fuel usage measures, which will mitigate fuel abuses. As part of our bi-monthly review, we have coordinated with Fleet Department personnel to conduct maintenance checks on vehicles showing low averages on miles per gallon.

ISSUE #2

Controls Over Non-GPD Fuel Transactions

Discussion

Fleet Management administers a contract with Lewis Oil Company for the delivery and purchase of fuel for both General Government and Gainesville Regional Utilities. Fuel is generally dispensed at one of three City-owned locations, 5th Avenue Garage, 39th Avenue Garage or Springhill Garage. Fuel pumps at City locations require departmental users to insert pre-programmed vehicle fuel keys, which are distributed to departments by Fleet Management.

Fuel Key Assignment and Control

Fleet assigns fuel keys to departments generally by vehicle or equipment number. A computerized fueling system entitled GASBOY has edit checks built in to prevent fueling with incorrect fuel types or fueling beyond a pre-established vehicle capacity. Fleet also issues “dummy keys” to departments for use as back-ups when original keys became unaccounted for or do not function properly and for filling gas cans or generators, when necessary. Although keys are assigned to departments in possession of the vehicles or equipment, the level of controls identifying operators in possession of keys varies widely by department.

Fuel keys are not individually numbered or marked for visual identification. Additionally, GASBOY does not allow for deactivation of fuel keys unless the vehicle or equipment associated with the key is deactivated. As a result, as replacement keys have been issued, neither Fleet Management nor the operating departments have been able to adequately maintain a record of the number of fuel keys in circulation, especially dummy keys, limiting operator accountability over fuel expenses.

We contacted several operating departments to question whether fuel key use was reasonable. Each department interviewed was unable to ensure the number of keys in use within their department. Some departments interviewed indicated it would be beneficial to number dummy keys individually in order to track which key was used. Some departments even suggested starting over with new keys so that they may better monitor distribution and use of the keys.

Conclusion

As fuel costs continue to rise, the need for increased controls, efficiency and accountability also increase. In our opinion, current controls over fuel keys and the utilization of fuel are not adequate to provide reasonable assurance of the appropriateness and reasonableness of fleet fuel expenses. Specifically, limitations of the current process do not allow for determination of fuel use to a specific operator, greatly reducing accountability.

Recommendation

Management should evaluate and consider changing from the current fuel key system to a fuel card system, similar to that in use by GPD for fueling transactions. This change would help to increase accountability over fuel transactions by assigning a card to each city employee requiring fueling privileges, along with a personal identification number. Specific control recommendations from Issue #1 of this report would also apply to such a system.

Management's Response

Lewis Oil Company confirmed our initial understanding that the fuel keys cannot be disabled. Our suggestion to serialize the fuel keys is doable and although it will require significant additional effort on the part of General Services' personnel to track the keys, it will improve controls, efficiency and accountability. Additionally, this is a less expensive alternative to the fuel card system and provides similar benefits. Procedures are currently being developed and will be implemented January 5, 2009.

