County of Ventura

AUDITOR-CONTROLLER

MEMORANDUM

To: Barry Zimmerman, Director, Human Services Agency **Date:** April 6, 2017

From: Jeffery S. Burgh

Subject: AUDIT OF PRIVATE VEHICLE MILEAGE REIMBURSEMENT FOR THE HUMAN SERVICES AGENCY

We have completed our audit of private vehicle mileage reimbursement for the Human Services Agency ("HSA"). Our overall audit objective was to determine whether private vehicle mileage reimbursement claims paid to HSA employees for fiscal year 2013-14 were appropriate and in conformance with County policy. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

EXECUTIVE SUMMARY

Overall, we found that private vehicle mileage reimbursements paid to HSA employees were appropriate and in conformance with County policy. For example, among the mileage claims we reviewed, the purpose of trips appeared to be reasonable, necessary, and for the benefit of the County. Amounts paid were mathematically accurate using the correct mileage rate, and no claims were paid for daily commutes between home and the normal work site.

However, our audit disclosed areas where the mileage claiming process could be improved and where cost savings could be realized. Specifically, we noted that:

- Employees often under claimed eligible mileage based on HSA's instruction.
- Mileage claims were not always submitted timely or with clear approvals, or processed using consistent invoice numbering formats, exposing HSA to the risk of inappropriate or fraudulent mileage claims.
- Travel routes did not always appear to be cost effective given the business purpose.
- Travel costs could be reduced with greater use of County vehicles depending on how and what type of vehicles are used.

Except as noted in the attached report, HSA management initiated corrective action to address our findings. HSA management planned to complete corrective action by February 24, 2017.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable John C. Zaragoza, Chair, Board of Supervisors
Honorable Peter C. Foy, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kelly Long, Board of Supervisors
Michael Powers, County Executive Officer
Valerie Barraza, Deputy Director, Auditor-Controller's Office

County of Ventura

Office of the Auditor-Controller

AUDIT OF PRIVATE VEHICLE MILEAGE REIMBURSEMENT FOR THE HUMAN SERVICES AGENCY

April 6, 2017

Jeffery S. Burgh
Auditor-Controller

AUDIT OF PRIVATE VEHICLE MILEAGE REIMBURSEMENT
FOR THE HUMAN SERVICES AGENCY

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BACKGROUND

Human Services Agency ("HSA") employees may be required to travel to fulfill job responsibilities. For example, Social Workers may visit client homes and investigate referrals that occur outside of normal business hours without advance notification. When circumstances require the use of an automobile, County Administrative Policy No. Chapter III-1, *Life-Cycle Management of County Vehicles Including Vehicle Acquisition, Replacement, Assignment and Use*, as revised in 2013 ("Vehicle Policy"), permits the use of a private vehicle when a County vehicle is not available or convenient.

County Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*, as revised in 2013 ("Reimbursement Policy"), established the parameters for reimbursement of private vehicle mileage for the period under audit. The County reimburses employees for private vehicle mileage at the Internal Revenue Service ("IRS") standard mileage rate in effect at the time the mileage is incurred.

HSA expended $274,792 for private vehicle mileage reimbursement in fiscal year ("FY") 2013-14, which exceeded HSA's mileage budget of $255,000 by 8 percent. HSA mileage claims accounted for 37 percent of the total $739,000 Countywide mileage reimbursement expenditure for FY 2013-14.

SCOPE

Our overall audit objective was to determine whether private vehicle mileage reimbursement claims paid to HSA employees for FY 2013-14 were appropriate and in conformance with County policy. Specifically, we:

- determined whether private vehicle mileage claims were for actual, reasonable, and necessary expenses incurred in the performance of official duties for the benefit of the County; and
- evaluated whether departmental application of the Reimbursement Policy was efficient and cost effective.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors using documents from July 2013 through June 2014.

FINDINGS

Overall, we found that private vehicle mileage reimbursements paid to HSA employees were appropriate and in conformance with County policy. For example, among our sample of 47 mileage claims totaling $14,780 (5% of FY 2013-14 HSA mileage expenditures):

- The purpose of trips claimed appeared to be reasonable, necessary, and for the benefit of the County.

- Amounts paid were mathematically accurate using the correct IRS mileage rate.

- No claims were paid for daily commutes between home and the normal work site.

However, we noted that HSA employees often under claimed eligible mileage based on HSA's instruction. Our audit also disclosed where improvements could mitigate the risk of paying inappropriate or fraudulent claims due to untimely submissions, unclear approvals, and inconsistent invoice numbering formats for mileage claims. We also found opportunities for reducing transportation costs by reviewing travel routes for cost effectiveness within operational needs and by using County vehicles in a cost effective manner.

