

*The County of Chester
Office of the Controller
Internal Audit Department*



*Audit Report
Employee Mileage Reimbursements
For the year ended December 31, 2007*

Valentino F. DiGiorgio, III, Controller



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

2 N. HIGH STREET, SUITE 540, P.O. BOX 2748, WEST CHESTER, PA 19380-0991
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III
Controller

To: Valentino F. DiGiorgio, III
County of Chester Controller

We have concluded our audit of Chester County employee mileage reimbursements. Our procedures considered transactions for the period from January 1, 2007 to December 31, 2007.

The overall objectives of our audit were to determine whether personal vehicle miles traveled for official county business indicate:

- inefficient / uneconomical driving habits;
- fraud or abuse;
- a need for additional county vehicles.

In addition, Internal Audit reviewed the number and types of vehicles currently placed into service for the County of Chester to determine ways to reduce costs and provide for a cleaner environment.

The results of our audit indicated that 6 departments had high mileage usage -100,000 miles or more (Figure 1A and 1B). An analysis of:

1. the number of employees reimbursed per department;
2. the amount of reimbursement per individual; and
3. the estimated annual cost per county vehicle

suggests that the purchase of additional county vehicles for these 6 departments, coupled with the implementation of more efficient driving patterns, could result in substantial cost savings to the county. For example, Internal Audit estimated that the purchase of 6 fuel efficient vehicles for use by the Office of Tax Assessment, if used cost effectively, could save the County approximately \$103,000 over a 5 year period and as much as \$177,000 after 7 years (Figures 2A and 2B). (It should be noted that Tax Assessment was chosen to demonstrate cost savings because it was the lowest of the top 6 departments that accrued high mileage usage in 2007. The premise was, that if cost savings could be projected for this department, it would follow that departments accruing more mileage would undoubtedly benefit at the same or higher rate.) Similar cost analyses should be completed for Environmental Health, CYF, and MH/MR once efforts to regionalize cases, home visitations, and inspections have been made. Internal Audit concurs with recommendations put forth by Human Resources to not only group and assign trips by region, but to consolidate trips as much as possible.

The audit also disclosed that a handful of employees who have been assigned a county vehicle also received mileage reimbursements from time to time. In addition, one employee who is

assigned a county vehicle is also an acting constable who submits cost sheets that include mileage reimbursement. Currently, there is no control in place to ensure that the county is not reimbursing for mileage on their own vehicles. Internal Audit has prepared a separate report for the County Commissioners suggesting the need for a uniform county policy which would address this and other issues related to the use of county provided vehicles.

A review of the most recent vehicle listing prepared by Contracts and Purchasing indicates that the current fleet of county vehicles is comprised of all mid to full-size cars, sport utility vehicles and trucks. High gas prices, environmental concerns, and general economic uncertainty should be motivating the County of Chester to look for more fuel efficient automobiles. Despite the suggested fuel cost savings of hybrid vehicles, the higher purchase price of this vehicle outweighs the benefit at this time. In addition, this cost is typically not offset immediately by the fuel savings and may not be realized during the life of the vehicle. Of course this projection is greatly dependent on the type (city/highway) and amount of mileage associated with the vehicle. A new study by *Edmunds.com* indicates that many compact and subcompact vehicles are actually better choices than hybrids for consumers who are looking to save money. They have also comprised a list of the 10 least expensive vehicles to own at \$4.06 per gallon of gas (Figure 3).

Internal Audit suggests that the County of Chester explore the benefit of exchanging those vehicles that have expended their “accounting” useful life of 5 years for more fuel and cost efficient models such as the Chevrolet Aveo or the Hyundai Accent. Taking into account the County’s guidelines for maintaining and replacing their vehicles after 100,000 miles, the Hyundai would be a preferred choice due to the dealer’s standard 100,000 mile warranty.

Summary

To summarize, Internal Audit advocates the establishment of a fuel efficient county fleet in which the cars would be used primarily by those departments whose normal job requirements include extensive driving. (These departments are identified on subsequent pages within this report.) It is Internal Audit’s opinion that maintaining a “general / unassigned” fleet would be more efficient than purchasing cars by department. The “unassigned” method would allow more flexibility and keep vehicles in use more often since *any* department in need would be permitted to reserve use of a car for county business. Currently, with cars assigned by department, only *that* department has access and rights to the vehicle. This may result in cars sitting idle when other departments could be putting them into service.