ISSUE #3

Take-Home Vehicles

Discussion

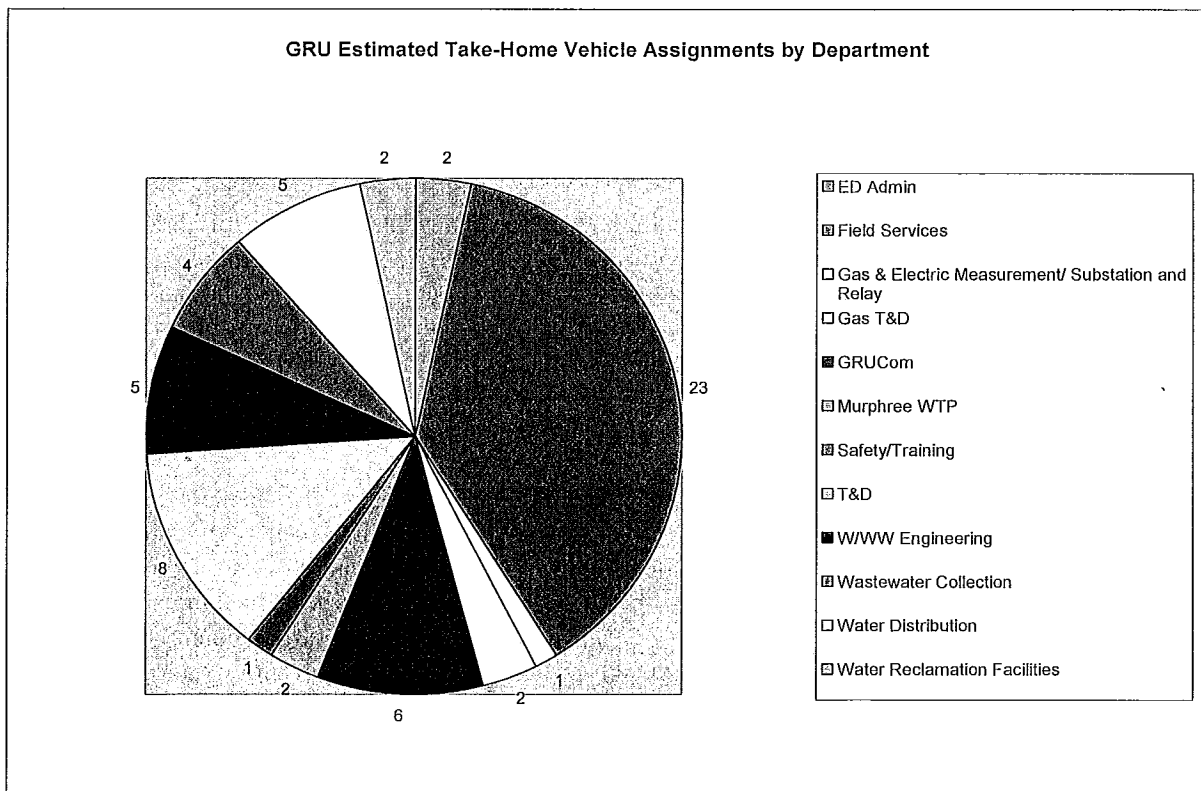
The City provides take-home vehicles to varying individual employees depending on their work responsibilities. Generally, management determines whether an employee should receive a take-home vehicle by analyzing whether it would provide for more efficient and effective service delivery. Charter Officers, or their designees, review and approve individual take-home vehicle assignments for their respective areas.

Review of General Government and GPD Take-Home Vehicle Assignments

In 2007, General Government management reviewed all take-home vehicle assignments within General Government, excluding GPD patrol vehicles, to identify potential cost savings. Management required specific justification for all take-home vehicle assignments. Based on their review, the number of assigned take-home vehicles was reduced from 29 to 11, resulting in an estimated reduction of annual costs from \$90,000 to \$56,000 or a recurring annual savings of approximately \$34,000.

Review of GRU Take-Home Vehicle Assignments

GRU Assistant General Managers are generally delegated authority to approve employee take-home vehicle assignments. During our review, we requested a listing of all GRU take-home vehicles and the employees or positions to which the vehicles were assigned. GRU identified 61 take-home vehicles by department assignment. Based on our analysis, we estimated recurring annual fuel and maintenance costs of approximately \$189,000 associated with these vehicles being driven home. The vehicles were distributed among various departments/divisions as displayed in the chart below.



Soon after our initial inquiry, we received a revised list of take-home vehicles for the Field Services Division of Energy Delivery. The Assistant General Manager over this area indicated that he had only recently been assigned oversight for this division and when the request for a listing of all take-home vehicles came through, they listed what was in place at that time. When he and the division manager later reviewed the situation, he reduced take-home vehicle assignments within the division from 23 to three, indicating he had not found sufficient justification to warrant having this number of take-home vehicles to support the division's operational needs. The revised assignments result in an estimated reduction of annual costs from \$189,000 to \$127,000 or an annual recurring savings to GRU of approximately \$62,000.