Following are details of the areas where improvements were needed. Except as noted in Finding 6, HSA management initiated corrective action during the audit.

1. **Under Claimed Mileage.** Mileage claims were not always calculated according to the Reimbursement Policy. According to Reimbursement Policy Section 17(E)(1), "Normal commute (mileage from home to normal work site and back to the employee's home) is not deemed to be miles subject to reimbursement." However, the Reimbursement Policy also acknowledges that County business travel may begin and/or end at home, and results in reimbursement of some part of the normal commute under certain circumstances. Although HSA's application of the Reimbursement Policy often avoided paying any part of an employee's normal commute, employees often under claimed eligible mileage as described below.

   A. **No Stop at the Normal Work Site.** Employees did not always claim round trip mileage from home when the trips did not include a stop at the normal work site. Reimbursement Policy Section 17(E)(3) stated: "County business travel originating from an employee's home (without going to the normal work site) shall be computed based on the total round trip mileage." Of 35 claims we reviewed that contained trips meeting all Reimbursement Policy Section 17(E)(3) conditions, 20 (57%) claims totaling $4,913 under stated eligible mileage totaling $2,214 (45%). Rather than claiming round trip miles from home, the employees claimed only miles traveled between work sites that were not the normal work sites ("alternate work sites"), or one-way mileage between home and the alternate work sites. This occurred because HSA directed employees to calculate mileage using the alternate work sites as the normal work sites, which prevented claiming round trip mileage from home. However, the alternate work sites were not recognized as the employees' normal work sites according to documentation provided by HSA during the audit.

   B. **One Stop at the Normal Work Site.** Employees did not always claim round trip mileage from home less half the normal commute when the routes included one or more business stops and one stop at the normal work site. Reimbursement Policy Section 17(E)(4) stated: "County business travel originating from and/or terminating at the employee's home, where some part of the travel includes travel to the normal work site, will be computed based on the total round trip mileage, less half the round trip mileage of an employee's normal commute." Under these travel circumstances, deducting half the normal commute avoids reimbursing the employee for one-way mileage between home and the normal work site. Of 17 claims we reviewed that contained trips meeting all Reimbursement Policy Section 17(E)(4) conditions, 12 (71%) claims totaling $2,800 under stated eligible mileage totaling $329 (12%). These employees either deducted half the normal commute from one-way mileage (rather than from round trip mileage) for the eligible travel, or only claimed mileage between business stops. This occurred largely because of HSA's more restrictive interpretation of the Reimbursement Policy that all (rather than half) of the normal commute should be deducted when travel included a stop at the normal work site.

Recommendation. HSA management should ensure employees, including supervisors who approve mileage claims, understand how to calculate mileage according to the Reimbursement Policy. HSA management should notify employees when mileage has been under claimed to allow employees the opportunity to correct claims prior to payment. If an employee is reassigned to a new normal work site, HSA should ensure that records have been updated.

Management Action. HSA management stated: "Some HSA employees have more than one normal work site because they work at multiple offices. These employees have a designated work space at each office they are assigned to. Therefore, the employees only claim the mileage between offices. HSA Fiscal now keeps an up-to-date list of employees with multiple normal work sites to ensure normal commuting mileage is not claimed. Additionally, employees are now using HSA's new mileage application to submit mileage claims. This should improve the accuracy of amounts claimed since the application is programmed to perform the mileage calculation according to the Reimbursement Policy based upon information entered by the employee."

2. **Claims Submitted Late.** Mileage claims were not always submitted on a monthly basis, contributing to the risk of paying inaccurate or inappropriate claims. Reimbursement Policy Section 12 stated: "Frequency of Submitting Expense Claims is at least once each accounting period. If a trip or activity falls in two accounting periods, the expense may be delayed until the end of the trip or activity." For the County of Ventura, an accounting period is one month. Of the 47 claims we sampled, 21 (45%) were submitted more than 35 days after the last trip occurred. Additionally, of the 16 employees in our sample who accumulated mileage expenses on a monthly basis, 13 (81%) did not submit claims each month and instead submitted several months of claims all at the same time. When claims are submitted late, or several months of claims are submitted at once, inappropriate amounts are less likely to be detected. This may have contributed to the following issues in a total of 12 claims, 5 of which included mileage over 90 days old and 9 of which were submitted with several months of claims at the same time.

   - 6 claims with overstated mileage totaling $53 apparently due to data entry and mileage calculation errors.
   - 1 claim for mileage totaling $63 on a day the employee did not report to work.
   - 1 claim noting the wrong month that travel occurred.
   - 4 claims with missing or incomplete addresses that managers would have needed to confirm that mileage was reasonable.
   - 3 claims that were not identified as round trips, making mileage appear overstated.

