

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Children and Family Services Department: Vehicle Audit



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October 17, 2017

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SUBJECT: Children and Family Services Department Vehicle Audit

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Department of Children and Family Services' vehicles for the period of July 1, 2015 through June 30, 2016. The primary objectives of the audit were to determine if the Children and Family Services Department (Department) has effective procedures and controls over its light duty vehicles and to determine whether the number of vehicles owned by the Department and/or assigned by Fleet Management is appropriate to meet the business needs of the Department. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on August 15, 2017 and discussed our observations with management on August 21, 2017. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department of Children and Family Services who assisted and cooperated with us during this engagement.

Respectfully submitted,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
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Children and Family Services: Vehicle Audit

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's light duty vehicles.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	Finding: The monitoring controls over fuel usage need to be improved.	4
	Recommendation: We recommend that management establish and implement monitoring control procedures for the Department's fuel usage.	
2	Finding: The monitoring controls over vehicle usage need to be improved.	5
	Recommendation: We recommend the Department update their vehicle records and compare department records to Fleet Management's records to ensure accuracy on a regular basis. We also recommend that supervisors regularly monitor their staff's vehicles usage to ensure they are only being used for business purposes.	
3	Finding: Employees' commuting days used to calculate the taxable fringe benefits were not reported to Central Payroll.	6
	Recommendation: We recommend management ensure that the use of all take-home vehicles is included in the semi-annual take-home vehicle reporting to Central Payroll so that the employee's W-2 can accurately reflect all taxable income. We further recommend that management educate the Department personnel on County Standards so that they fully understand their responsibilities for properly recording all vehicle usage activity.	



Children and Family Services Vehicle Audit

Children and Family Services (CFS) is a Department within the County of San Bernardino that is part of and relies heavily on Human Services (HSS). CFS receives and reviews allegations of child abuse and neglect made within San Bernardino County and provides interventions and support services to the families and children when those allegations are substantiated. Operating out of 14 locations throughout the County, CFS provides family-centered programs and services designed to ensure a safe, permanent, and nurturing environment for the children while strengthening and attempting to preserve the family unit.

The Department maintains a fleet of light duty vehicles, which they utilize to transport children and parents. The vehicles are required to be returned at the end of the day. If employees are authorized to commute or take the vehicle home, they are required to submit the Take-Home Vehicle Report to Central Payroll on a semi-annual basis so that the taxable fringe benefit is included in the employee's income and reported to the Internal Revenue Service.

Department employees can purchase fuel at various sites located throughout the County. The volume of fuel usage for each vehicle will differ, as the Department's employees have varying daily responsibilities to fulfill. Additionally, all fuel purchases are reported to the Fleet Management Department (Fleet), either through system automation or manual tracking logs. Since Fleet maintains a centralized fuel tracking system for the County, the Department can obtain fuel usage reports at any time. Department vehicles and fuel usage should be monitored in order to safeguard and prevent abuse.



Scope and Objectives

Our audit examined the Department's vehicle fleet and fuel usage activity for the period of July 1, 2015 through June 30, 2016. Our audit was primarily focused on the usage of the Department's light duty vehicles. We conducted our fieldwork at three different Children and Family Services locations.

The objectives of our audit were to:

- Determine if the Children and Family Services has effective procedures and controls over its light duty vehicles.
- Determine if the number of light duty vehicles owned by the Department and/or assigned by Fleet Management is appropriate to meet the business needs of the Department.

Methodology

In achieving the audit objectives, the following evidence gathering and analysis techniques were used, including but not limited to:

- Interviewing Department management and other personnel that were involved with the Department's vehicle operations.
- Reviewing the Department's vehicle inventory listing generated by Fleet Management, the Take-Home Vehicle Report submitted to Central Payroll for taxable fringe benefit reporting, and operation schedules related to take-home vehicles.
- Conducting an inventory of the light duty vehicles at various Department locations.
- Evaluating the monitoring of the Department's light duty vehicles.

We visited the following CFS locations:

- HS Administration (Administration) located at 150 South Lena Road, San Bernardino
- CFS Victorville located at 15020 Palmdale Road, Victorville
- CFS Rancho located at 9518 9th Street, Rancho Cucamonga
- CFS Central located at 1094 S. East Street, San Bernardino



Finding 1: The monitoring controls over fuel usage need to be improved.

The HS Policy and Standard Practice Manual –Section 4-4 states that HS departments and divisions will monitor the fuel usage of County vehicles utilized by staff conducting County business.

The following conditions were noted:

- The Administration, Victorville, Rancho Cucamonga, and Central CFS locations do not monitor the fuel usage of County vehicles utilized by staff.
- Twenty-one CFS vehicles' fuel usage was 10% or higher than the estimated fuel usage threshold based on industry standard calculations.

Without adequate monitoring mechanisms in place, such as performing routine reviews of fuel usage reports, the likelihood that employees will misuse fuel and the misuse will go undetected by management is increased.

Recommendation:

We recommend that management establish and implement monitoring control procedures for the Department's fuel usage. These procedures should include requesting fuel usage reports from Fleet Management so that management can conduct monthly reviews of the Department's fuel purchase activities. Furthermore, these procedures will enable management to immediately investigate any anomalies identified in the fuel reporting.

