
OFFICE OF THE CITY AUDITOR

AUDIT OF THE DALLAS POLICE DEPARTMENT'S HOME STORAGE VEHICLE PROGRAM

**Thomas M. Taylor, CPA
City Auditor**

Prepared by:

Jimmy Martin, CPA
Audit Manager

John J. Ryzman, CIA, CFE
Auditor

Regina Cannon
Auditor

**August 1, 2003
Report No. 386**

Memorandum



CITY OF DALLAS

August 1, 2003

Honorable Mayor and Members of the City Council
City of Dallas

We have conducted a performance audit of the Dallas Police Department's home storage vehicle program.

As a result of our inquiries, examinations, and tests, we conclude that there are several factors that are inhibiting the effectiveness and efficiency of the HSV program. Additionally, the Dallas Police Department's home storage vehicle use does not comply with all City policies. Related opportunities for improvement and recommendations are presented in this report.

We appreciate the cooperation of City staff during our examination.

Thomas M. Taylor

Thomas M. Taylor, CPA
City Auditor

c: Teodoro J. Benavides, City Manager

**AUDIT OF THE DALLAS POLICE DEPARTMENT'S
HOME STORAGE VEHICLE PROGRAM**

CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
Authorization	1
Scope and Methodology	1
Overall Conclusion	1
Background	1
OPPORTUNITIES FOR IMPROVEMENT	3

INTRODUCTION

Authorization

We have conducted an efficiency audit of the Dallas Police Department's (DPD) Home Storage Vehicle (HSV) program. We conducted this audit under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

Scope and Methodology

We performed our audit in accordance with generally accepted government auditing standards and included tests of the accounting records and other audit procedures that we considered necessary in the circumstances. Our audit covered October 2000 to March 2003.

The objectives of our audit were to determine whether:

- The DPD's HSV use complies with City policies.
- The utilization of assigned DPD HSVs is cost effective.

To develop an understanding of relevant control structure policies and procedures, we reviewed administrative directives, DPD General Orders, and HSV policies and procedures. In addition, we examined department reports, analyzed records, and observed operating procedures.

Overall Conclusion

As a result of our inquiries, examinations, and tests, we conclude that there are several factors that are inhibiting the effectiveness and efficiency of the HSV program. Additionally, the DPD's HSV use does not comply with all City policies. Related opportunities for improvement and recommendations are presented in this report.

Background

The City maintains a Home Storage Assignment and Alternative Storage program, as authorized only for the convenience of the City. No vehicle assignments are to be made as substitute compensation.

The DPD follows General Order 806, which is titled *Home Storage Vehicles*. This order outlines the criteria and procedures for vehicle home storage. In addition, Administrative Directive (AD) 6-3, *Storage of City Vehicles*, dated October 2, 1995, outlines the procedures for all of the City's home storage vehicles. As a result of the City Auditor's City Vehicle Utilization Audit issued October 27, 2002,

INTRODUCTION

this AD is in the process of being revised and combined with a similar AD to become AD 6-2. The latest draft revision is dated April 2002 and is under review by the City Attorney's Office. It has not been implemented. Several provisions in AD 6-3 will not change in the revised AD. The following is a comparison of AD 6-3 and the draft version of AD 6-2:

Similarities of AD 6-3 and the Draft AD 6-2	
<ul style="list-style-type: none"> • Each AD requires departmental director approval. • Each AD requires the authorization to be submitted to the Director of Equipment and Building Services (EBS) and to the appropriate assistant city manager for approval. Approved copy forwarded to Office of Financial Services, EBS, and requesting department. • EBS is to maintain a continuous record of all storage authorizations. • The departmental director will have the responsibility of enforcing the provision of the AD as it relates to department employees. 	
Comparison of Home Storage Vehicle Justification	
AD 6-3 Dated 10/2/95	Draft AD 6-2 Dated April 2002
<ul style="list-style-type: none"> • Home storage must be necessary for the employee to carry out assigned job duties. • It is a benefit to the City (i.e., permits cost avoidance). • The individual is called back frequently. • Must carry tools or equipment in order to perform repair work. • Must require vehicle to function in an approved emergency response plan. • Must live within City limits. 	<ul style="list-style-type: none"> • Job duties require response to weather forecast/other indicators as part of an approved plan. • It is a benefit to the City (i.e., permits cost avoidance). • The Individual is called back frequently. • Home storage is a component of an approved ozone plan or other approved departmental plan. • Vehicle is required to function in an approved emergency response plan. • Employee must live within a 25-mile radius of the assigned work location.

The DPD General Order parallels AD 6-3 in most regards as it addresses issues particular to the police department. The DPD expends approximately \$230,000 annually for the use of the vehicles in the home storage program. This amount does not include the cost of fuel. The majority of mileage clocked on these HSVs comes from driving back and forth from home and work.