Conclusion

General Government management was successful in reducing estimated annual vehicle fuel and maintenance costs by \$34,000 in 2007 by reducing take-home vehicles. In 2008, GRU management significantly reduced take-home vehicles in one division, resulting in an estimated annual savings of \$62,000.

Recommendation

Management should review take-home vehicle assignments annually in order to maximize efficiencies and minimize costs where possible. GRU management should further evaluate their current assignments of authorized take-home vehicles to ensure that they are appropriate and result in the most efficient utilization of these vehicles.

Management's Response

Prior to City Auditor's office inquiries, GRU staff had started a review process of take home vehicles in all areas as part of the General Manager's focus on increasing operational efficiencies. The Assistant General Manager responsible for the Field Services Division reviewed the justifications for all take-home vehicles assigned to this Division, and he reduced the number of authorizations from 23 to 3. The number of take home vehicles was increased the previous year after the implementation of the new billing system when customer service response times were declining significantly due to technical problems. As part of the billing system conversion, the Field Services Division began using mobile computers to process work orders and synchronization of these computers was taking hours. Employees were only able to synchronize one laptop at a time and would spend hours in the office waiting to sync before going into the field. This caused substantial delays in customer work orders, so to improve response time, employees were allowed to take home vehicles and synchronize their laptops at sync stations on their way in to work in the morning. They would then proceed to their first job. When the syncing process became more mature and stable, the operational benefit realized by the additional 20 take-home vehicles was diminished. The revised assignments result in an estimated reduction of annual costs.

Management agrees with the City Auditor's recommendations, and as such, they will continue to be a part of the General Manager's focus on operational efficiencies. An annual review of authorized take-home vehicles may result in the reduction of fleet expenses and a more effective use of the fleet. However, the judicious authorization of take-home vehicles can and most often does promote superior emergency response and customer satisfaction, both of critical importance to the City.