Management's Response:

Human Services Administration and CFS Management will utilize fuel usage reports available from County Fleet to monitor fuel usage by pooled vehicle locations and by vehicle. The two units will coordinate efforts to identify pooled locations and vehicles within those pools that exceed a fuel use threshold that will be developed with the assistance of County Fleet.

Review of fuel utilization will be coordinated monthly. Voyager fuel card usage will be provided in report format identified by vehicle.

CFS Management will create and distribute policy to include procedures necessary for staff at pool locations to monitor and report fuel usage to HS Administration for reporting purposes.

Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.



Finding 2: The monitoring controls over vehicle usage need to be improved.

The Internal Controls Cash Manual Chapter 2 – Safeguarding of Assets states that assets should be recorded and access to and use of valuable assets should be controlled. The Internal Controls and Cash Manual on page 2-2 states that the County managers are responsible for safeguarding assets, providing reliable records, and complying with applicable laws and regulations. By establishing internal controls, management is provided reasonable assurance that their objectives are being met in a supportive control environment. The control environment includes the existence of policies and procedures and the effective management of County resources. Effectively establishing internal controls includes the continuous monitoring of control related procedures to prevent the occurrence of errors.

The following control deficiencies were noted:

- The Department does not maintain accurate vehicle listings. Of the 299 CFS vehicle records compared to Fleet Management records:
 - 1 of the vehicles' County Identification Numbers did not agree to Fleet Management records.
 - 9 of the vehicles' license plate numbers did not agree to Fleet Management records.
 - 11 of the vehicles' Vehicle Identification Numbers (VIN) did not agree to Fleet Management records.
- During our field visit and review of GPS reports, there were 29 vehicles that were not found to be at County locations. The department was not able to provide an explanation as to where the vehicles were located.
- Vehicle logs kept by CFS locations were not completely filled out. We noted logs missing Employee ID numbers, dates and times in and out, vehicle numbers and destinations. There was no evidence of supervisory review of mileage.

The risk of unauthorized usage of County vehicles increases without supervisory oversight of the Department vehicles, especially those without GPS tracking devices, and reliable and complete records.

Recommendation:

We recommend the Department update their vehicle records and compare department records to Fleet Management's records to ensure accuracy on a



regular basis. We also recommend that supervisors regularly monitor their staff's vehicles usage to ensure they are only being used for business purposes. This review of vehicles should also be documented in writing.

Management's Response:

HS Administration maintains the records that include identity control for the entire HS fleet. Records have been corrected for the discrepancies identified by the audit. Records for newly purchased vehicles will be diligently reviewed to insure that they are correctly added to existing reports.

CFS Management will create and distribute policy to include procedures necessary for staff at pool locations to maintain a daily report for vehicles. This will include an accounting of vehicles that are loaned to other pool locations, vehicles at fleet for service and vehicles being used by staff for tasks that may include multiple day's use. Daily reports will be printed and provided to CFS Administration on a monthly basis.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 3: Employees' commuting days used to calculate the taxable fringe benefits were not reported to Central Payroll.

In order to properly report taxable benefits to the Internal Revenue Service (IRS), the Auditor-Controller/Treasurer/Tax Collector's Central Payroll Section (Central Payroll) requires each department to complete the Take-Home Vehicle Report. The Take-Home Vehicle Report includes all individuals who took home a Category V vehicle during the reporting period. According to the San Bernardino County Policy 03-10SP1: Vehicle Service Rules Procedures - Category V states that:

"Vehicles assigned to an individual on a full or part-time basis which the employee is required, for business purposes, to use for commuting to/from work. No personal use, other than commuting and de minimis (very limited) personal use, is permitted by the employee or any of the employee's dependents. The IRS-established value of this commuting use will be included in the employee's taxable income reported to the taxing authorities."

Commuting use of a vehicle is considered a taxable fringe benefit under IRS regulations. Although the Department authorized the use of County vehicles



overnight, the use/benefit was not reported to Central Payroll for any CFS vehicles.

The Department was unaware that the IRS and County policy required employees that take home vehicles to report the use/benefit to Central Payroll. The employees' taxable income will not be accurately reported to the IRS if the employees' vehicle-related fringe benefits are not submitted to Central Payroll. Furthermore, employees may be subject to penalties, interest, and additional taxes if all of their income is not properly reported to the IRS. Additionally, the County may be subject to penalties and interest.

Recommendation:

We recommend management ensure that the use of all take-home vehicles is included in the semi-annual take-home vehicle reporting to Central Payroll so that the employee's W-2 can accurately reflect all taxable income. We further recommend that management educate the Department personnel on County Standards so that they fully understand their responsibilities for properly recording all vehicle usage activity.

Management's Response:

The Take-Home Vehicle Report will be prepared and submitted by HS Administration to the Auditor-Controller/Treasurer/Tax Collector's Central Payroll Section periodically as required. It has been Human Services policy that take-home vehicles are not allowed for any department's staff with the exception for the Fraud Investigators assigned to the HS Program Integrity Division. Submissions have been prepared and submitted to reflect that policy.

CFS Management will advise all staff that vehicles are not to be taken home and will stress that any rare commute use of a vehicle will be an exception and will be reported to CFS Management staff as the exception occurs. CFS Management staff will then forward this information to HS Administration for reporting purposes.

The policy and daily reports that will be created and distributed for response to Recommendation #2 above will assist with the control and reporting of take-home vehicles.

Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.