The fleet should be centrally located (possibly at the Government Services Center) and set up in a manner similar to a rental car agency. Individuals would be required to reserve cars with the “Fleet Manager”, identifying estimated departure and return times. Drivers would report to the “fleet location” at their reserved time, complete and sign a log for the vehicle, and get the keys. Upon their return, they will again be required to complete / sign the log and return the keys. Logs are required by the IRS to record and identify business and /or personal use for employer provided automobiles. These logs must be completed even for those vehicles that

have been used 100% for business purposes. These logs should be submitted to the Office of the Controller monthly for review.

Prior to the establishment of the “fleet”, departments such as Tax Assessment, Environmental Health and Human Services (because of their consistent traveling) should be required to document their patterns of usage to determine if one person could use a car in the morning and still allow for another person (perhaps even someone from another department) to use the same vehicle in the afternoon. This would allow for the most economical use of the automobiles. (This would also help determine how many cars should be acquired initially.) Furthermore, we urge these (and all) departments to plan their trips ahead of time to ensure that the routes they take and stops they make are arranged in the most direct and efficient manner. A policy should be established which would outline the employee’s responsibility to use prudence in traveling, their duty to reserve and utilize fleet cars (as outlined below), and consequences for non-compliance. Departments may also want to consider establishing monthly travel schedules which would identify vehicle needs in advance. For budget purposes, management should begin to project and track cost savings related to travel expenses each year.

Once the “general fleet” is established, Internal Audit recommends that departments be required to maintain records (logs) that register unsuccessful attempts to reserve a vehicle. This documentation will be necessary to justify continued business use of personal vehicles in those departments that were identified as high mileage departments. Such controls will ensure that employees do not proceed in the “business as usual” mindset leaving fleet cars unused. It is reasonable to assume that employees who have become accustomed to the “extra paycheck” each month may be reluctant and unwilling to reduce their “tax free” income (so to speak). If the county does not take steps to prevent the continued use of personal vehicles for frequent travelers, we could find ourselves doubling our expenses - once for the unused vehicle and then again for the employees’ mileage reimbursement.

The County needs to adopt and implement a uniform vehicle policy for these and all County - provided automobiles. The policy should comply with IRS mandates.

Lastly, Internal Audit suggests that current county vehicles be evaluated for fuel efficiency. Due to economic conditions, the County may want to consider exchanging large and mid size cars, trucks, or SUVs for more compact and sub-compact models.

Employee Reimbursement Data Analysis

Internal Audit reviewed individual employee reimbursements for those departments that received over \$9,000 (*the current estimated annual cost of a county vehicle*)* in mileage reimbursement payments for the year 2007. These departments included the following:

- Tax Assessment
- Public Defender
- Planning
- DCIS
- District Attorney
- APO
- JPO
- Human Services Administration
- CYF
- Juvenile Home
- MH/MR
- Aging
- Drug and Alcohol
- Health – Nursing
- Health – Environmental
- Community Development.

Payroll records could only be acquired based on quarterly data. As a result, Internal Audit summarized individual reimbursements for the year 2007. Only those quarterly reimbursements that were > or = to \$100 were listed and considered. Except for the office of the District Attorney, this represented at least 90% of the total population for each department examined. For the office of the District Attorney, payments meeting the established criteria (> / = \$100) represented an acceptable 83% of their total reimbursement for 2007.

Due to the high number of individual reimbursements, the population was refined even further to include only those employees whose total annual reimbursements were > or = to \$582. This amount was calculated by Internal Audit based on 1,200 annual miles (100 miles per month) at the 2007 IRS rate of \$.485. Internal Audit's intent was to try to isolate consistent drivers from occasional drivers. To this end, the amount of monthly miles was set relatively high.

* - the *current estimated annual cost of a county vehicle* was determined by (1) using the average cost of a county vehicle purchased in 2007 (\$25,495) and dividing by the accounting useful life (5 years) to get the acquisition cost portion of \$5,099 and (2) obtaining total gas and maintenance costs for a representative department based on number of vehicles, age of vehicles, and usage (in this case – the Sheriff's department) for 2007 and obtaining a per vehicle average of \$3, 700. Cost estimate was then rounded to \$9,000.