ISSUE #4

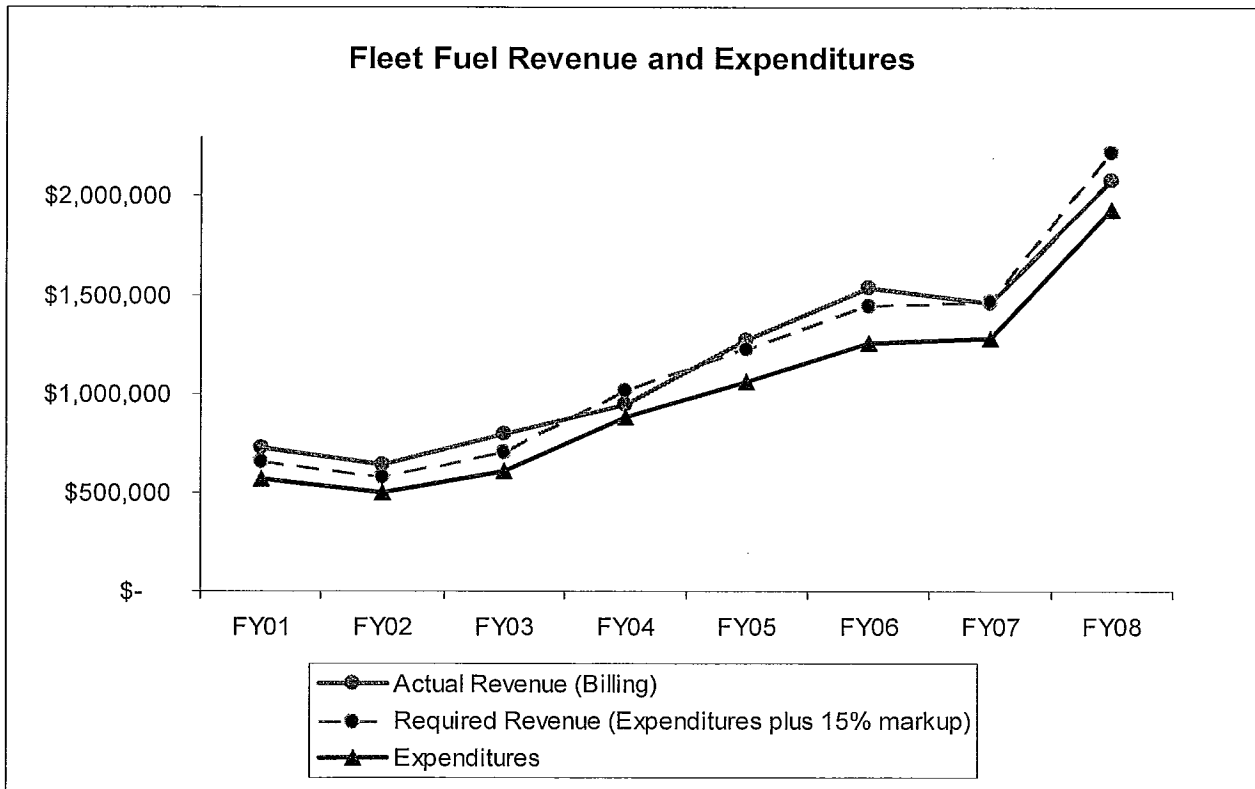
Departmental Billing Controls

Discussion

Fleet Management provides services to City departments by performing functions such as procuring, maintaining and salvaging city vehicles. In order to fund the services provided, Fleet Management initiates billings to operating departments monthly for actual fuel costs incurred plus a 15% administrative fee. The 15% administrative fee has been consistent for numerous years and is applied to each fueling transaction by the FASTER Fleet Management System.

Historical Analysis of Fleet Fuel Revenues and Expenditures

In order to evaluate the effectiveness and accuracy of fleet fuel departmental billings, we prepared a historical comparison of total annual fleet fuel expenditures and resulting revenues from departmental billings for fuel usage (see chart below).



As noted in the chart, there have been some significant variances from the expected 15% markup applied to Fleet Management’s actual revenues billed to departments and actual fleet fuel costs. For fiscal years 2004 and 2008, actual revenues reflected a computed markup percentage of between 7% and 8%, instead of the desired 15% markup. For fiscal years 2001, 2002, 2003, 2005 and 2006, actual revenues reflected a computed markup percentage of approximately 25%, exceeding the 15% desired markup. Only during fiscal year 2007 did fleet fuel revenues exceed expenditures by approximately the desired 15% markup.

Audit Testing Results

During our review, we also completed testing to evaluate whether intended markups were consistently applied to individual fueling transactions. We selected a sample of 20 vehicles and reviewed all fueling transactions for those vehicles during January 2008. We noted differences in fuel charges to departments in 94 of the 162 transactions reviewed. These transactions differed from the calculated 15% markup by an average of 3%. Some transactions were billed at greater than 15%, while others were billed at less than a 15% calculated markup over actual fuel costs.

Upon further discussion with Fleet Management, it was determined that the differences noted in our sample resulted from staff delays in updating weekly fuel prices. Many of these delays occurred in weeks following City holidays and staff vacations. Fleet Management also indicated that some portion of the annual variances were related to providing fuel at greater than a 15% markup to the Gainesville Regional Airport during fiscal years 2001 through 2003 and due to the difficulty of properly identifying fuel usage during the Florida hurricanes experienced during 2004.

Conclusion

Significant variances from the designated 15% markup for fuel costs have occurred in recent years. Some portion of these variances occurred due to delays in updating weekly fuel rates.

Recommendation

We recommend management work to decrease delays in updating weekly fuel rates and to minimize variances between departmental billings and actual fuel costs, including the designated 15% markup. Also, in the future, management should conduct annual comparisons of fuel expenditures and fuel revenues to assure that the 15% administrative fee is applied accurately.

Management's Response

We agree with the recommendation. A brief review of some of the records indicates that this issue has occurred during holiday periods when transactions are not reconciled on a timely basis. We will conduct annual comparisons to ensure the correct markup to departments at the end of the fiscal year.

ISSUE #5

Segregation of Duties

Discussion

The General Services Division Analyst performs several key duties related to fleet fuel operations. The analyst activates, programs and issues fuel keys; approves fuel transactions; adds and deletes fuel transactions; reconciles vendor charges against fuel transactions and manages the FASTER Fleet Management System.

