

**CITY OF HAMILTON
 INTERNAL AUDIT REPORT 2012-09
 CITY VEHICLE USE, ALLOWANCES & MILEAGE CLAIMS
 FOLLOW UP**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JULY 2014)
1.	<p><u>Vehicle and Parking Policies</u></p> <p>City vehicle and parking policies are missing procedures to monitor and oversee department activities and the roles and responsibilities for operational management and corporate functions. Although the <i>City Vehicle Policy</i> describes criteria to assign a corporate vehicle and defines personal use, the <i>Policy</i> lacks:</p> <ul style="list-style-type: none"> • Documentation of the department's rationale and approval, vehicle specifications and modifications to previous vehicle assignments; • Guidelines requiring department management to assess continued vehicle assignment to an employee as well as the cost effectiveness of providing a City vehicle (including gas, maintenance, etc.) as opposed to claiming mileage for use of a personal vehicle; • Administrative responsibilities of the employee, management, Fleet and Payroll; and • Procedures to track and monitor the use of vehicles on a consistent basis in all departments. 	<p>That Public Works (Fleet) update the <i>City Vehicle Policy</i> and Human Resources update the <i>Employee Parking Policy (Downtown)</i> to capture the items identified in the observations. In addition, Payroll should develop additions to both the noted policies to include pertinent taxable benefit implications. All these policies should be reviewed and updated on an annual basis. The reviewer and date should be documented in the policy as evidence that the review occurred. Revised policies should be distributed to and followed by all staff.</p>	<p>Public Works: Agreed. The Public Works, Central Fleet Section will work with the City's Central Fleet Advisory Committee to revise and update the policies and procedures for assignment of a City vehicle section of the City's Central Fleet Policy. This revision will include recommendations on the rationale for assignment of a take home vehicle. It will further define departmental responsibilities for approval tracking and monitoring of personal use and outline administrative responsibilities and the allowable uses of City vehicles assigned for take home purposes. The target completion date is December, 2013.</p> <p>Human Resources: Agreed. Human Resources is able to revise the current <i>Employee Parking Policy (Downtown)</i> to capture changes required. This will be done after consultation with Hamilton Municipal Parking System by quarter 1, 2014. The procedure for paid</p>	<p>In Progress. The City Vehicle section of the City's Central Fleet Policy was re-drafted in September 2013 and circulated for review by the Central Fleet Advisory Committee (CFAC). Changes are underway as a result of the CFAC members review. The anticipated completion date is quarter 2, 2015. Service Delivery Review (SDR) findings may also require further policy adjustments.</p> <p>In Progress. The Employee Parking Policy has been updated to reflect taxable benefit implications. The Employer Paid Parking Procedure has also been drafted. They are still subject to final approval by SMT.</p>

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1.	<p><u>Vehicle and Parking Policies (Cont'd)</u> The <i>Employee Parking Policy (Downtown)</i> lacks instruction to document and gain approval for employees with paid parking in non-municipal lots.</p> <p>In addition, both vehicle and parking policies lack reference to the taxable benefit implications, communication with Payroll and the associated forms and information required to complete taxable benefit calculations.</p>		<p>parking in non-municipal parking lots will require some research to determine what currently occurs departmentally in order to establish an effective corporate protocol. Completion expected by quarter 1, 2014.</p> <p>Payroll: Payroll will work with Fleet and HR to include the pertinent taxable benefit implications in the policies and will also participate in their annual review of their policies. The timing of this is dependent on the work to be done by Fleet and HR.</p>	<p>The anticipated completion date is quarter 4, 2014.</p> <p>Completed. Payroll has provided comments on the HR updated Employee Parking Policy and the Employer Paid Parking Procedure.</p> <p>Not Completed. Since the Central Fleet Policy development has been put on hold as indicated above, Payroll has not yet been involved in providing input. The anticipated completion date is quarter 2, 2015, pending the SDR review.</p>

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2.	<p><u>Benefit Comparisons</u></p> <p>Employees are compensated for business-related travel through corporate vehicle assignments, mileage reimbursements, insurance and vehicle allowances, employer paid parking and discounted bus passes (EC Passes). Concurrent receipt of two or more of the above benefits should be prohibited due to:</p> <ul style="list-style-type: none"> The nature of the benefits involved (e.g. employees should not receive a vehicle allowance and claim mileage as both compensate for vehicle operating costs); or Guidance in City policies and procedures (e.g. employees are ineligible for an EC Pass if they also receive employer paid parking). <p>Employee benefits received in the 2011 calendar year were reviewed and the following discrepancies indicate an inefficient use of resources and lack of oversight:</p> <ul style="list-style-type: none"> Three employees with assigned City vehicles claimed mileage for their personal vehicles. No documentation accompanied the reimbursement justifying why mileage should be paid out to an employee who has a City vehicle. 	<p>That Human Resources ensure employee travel benefit policies disallow concurrent receipt of the following benefits:</p> <ul style="list-style-type: none"> Vehicle allowance and vehicle benefit Vehicle allowance and mileage claim Vehicle allowance and EC Pass Vehicle benefit and mileage claim EC Pass and employer paid parking EC Pass and vehicle benefit <p>That Payroll generates lists of employees receiving the travel benefit combinations outlined above and forward this information to departmental management to investigate and resolve, as necessary.</p>	<p>Agreed. Currently, the employee business travel related policy and related procedures are owned and administered by Finance, Corporate Services. As vehicle allowance, vehicle benefit, EC Pass and employer paid parking are all associated with an employee's compensation package, Human Resources will take the lead on the development of this "travel benefit policy". Human Resources will collaborate with Corporate Services and Public Works in the development of this policy. The target completion date is quarter 1, 2014.</p> <p>Agreed. Payroll will work with IS to develop a report that will capture the recommended benefit combinations. The report generation can then be added to the payroll schedule. The report should be developed by the end of quarter 2, 2013.</p>	<p>Initiated. The Travel Benefit Policy is being drafted and is slated for review in August 2014 with approval by SMT anticipated in quarter 4, 2014.</p> <p>Completed. The report indicating employees receiving more than one travel benefit was developed in December, 2013. Starting July 2014, the report is run every month with any discrepancies being sent to departmental management for investigation.</p>