OPPORTUNITIES FOR IMPROVEMENT

We identified certain policies, procedures, and practices that can be improved. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be comprehensive of the areas where improvements may be needed.

1. The cost effectiveness of the HSV program is not substantiated, the documentation authorizing the use of HSV is incomplete, and the type of HSV assigned to civilian staff is questionable.

A. DPD records and analysis are not complete.

We interviewed management and reviewed the HSV authorization forms on file at the DPD. The DPD has not conducted an analysis to establish whether using HSVs is cost-effective. All of the authorization forms indicated "Public Safety" as the reason for the HSVs. However, the forms did not have an accompanying explanation noting the definitive uses, actual or anticipated number or uses, and frequency of each use. Authorization forms do not exist for all DPD employees with HSV privileges. The Procurement Services Section (PSS) provided a list of all HSV participants (67 employees). However, we identified four officers who have HSV privileges who were not on the PSS list.

AD 6-3 requires the completion, approval, distribution, and filing of the *Home Storage (Overnight) Authorization of City Vehicle* form for every employee with take home privileges.

Each department director is responsible for maintaining these forms and enforcing the provision of AD 6-3 as it relates to department employees. Our review of forms on file at the DPD revealed that the forms do not contain all necessary signature approvals or a brief explanation to accompany the "Reason For Authorization." Out of twenty-six forms reviewed, eleven did not have the signature approval required by the DPD General Orders, and only one had a brief explanation accompanying the reason as required in Section 7.1 of AD 6-3.

The records are not specific to indicate which functions within "Public Safety" are facilitated by the use of HSVs. The effectiveness of the HSV program may be questionable. Some HSV use may be unnecessary. Additionally, management may not be aware of the number of employees assigned take home vehicles.

B. EBS records of DPD home storage authorizations are not complete.

We reviewed the EBS files for the authorizations related to the twenty-six DPD employees and noted only ten were on file. According to Section 8.1 of AD 6-3, EBS

OPPORTUNITIES FOR IMPROVEMENT

must maintain a continuous record of all storage authorizations. EBS may be releasing vehicles to departments without receiving the proper authorizations.

- C. The Controller's Office did not record for income tax purposes all the employees with HSV privileges.

The Controller's Office does not list one of the DPD civilian employees on the PSS list for Internal Revenue Service (IRS) taxation purposes.

According to the IRS Commuting Rule, the employer determines the value of a vehicle that is provided to an employee for commuting use by multiplying each one-way commute (that is from home to work or from work to home) by \$1.50 (\$3.00 round trip). This amount must be included in the employee's wages or must be reimbursed by the employer.

The City may not be complying with IRS regulations.

We recommend that the Police Chief:

- A. Determine whether all HSV assignments are necessary and provide a cost benefit to the City by stating and analyzing the definitive use, actual and anticipated number of uses, and the frequency of use for each HSV.

Ensure that an accurate, complete, and properly approved *Home Storage (Overnight) Authorization of City Vehicle* form is on file for each HSV participant by conducting and documenting periodic reviews of department records no less often than quarterly.

- B. Coordinate with the EBS director to ensure that EBS maintains a continuous record of all DPD storage authorizations. Document coordination efforts.
- C. Coordinate with the Controller's Office to determine which employees are subject to the IRS Commuting Rule and, therefore, must be charged income for the HSV use. Document coordination efforts.

Management's Response:

- A. Currently, the department is undergoing an organizational revision that should be complete no later than August 1, 2003. During this period, we will begin a process to evaluate and revise our current regulations and policy regarding HSV. Bureau and Division commanders will be given strict criteria in order for employees to be provided an HSV. Employee's meeting the criteria will be required to resubmit the *Home Storage (Overnight) Authorization of City Vehicle* form. This form will be filed

OPPORTUNITIES FOR IMPROVEMENT

with our Fleet Manager. The definitive use, actual and anticipated number of uses, and frequency of each use will be estimated on the HSV request and justification sheet.

- B. The DPD will coordinate monthly (via memorandum) with the EBS director to ensure accurate records related to HSV. The monthly memorandum will serve as documentation for this contact.
- C. The DPD will ensure that the Controller's Office has an accurate listing of those employees with an HSV. This listing will be reviewed and sent to the Controller's Office. As an enhanced measure to ensure employee compliance with IRS regulations, I recommend that the Controller's Office notify each individual employee of their IRS obligations, rather than simply sending a memorandum to the department director at the end of the year. Also, DPD will ensure that each employee is aware of this obligation when the revised *Home Storage (Overnight) Authorization of City Vehicle* form is signed.

2. HSV AD compliance and monitoring needs improvement.

- A. Portions of AD 6-3 and the DPD General Orders are not being adhered to.