Results

TAX ASSESSMENT

Ninety-nine percent of the total mileage reimbursement paid to this department was based on payments to 12 employees that drive on a regular basis. Of these individuals, 3 employees drove between 6,000 and 7,000 miles; 6 employees drove between 8,000 and 9,000 miles and 2 employees drove between 11,000 and 14,000 miles during the year. There are currently no County vehicles assigned to this department. For the year 2007, the department received just over \$49,000 in mileage reimbursement payments. Based on *the current estimated annual cost of a county vehicle* (approximately \$9,000*), the county could acquire as many as 5 vehicles for approximately the same cost. Internal Audit believes that this department would benefit from the proposed county fleet program.

PUBLIC DEFENDER

Only 60% (9) employees who received mileage reimbursements traveled fairly consistently in 2007. Mileage for the year ranged from 1,300 to 4,800. The department is currently assigned 2 vehicles which are used primarily by the Investigations Unit. Based on the nature of the department, one can only project the number of cases that may be referred to the Public Defender. Other than exercising prudent judgment in traveling, Internal Audit has no further recommendations.

PLANNING

Total mileage reimbursed to the Planning Department for 2007 was just over \$9,000. Further analysis does not suggest that any one individual drives excessively. The department is currently assigned one vehicle. Other than exercising prudent judgment in traveling, Internal Audit has no further recommendations.

DCIS

No one employee travels excessively. Total reimbursement to the department is based on a large number of smaller payments. Employees can be dispatched to any remote site to provide computer equipment support or to resolve connectivity issues. Internal Audit has no recommendations at this time.

DISTRICT ATTORNEY

No one employee travels excessively. Total reimbursement to the department is based on a large number of smaller payments and is contingent on assigned cases. There were no employees who traveled more than 2,000 miles. Internal Audit has no recommendations at this time.

APO

Probation officers are spending more time out in the field. The department was recently regionalized so that cases are grouped and assigned by region to reduce mileage costs. Only 21 employees traveled in excess of 1,200 miles. No one individual traveled more than 5,500 miles in 2007.

The department is also assigned 2 County vehicles which are issued on a “first come / first serve basis”. Internal Audit has no recommendations at this time.

JPO

No one employee travels more than 5,000 miles. Total reimbursement to the department is based on a large number of smaller payments. The department is assigned 3 vehicles – 2 of these are vans which are used for community service programs, school or home visits. The vehicles are issued on a “first come / first serve basis”. Other than exercising prudent judgment in traveling, Internal Audit has no further recommendations at this time.

HUMAN SERVICES

Administration and staff of the Human Services departments travel extensively. Recently, the County’s Human Resource department suggested that these departments attempt to “cluster” their cases by region. For the year 2007, 72 MH/MR employees traveled between 1,200 and 10,000 miles. The total reimbursement to the department was approximately \$157,000. This department is not assigned any County vehicles.

Similarly, 23 employees of the Department of Aging traveled between 1,200 and 8,000 miles during the same year. This department is also not assigned any county vehicles.

Of most significance, 82 employees from Children, Youth and Families traveled an average of 5,500 miles. Eight of these employees traveled between 10,000 and 13,000 miles during the year. The total mileage reimbursement to this department alone was approximately \$231,000. The department is currently assigned 4 vehicles, which were originally used only for out-of-county travel, transports, and/or extraordinary circumstances within the County. Commencing in 2004, while the priority for use remained for travel outside the county, staff were given the opportunity to use a vehicle for more local travel.

Internal Audit suggests that management consider the recommendation previously made by Human Resources regarding the restructuring of the cases and visitations. This department would benefit from the proposed county fleet program.

JUVENILE HOME

Five employees traveled over 1,200 miles in 2007 and represent 80% of the department's overall reimbursement. Four of the five individuals accumulated between 5,000 and 9,000 miles. The *Home* is currently assigned one county provided vehicle. Travel is dependent on Youth Center admissions and discharges. Other than exercising prudent judgment in traveling, Internal Audit has no further recommendations at this time.

HEALTH – NURSING

Twenty-one employees traveled over 1,200 miles in 2007 and represent 90% of the department's overall reimbursement. Two of these individuals accumulated close to 10,000 miles. Although the Health department has been assigned 5 county vehicles, none of these have been provided for the nursing staff. Internal Audit suggests that management follow similar suggestions made to other departments to try to regionalize / "cluster" home visitations. This department would benefit from the proposed county fleet program.