During our testing, we noted some gaps within the numbered transactions within FASTER. We reviewed the transaction gaps with management and found that FASTER does not track or provide any additional information concerning the deleted transactions. We also noted that seven individuals, including the GSD Analyst, had user access to delete fuel transactions within FASTER.

Conclusion

Individual employees should not control conflicting aspects of fleet fuel operations that could result in a loss of revenues due to undetected theft or errors. The absence of properly segregated duties or oversight controls increases the risk of such losses. While we did not note any fraudulent activities, FASTER does not allow for a conclusive, thorough review of deleted transactions. In addition, we do not believe that supervisory reviews or oversight approvals were adequate to identify possible inappropriately deleted fuel transactions or other discrepancies.

Recommendation

We recommend that management implement additional oversight controls within Fleet Management's fuel operations to compensate for the lack of segregated duties, including improving controls over the ability of employees to delete transactions within FASTER. Management should also consider assigning some of the responsibilities of the GSD Analyst to other staff, if possible, in order to more properly segregate key duties.

In discussions with Fleet Management, staff indicated that they have reduced the number of employees with user access to delete fuel transactions from seven to two and that in practice, only two employees ever actually deleted transactions. Staff also indicated that they would begin requiring supervisory review of all deleted transactions.

Management's Response

Staff concurs with the recommendation.

The issue has already been resolved as these responsibilities are currently assigned to only (2) two members of staff. The Supervisor will also review all deleted transactions effective November 17, 2008. Additionally, the vacant General Services Analyst position has now been filled which will allow for immediate segregation of duties.

ISSUE #6

Inaccurate Odometer Readings

Discussion

The GSD Fleet Services Customer Guide states that operators should “be careful to enter correct information into the Fuel Information System when fueling your vehicle, and that the Preventative Maintenance System relies on accurate vehicle and mileage information to accomplish this. Please enter the correct mileage and use that vehicle’s fuel key.”

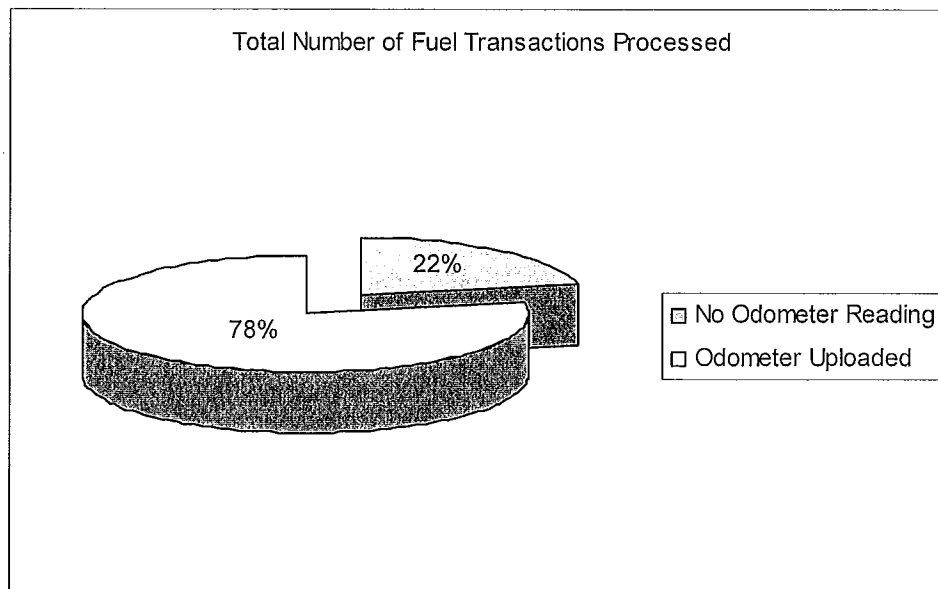
Fleet Management determines fuel efficiencies by calculating miles per gallon using odometer information as well as other fueling information. Fleet Management holds bi-monthly Fleet Focus meetings and has indicated that they emphasize the importance of entering correct odometer readings at these meetings.