The DPD does not require or document proof (i.e., drivers license, HR records) to verify that employees approved for HSV live within the city limits of Dallas. Additionally, the DPD does not periodically ensure that HSV employees living outside the City park their HSVs within the Dallas city limits.

General Order 806.01, A, states that the first criterion to be met by all home storage vehicles is that no vehicle will be assigned to home storage if the officer does not live within the Dallas city limits.

AD 6-3 states that authorizations for home storage of City-owned equipment will be approved only for employees residing within the Dallas city limits. The AD requires approval to store vehicles at any location different from the employee's normal work location, including other City facilities. It is an accepted practice for individuals residing outside the City and participating in the HSV program to store their vehicle at the City facility closest to their residence.

Nine of the twenty-six individuals reviewed have a residence outside the City; however, we could not locate documentation authorizing approval to store vehicles at other City facilities. The residence locations are as follows: Ennis, Combine, Frisco (2 employees), Heath, Flower Mound, Duncanville, Red Oak, and Garland.

OPPORTUNITIES FOR IMPROVEMENT

According to the DPD staff, employees who live outside of the City are storing their vehicles at home. This storage was authorized verbally through the chain of command as a result of the September 11, 2001, terrorist attacks. According to AD 2-10, Section 5.1.4, "The City Manager or his designee will issue and authorize an 'Interim Administrative Directive' without the delay of a 30-day review when there is pressing and urgent need for an administrative policy change, provided the Interim Administrative Directive includes an expiration date not to exceed 120 days from the date of issuance." We could not locate any documentation designating the chain of command to issue an interim directive, and 120 days have elapsed since the verbal authorization after September 11, 2001. Verbal authorization should be used in emergencies or to address immediate needs. It should not be used as a basis for long-term standard operating procedures (SOPs). Written policies and procedures should be the basis for SOPs.

The draft version of AD 6-2 proposes to allow employees who reside outside the City to store their vehicles at home (within a 25-mile radius). However, AD 2-1, Section 6.1.5 states that ADs shall remain in full force until officially revised, superceded, or canceled in writing by the official authorized to issue the AD. Therefore, the DPD should adhere to the current AD in effect (AD 6-3) until AD 6-2 is issued.

Periodic review should be undertaken and documented to ensure compliance with applicable regulations. Without monitoring, vehicles may be misused, causing the public to lose confidence in the DPD's ability to control its equipment.

B. Monitoring procedures do not address off-duty HSV use.

There are no policies or procedures for monitoring off-duty HSV use (i.e., mileage restrictions, restrictions on personal use). The City may be exposed to excessive personal use of HSVs, increased maintenance, depreciation, and liability costs.

AD 6-3, Section 6.1 states that home and alternative storage vehicles may not be used by the employee for personal purposes, other than commuting to and from work. Police officers must comply with a similar rule, DPD Regulation 806.00.

DPD Regulation 806.01, Sections E and F state that employees may not use HSVs for personal errands or transportation. An exception to this rule is the driving of marked police vehicles that are authorized as home storage vehicles. In that case, officers may drive their marked vehicles while off-duty in a manner described in their respective division SOPs. Also, commander level personnel may use their HSVs off duty when it is deemed necessary to visit a departmental facility or other activities related to police activities.

OPPORTUNITIES FOR IMPROVEMENT

We recommend that the Police Chief:

- A. Ensure that every member of the HSV program adheres to administrative directive provisions by performing and documenting periodic reviews, employing due diligence to document employee residence, and recording approval of storage at other City sites. Reviews should be conducted no less often than quarterly.
- B. Establish and employ quantifiable methods to demonstrate that employees do not use their HSVs excessively or for personal use when prohibited. Quantifiable data should include total miles driven and miles from home to work. All periodic reviews should be documented, and the DPD should designate individuals that would be responsible for ensuring compliance.

Management's Response:

- A. Currently, the DPD is operating under the pending AD 6-2, which allows for HSV within a 25-mile radius of the assigned work location. This action was initiated in part due to the concerns of post 9-11 and continued homeland security initiatives.

If AD 6-2 is not planned for approval, the DPD will revert back to operations under AD 6-3, which allows for HSV only within the City limits. DPD will initiate periodic reviews of employees under the HSV program to ensure strict compliance. The reviews will be conducted by Bureau and Division commanders on a quarterly basis.

- B. The DPD would implement methods to track the use of HSV. Methods of tracking can be implemented to track vehicles assigned for routine and administrative use; however, it would be difficult to develop methods of tracking vehicles assigned for field operations. The DPD will nonetheless study the issues and make concerted efforts to ensure AD compliance. Also, the DPD will designate Bureau and Division commanders to ensure compliance. This action will be coordinated with the Fleet Manager.