HEALTH – ENVIRONMENTAL

Thirty-nine employees traveled over 1,200 miles in 2007 and comprised 98% of the department's overall reimbursement (\$103,000 out of \$104,000). Two of these individuals traveled approximately 11,000 and 14,000 miles in 2007. Although the Health department has been assigned 5 county vehicles, only one of these, (a 2002 pickup truck) is assigned to environmental health protection. Internal Audit suggests that management follow similar suggestions made to other departments to try to regionalize inspection sites. Additionally, for the year 2007, the department received just over \$104,000 in mileage reimbursement payments. Based on *the current estimated annual cost of a county vehicle* (approximately \$9,000*), the county could acquire as many as 11 vehicles for approximately the same cost. This department would benefit from the proposed county fleet program.

Personal Vehicle Mileage Reimbursement

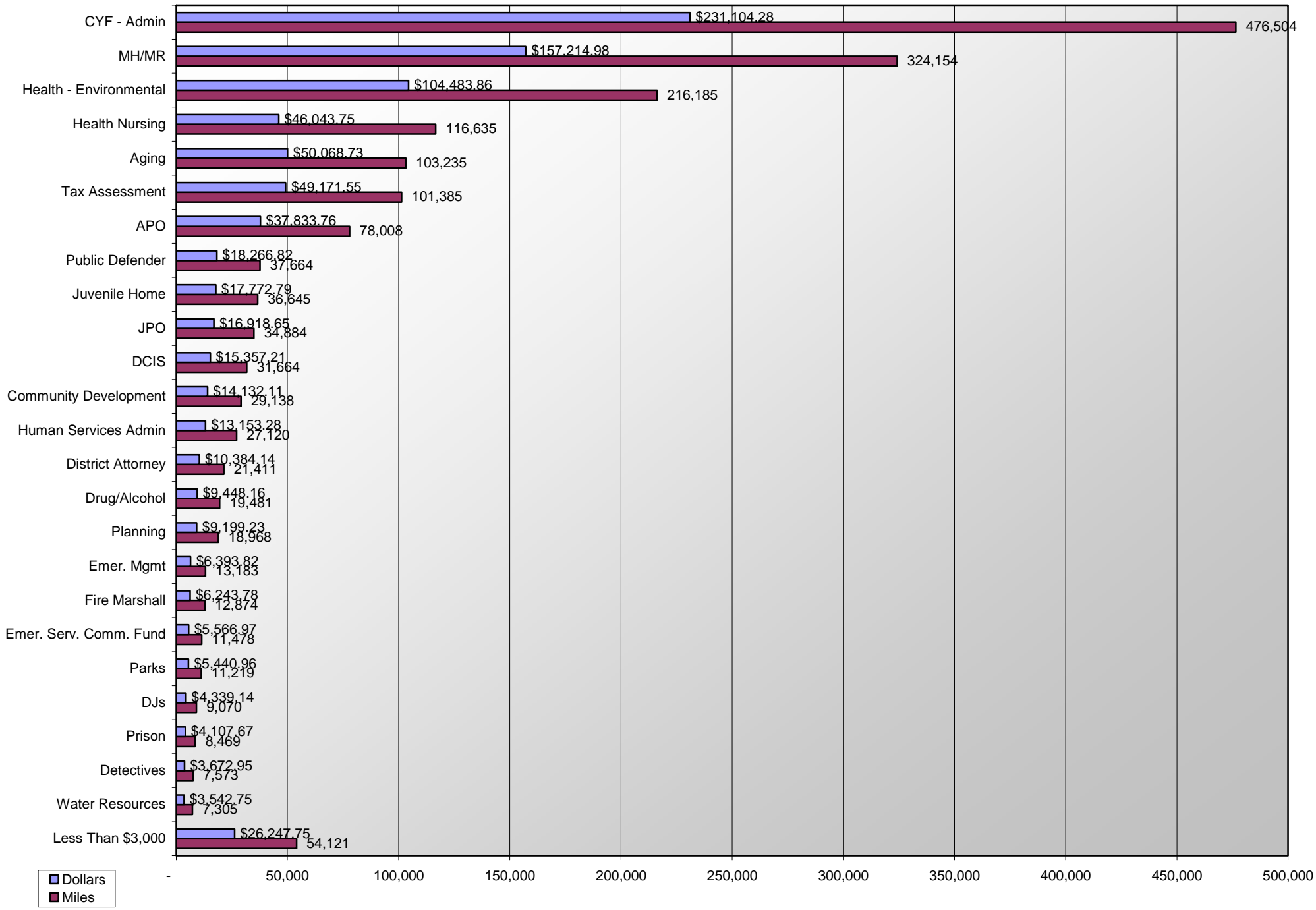


Figure 1A

**Departments with Mileage Reimbursement Payments
> or = to \$9,000
for the year 1/1/07 through 12/31/07**

	Dollars		Miles	
CYF - Admin	\$231,104.28		476,504	
MH /MR	\$157,214.88		324,154	
Health - Environmental	\$104,483.86		216,185	
Health - Nursing	\$46,043.75		116,635	
Aging	\$50,068.73		103,235	
Tax Assessment	\$49,171.55		101,385	
APO	\$37,833.76		78,008	
Public Defender	\$18,266.82		37,664	
Juvenile Home	\$17,772.79		36,645	
JPO	\$16,918.65		34,884	
DCIS	\$15,357.21		31,664	
