

EXECUTIVE SUMMARY

In August 2009, the Office of Inspector General (OIG) issued a report on the cost and management of take-home vehicles of NOAB, hereafter referred to as the “2009 Report.” The response received from the NOAB (“NOAB Response”), dated August 26, 2009, Patricia Malone, Interim Director of Aviation, stated that management is “implementing recommendations to enhance business practices accordingly.” The OIG, as a matter of policy, conducted a follow-up to that report to determine the status of NOAB’s compliance with the responses to the nine recommendations in the 2009 report.

The follow-up revealed that NOAB only implemented two of the auditor’s nine recommendations in the 2009 Report.

The NOAB did not have effective internal controls over fuel dispensing and fuel record keeping. The NOAB did not properly record and report the personal use of the take-home vehicles in the employee’s regular pay and related payroll taxes, nor was the proper method¹ used to prepare the quarterly calculation to determine the fringe benefit. Employees assigned a take-home vehicle did not keep comprehensive travel records consistent with the Internal Revenue Service rules and regulations.

The NOAB purchased, but did not implement, a fuel monitoring and maintenance tracking system. The NOAB did not comply with the quarterly physical inventory mandated by Policy Memorandum 5(R)² and did not have controls in place to dispose of fleet vehicles.

Although NOAB significantly decreased the amount of take-home vehicles to comply with Policy Memorandum 5(R), no actions had been taken to implement the remaining seven recommendations.

The auditors will perform a second follow-up on these recommendations in 2012.

¹ The Lease Value Rule, established in Internal Revenue Service Publication 15-B, is a formula used to determine the amount of the fringe benefit received by employees with a take-home vehicle. The City’s Policy Memorandum 5(R) recommends this method.

² Policy Memorandum 5(R) was previously referred to as “CAO Policy 5(R) in the 2009 report.”