   Recommendation. HSA management should instruct employees to submit mileage claims in the month in which the mileage occurs. If a trip begins in one month and ends in the following month, the claim should be submitted upon return from the trip. Employees who accumulate mileage expenses on a monthly basis should submit claims at least once each month.

   Management Action. HSA management stated: "HSA's policy is for frequent travelers' to submit a mileage claim at the end of each month. This has been difficult to enforce, since employees don't need special approval until after 12 months. However, we expect the new mileage application to result in employees submitting mileage claims on a timelier basis. HSA will continue to communicate to staff the expectation to submit claims on a monthly basis."

3. **Unclear Claim Approvals.** Mileage claims were not always clearly approved by authorized personnel or reviewed for proper approval before payment. The "Departmental Approval" section of the mileage claim form required the approver to provide his or her name, title, phone number, and department. Of the 47 claims we sampled, 31 (66%) did not have enough information to determine the identity of the approver because the information provided was either illegible, incomplete, or both. In addition, upon receipt by the HSA Fiscal Department, claims were to be reviewed for proper departmental approval prior to processing for payment. However, the HSA Fiscal Department did not verify the identity of the approver and that the person was authorized to approve the mileage claim. As a result, HSA was at risk of paying fraudulent claims based on forged or otherwise inappropriate signatures.

   Recommendation. HSA approvers should provide all information required in the "Departmental Approval" section of the mileage claim form. Information should be legibly written on the appropriate lines in the form. In addition, the HSA Fiscal Department should ensure that mileage claims have been approved by authorized personnel.

   Management Action. HSA management stated: "Through HSA's new mileage application, the mileage claims are automatically routed to the employee's supervisor. The supervisor approves the claim through the mileage application, which records the identity of the supervisor as the claim approver."

4. **Non-Conforming Invoice Numbers.** HSA was at risk of paying duplicate mileage claims because invoice numbers did not always conform to HSA's established format. As a system control to prevent duplicate payment of invoices, the Ventura County Financial Management System ("VCFMS") will reject an invoice number if entered more than once for the same vendor or employee. Because mileage claim forms are not pre-numbered, departments manually assign invoice numbers to completed mileage claims when submitted for processing. Although the HSA Fiscal Department established an invoice number format for mileage claims, which included the dates covered by the claim, 13 (28%) of the 47 claims we reviewed did not conform to HSA's invoice numbering convention. Therefore, these mileage claims could be entered again into VCFMS and result in duplicate payment.

   Recommendation. The HSA Fiscal Department should adhere to the established format for assigning invoice numbers to mileage claims. HSA management should check invoice numbers for correct format prior to approving mileage claims in VCFMS.

   Management Action. HSA management stated: "Over the past year, HSA has developed a consistent invoice numbering format for entering mileage claims into VCFMS. Claims are checked to ensure invoice numbers are correctly assigned according to the established format prior to approval in VCFMS."

5. **Costly Travel Routes.** Improvements are needed to ensure that travel routes are cost effective and that all mileage claimed is necessary to accomplish the business purpose of the trip. The Reimbursement Policy stated: "The County will only reimburse employees, for actual, reasonable and necessary expenses incurred in the performance of official duties for the benefit of the County....'Necessary' means that there was a clear nexus, or connection, between incurring the expense and the performance of official duties." Vehicle Policy Section III(C)(3) stated: "Trip mileage shall be computed from the

authorized start point to the end point, including all authorized way points, based upon usually traveled routes using standard highway mileage guides." Out of 23 employees included in our sample of mileage claims, 4 (17%) employees claimed longer trip routes without an apparent business purpose for doing so. The County paid a total of $591 for the additional miles as described below.

- Two employees claimed round trips from home to local field offices when round trips from the normal work site would have resulted in lower mileage claims. Routes from home increased mileage claimed by an average of 34 percent and cost the County an additional $128.

- One employee claimed 36 trips beginning at the normal work site and driving home from the last business stop rather than returning to the normal work site, which was much closer. Driving home increased route mileage by 63 percent and cost the County an additional $392.

- One employee claimed 129.6 round trip miles from the normal work site to the airport when the airport was 3.3 round trip miles from home. Had the employee's home been the authorized start and end points to and from the airport, the claim would have been reduced by 97 percent saving the County $71.

Recommendation. HSA management should evaluate whether trip routes are efficient to accomplish the business purpose given time and scheduling requirements. If longer routes are not necessary, HSA management should require the employee to adjust the routes prior to authorizing the trips.