Community Development	\$14,132.11		29,138	
Human Services Admin	\$13,153.28		27,120	
District Attorney	\$10,384.14		21,411	
Drug / Alcohol	\$9,448.16		19,481	
Planning	\$9,199.23		18,968	
Total	\$800,553.20	92.42%	1,673,081	92.52%

**Departments with Mileage Reimbursement Payments
< \$9,000 > \$3,000
for the year 1/1/07 through 12/31/07**

	Dollars		Miles	
Emer. Mgmt	\$6,393.82		13,183	
Fire Marshall	\$6,243.78		12,874	
Emer Serv. Comm. Fund	\$5,566.97		11,478	
Parks	\$5,440.96		11,219	
DJs	\$4,399.14		9,070	
Prison	\$4,107.67		8,469	
Detectives	\$3,672.95		7,573	
Water Resources	\$3,542.75		7,305	
Total	\$39,368.04	4.55%	81,171	4.49%

**Departments with Mileage Reimbursement Payments
< \$3,000
for the year 1/1/07 through 12/31/07**

	Dollars		Miles	
Treasurer	\$2,801.28		5,776	
Commissioners	\$2,658.24		5,481	
Pocopson	\$2,628.03		5,419	
Human Resources	\$2,530.93		5,218	
Controller	\$2,008.81		4,142	
Open Space Preservation	\$1,833.93		3,781	
Emer. Serv. - Field Serv.	\$1,502.20		3,097	
Voter Services	\$1,481.82		3,055	
Prothonotary	\$1,076.95		2,221	
Recorder of Deeds	\$825.64		1,702	
Solicitor	\$805.74		1,661	
Bail Agency	\$732.17		1,510	
Finance	\$729.32		1,504	
Emergency Services	\$661.11		1,363	
Domestic Relations	\$648.33		1,337	
Contracts and Purchasing	\$592.07		1,221	
WEB	\$562.51		1,160	
Hazmat	\$561.92		1,159	
Facilities - Admin	\$510.03		1,052	
Facilities - Outer Bldgs	\$478.48		987	
Courts Admin	\$413.24		852	
Sheriff	\$205.00		423	
Total	\$26,247.75	3.03%	54,121	2.99%