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2.	<u>Benefit Comparisons (Cont'd)</u> <ul style="list-style-type: none">• Four employees held an EC Pass and received employer-paid parking concurrently.• One employee was assigned a City vehicle and was provided a discounted bus pass.			

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3.	<p><u>Paid Parking Eligibility</u> Employees who use their vehicle for City business at least three times per week are eligible for employer paid parking under the <i>Employee Parking Policy (Downtown)</i>. The <i>Employer Paid Parking Procedure for Confirming Continued Eligibility</i> contains a trip analysis to evaluate whether employees remain eligible to receive employer paid parking. Employees must use their vehicle for City business a minimum of 126 times per year or ten times per month (where prorating is required) to maintain their eligibility. As this <i>Procedure</i> was approved in September 2011, management will perform an analysis for the 2012 calendar year in 2013.</p> <p>For testing purposes, the vehicle requirement above (126 times/year) was prorated for nine months for the 373 employees who receive paid parking under the above policy and procedures. Only 36 employees (10%) met or exceeded the required 90 trips to remain eligible. The remaining 337 employees (90%) either had not reported any trips or fell short of the 90 trip requirement (January – September, 2012).</p>	<p>That Corporate Services remind staff to report all trips for the 2012 calendar year.</p>	<p>Agreed. This has already been completed. A reminder was issued through the November 2012 <i>Connections</i> bulletin. This process will continue in subsequent years.</p>	<p>Completed. The reminder was included in the November 2012 and 2013 <i>Connections</i> bulletin.</p>

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3.	<u>Paid Parking Eligibility (Cont'd)</u> Unless employees report additional trips for the 2012 calendar year, a number of employees may not meet eligibility criteria for employer paid parking when management carries out their analysis in 2013.			

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4.	<p><u>Insurance Allowances</u></p> <p>Collective agreement provisions entitle unionized employees to an allowance up to \$200 per year for additional insurance charges incurred to endorse their personal vehicle for business use.</p> <p>During sample testing, it was found that 13 non-union employees were reimbursed for business use vehicle insurance during the 2011 calendar year.</p> <p>No clear direction exists as to whether non-union employees are entitled to an insurance allowance.</p>	<p>That Human Resources determine whether insurance allowances should be extended to non-union employees and incorporate the results into a policy.</p>	<p>Agreed. The current Finance policy from Corporate Services indicates that staff can submit a request for re-imbursement to Accounts Payable for an amount as approved by Council or specified in a collective agreement. As there is no clear direction for non-union employees, Human Resources will take a report to confirm direction and the level of insurance coverage for non-union employees to the Non-Union Compensation Sub-Committee. Expected completion date is quarter 3, 2014.</p>	<p>Completed. On July 12, 2013, Council approved up to \$200 per year for additional insurance charges incurred for use of a personal vehicle for business purposes to be extended to non-union employees effective January 1, 2013.</p>

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5.	<p><u>Mileage Claims</u> An employee must complete a <i>Statement of Mileage and Other Expenses</i> form in order to be reimbursed mileage for business kilometres driven using their own personal vehicle. The employee enters the number of kilometres driven and to/from locations on the form before it is reviewed and authorized by management. Internal Audit was not able to assess whether the kilometres claimed for 18 of 46 trips selected for testing were reasonable. The start/end locations specified by employees were not detailed enough to allow verification of distances travelled. No clear direction exists as to what level of detail is required when filing a mileage claim for approval.</p>	<p>That Corporate Services instruct employees to enter detailed destination addresses on the <i>Statement of Mileage and Other Expenses</i> form.</p>	<p>Agreed. F&A Managers have already been notified of this requirement and have communicated it to operating departments. Accounts Payable staff are requesting "To" and "From" details if not already provided as information.</p>	<p>Completed. An email notification was sent to all F&A staff in April, 2013 to communicate the requirements of entering detailed destination addresses on the <i>Statement of Mileage and Other Expenses</i> form.</p>