Management Action. HSA management stated: "HSA will continue to evaluate to determine appropriate and efficient travel routes/arrangements for staff. This will include consideration of the cost of staff time which may result in decisions to not have staff traveling out of their way to make a stop for the purpose of reducing mileage costs."

6. **Use of County Vehicles to Reduce Transportation Costs.** HSA travel costs could be reduced with greater use of motor pool and department assigned vehicles. Vehicle Policy Section III(C)(1) stated that, for employees who are required to use a personal vehicle for County business: "Such requirement must be established by the employee's agency/department head after considering the availability and convenience of Motor Pool or agency-assigned vehicles." We acknowledge that, at times, HSA's operational needs may require that employees use private vehicles (e.g., to investigate referrals after work hours). However, our analysis of 38 trips that were each over 100 miles using private vehicles indicated that 34 (89%) of the trips could have been less costly for HSA if County vehicles were used.[1] HSA could have saved $895 (21%) of the $4,178 paid in private vehicle mileage reimbursements for these trips. These cost savings were dependent on various factors discussed below to keep the cost per mile below the IRS standard mileage rate. Nevertheless, we believe these factors could be effectively addressed to produce measurable cost reduction with greater use of County vehicles.

    - Motor pool vehicles were the least cost option in 25 (66%) instances and could have saved HSA $789 (19%).[2] These cost savings were often dependent on the following factors:

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[1] Our analysis indicated that cost savings from trips less than 100 miles was negligible using FY 2013-14 rates.

[2] Our analysis assumed that trips took 9 hours for each day rented and that the least cost vehicle was available and used, and included reimbursement for miles driven in a private vehicle to access a motor pool vehicle.

- Distance/duration of trip: Trips taking a long time to complete needed to incur high mileage to spread the hourly fee among more miles, thus bringing the cost per mile below the IRS standard mileage rate.

- Location of vehicles: Vehicles needed to be stationed close to the normal work site to minimize any private vehicle mileage reimbursement in accessing the vehicle.

- Fuel efficiency: Vehicles needed to be fuel efficient to minimize fuel charges.

- Department assigned vehicles were the least cost option in 9 (24%) instances and could have saved the County $106 (3%).[3] These cost savings were often dependent on the following factors:

    - Annual mileage: Vehicles needed to be driven a sufficient number of annual miles (e.g., 10,000 miles) to spread the rental fee among more miles, thus bringing the cost per mile below the IRS standard mileage rate.

    - Location of vehicles: Vehicles needed to be strategically stationed at offices where the vehicles would be used frequently for high mileage trips (e.g., trips over 100 miles). This is essential to ensure the vehicles are driven the mileage necessary to achieve a total cost per mile below the IRS standard mileage rate.

    - Type of vehicle: Vehicles needed to be fuel efficient with low rental fees and low variable costs.

Recommendation. HSA management should evaluate private vehicle use at each office to determine which offices could reduce transportation costs from greater use of motor pool and department assigned vehicles. The evaluation should be performed on a periodic basis to ensure that the types and locations of vehicles continue to be cost effective. Enhancing HSA's mileage software application with reporting capabilities could provide an efficient way to obtain the data required to perform the evaluations. In addition, HSA management should provide employees with tools for making cost effective decisions for using private vehicles or County vehicles while considering HSA's operational needs. For example, HSA management could develop and make available a worksheet that will calculate a cost comparison.

Management Response. HSA management stated: "For the past several years HSA has done an analysis on whether or not it is cost effective to use private vehicles opposed to motor pool. Our conclusion, has been that there would be minimal to no cost savings if we require our employees to use motor pool vehicles. For the future, we will continue this evaluation to see what fits best with our operational needs."

Auditor's Comment. We have noted that HSA plans to continue performing an annual analysis of whether use of private vehicles is cost effective opposed to motor pool or department assigned vehicles. However, because HSA's analysis does not consider how vehicles are used at each office and how County vehicles can be strategically stationed, HSA may be missing opportunities to ensure that vehicle use is cost effective. Depending on the factors of the trip, the total cost of using a County vehicle can be less than the total cost of reimbursing an employee for using a private vehicle. Additionally, Vehicle Policy Section III(C)(1) stated: "Employees who choose, for their own convenience, to use their personal

[3] Our analysis assumed that vehicles were driven 10,000 miles per year and that the least cost sedan-type vehicle was used.

vehicle for County business shall not be reimbursed." Therefore, we continue to encourage HSA to provide a cost comparison tool to help employees make vehicle decisions based on cost effectiveness within operational needs.

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

Except for Finding 6, we believe that management actions taken or planned were responsive to the audit findings. HSA management planned to complete corrective action by February 24, 2017.