GRAND TOTAL \$866,168.99 100.00% 1,808,373 100.00%

Figure 1B

Cost Comparison - Mileage Reimbursement vs. County Vehicle Tax Assessment

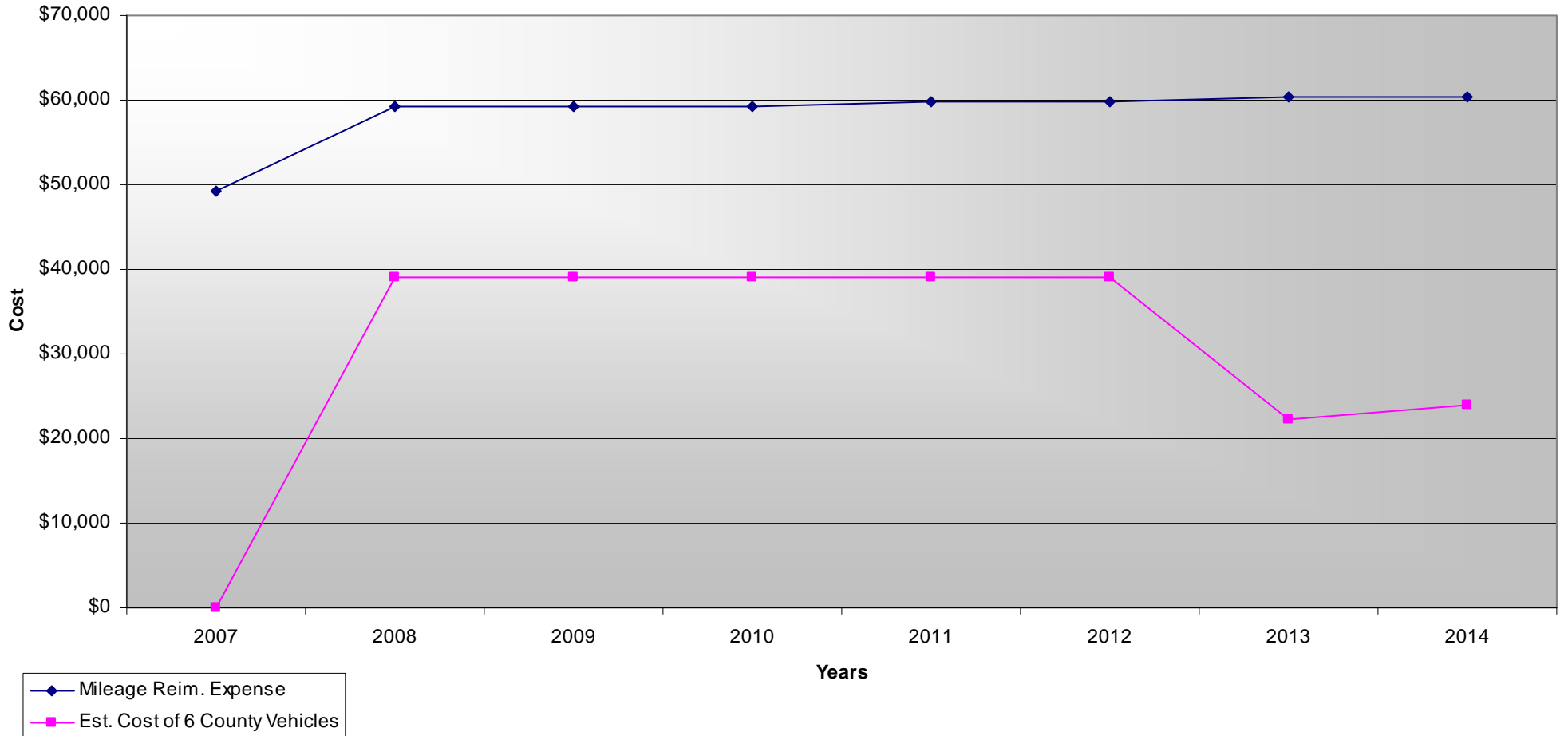


Figure 2A

**Cost Comparison - Mileage Reimbursement vs. County Provided Vehicle
Tax Assessment**

Year	2007	2008	2009	2010	2011	2012	2013	2014	7 year totals
Mileage Reim. Expense	\$49,172 (101,385 x .485)	\$59,310 (101,385x.585)	\$59,310 (101,385x.585)	\$59,310 (101,385x.585)	\$59,817 (101,385x.59)	\$59,817 (101,385x.59)	\$60,324 (101,385x.595)	\$60,324 (101,385x.595)	\$418,212
Est. Cost of 6 County Vehicles	\$0	\$39,000	\$39,000	\$39,000	\$39,000	\$39,000	\$22,200	\$24,000	\$241,200
Cost Savings	\$0	\$20,310	\$20,310	\$20,310	\$20,817	\$20,817	\$38,124	\$36,324	\$177,012

Assumptions:

The County of Chester purchases 6 vehicles to be shared by the 12 employees of Tax Assessment who represent 99% of mileage reimbursement expense.

The vehicles should be one of the Top 10 least expensive vehicles to own at \$4.06 per gallon listed on Edmonds.com. In this case Chevrolet Aveo or Hyundai Accent. The acquisition cost determined to be \$2,800 - \$3000 annually based on 5 year accounting useful life . Maintenance cost remained at \$3,700 - (the estimated cost calculated for the County's current vehicles.)

Mileage traveled remained consistent.

IRS mileage rate remains somewhat constant and increases minimally over the next 6 years.

After 5 year useful life expires, maintenance / fuel cost will represent total cost of vehicle going forward. Maintenance should slowly increase as car ages.

Figure 2B

**10 Least Expensive Vehicles
to own at \$4.06 per gallon of gas**

According to Edmonds.com

1. Chevrolet Aveo
2. Hyundai Accent
3. Honda Fit
4. Toyota Yaris
5. Honda Civic
6. Nissan Versa
7. Mazda3 i Sport
8. Kia Rio
9. Scion xB
10. Toyota Corolla

Figure 3