GASBOY Odometer Readings

The GASBOY fueling system requires the entry of vehicle or equipment odometer readings prior to dispensing fuel. Preventive controls that require the entry of a reasonable meter reading are built into the fueling software. However, Fleet Management noted that this control can be circumvented by operator override.

Fuel transactions are batched and uploaded into the FASTER Fleet Management System daily. FASTER overrides fuel transactions with odometer readings that are illogical or out of numerical sequence, and then displays these transactions as having no odometer reading. The originally entered odometer readings may be manually obtained within the FASTER Operation Cost Module and is labeled “A” for override.

During our review, we extracted fuel transaction data from FASTER and analyzed associated odometer readings over a six-month period. We noted that 22% (5,597/25,529) of all transactions during this period displayed no odometer reading, as reflected on the following chart.



Conclusion

A significant portion of fleet vehicle operators do not enter correct odometer information when dispensing fuel. The GASBOY system allows for operator override when entering odometer information. Meter readings that are entered incorrectly limit management's ability to adequately evaluate fuel efficiency, possibly contributing to increased fleet expenses or delayed fleet maintenance activities.

Recommendation

We recommend management increase their emphasis to employees on the importance of the requirement to properly and accurately enter vehicle odometer readings. Management should consider implementing disciplinary actions for employees who consistently enter inaccurate odometer readings.

Management's Response

We agree with the recommendation. Continuous efforts are being made to have operators enter the correct odometer readings but they have only resulted in slight improvements. General Services will investigate installing software to vehicles that will identify and automatically apply correct odometer readings during vehicle refueling. Implementation will begin after funding is identified. We will request funding in August, 2009 and, if approved, implement in November, 2009. In the interim, or if funding is not approved, we will continue to work with the operating departments for further improvement.

ISSUE #7

Non-Taxable Fringe Benefits

Discussion

Internal Revenue Service Publication 15-B requires certain employees who take home city vehicles to report their personal use mileage, generally commuting miles, as a fringe benefit. Publication 15-B requires such employees to use either a cents per mile rate, currently at 50.5 cents per mile, or a flat rate, currently set at \$1.50 per one-way commute, to estimate the taxable value of the fringe benefit provided. Employees receiving these taxable benefits are required to report their personal commuting activities utilizing City Form 19B, Non-Cash Fringe Benefits. When completed and signed by employees, forms are to be submitted to the City's Payroll Division on a bi-weekly basis so that the taxable value of the fringe benefit can be properly added to an employee's taxable income.

In order to test whether 19B forms are being properly and consistently completed, we selected a sample of 12 employees with take-home vehicles. We then reviewed employee files maintained in Payroll for four pay periods during January and February 2008 to evaluate the consistency in which forms were being completed. Only two of the 12 employees completed required 19B forms for all four of the pay periods reviewed. Two other employees completed forms for some of the four pay periods. Eight of the 12 employees did not submit forms for any of the pay periods reviewed.

Conclusion

It does not appear that City employees are adequately recording and consistently reporting personal mileage use associated with assigned take-home vehicles. We believe that additional timekeeper training and reinforcement of requirements to employees receiving these benefits is necessary.

Recommendation

We recommend that management ensure that City employees utilizing City take-home vehicles and their timekeepers receive periodic training and reminders in order to provide greater assurance that required forms are properly completed, submitted and recorded. In discussions with the Human Resources Department, staff indicated that they will implement procedures requiring employees with personal mileage use associated with take-home vehicles to claim the use as a fringe benefit by completing and submitting required forms consistently.

Management's Response

The Human Resources Manager provided the following response to the recommendation.

Annual timekeeper training now includes a component of discussion regarding the Internal Revenue Service Publication 15-B and use of City of Gainesville Form 19B. Copies of both documents are provided during the training along with a discussion on when and how to complete the form.

A team of General Government and GRU employees is investigating general compliance with using the form 19B Non-Cash Fringe Benefits and expect to prepare instructions for all City of Gainesville employees by February 2009, and then to include it in the Annual Reminder Letter to all employees, published each October.