



OFFICE OF THE
City Auditor

Vehicle Take-Home Permits

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The Office of the City Auditor conducted
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*International Standards for the
Professional Practice of Internal Auditing*

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Executive Summary

The review of Vehicle Take-Home Permits was part of our Annual Work Plan. The vehicle take-home permit process is governed by City Policy A1421, *Vehicle Take-Home Permits*. This City Policy is currently classified as an Administrative Directive.

In 2009, Fleet Services issued 150 permits to seven Departments/Branches. Employees take City vehicles home for two main reasons: on-call duties and reporting directly to or leaving from a work location at the beginning or end of a shift. Permits expire on December 31st of each year and employees must re-apply to obtain permits for the new calendar year.

We developed the following audit objectives for our review:

- Assess the adequacy of the policy.
- Assess the monitoring practices and compliance to the policy.
- Assess the cost effectiveness and efficiency of providing employees with a take-home vehicle.

Based on our audit work, we believe that the policy needs to be updated with clearer roles and responsibilities, and certain clauses should be enhanced to provide for more clarity and understanding. Departments need to improve on their processes of monitoring employees who take City vehicles home. We found several instances where employees were not complying with the policy. The Administration also needs to address the personal benefit incurred by employees who take City vehicles home, as this results in a taxable benefit.

The use of a City take-home vehicle is a cost-effective method of providing efficient service delivery. Our analysis shows that the additional cost incurred for the personal use portion (travel between home-work-home) of a City vehicle, results in cost-avoidance of approximately \$492,000 when compared to reimbursing an employee with a car allowance. By reporting directly to a worksite, productive time is increased as there is less travel time during working hours. The value of productive time is estimated to be \$419,000 in addition to the cost avoidance. The City also benefits from employees reporting directly to work with a fully-equipped work vehicle.

In conclusion, providing take-home vehicles is a sensible method to effectively and efficiently deliver services to the citizens of Edmonton. However, improvements to the policy are needed to ensure that permit holders clearly understand their responsibilities. Without good controls in place, there is a risk that the permit may be abused, City assets may not be protected, and the expected cost effectiveness may not be accomplished. With improved controls and understanding of the policy, the City can benefit from employees taking home City vehicles as they perform essential City business.

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Vehicle Take-Home Permits

1. Introduction

A review of the Vehicle Take-Home Permit (Permit) process was part of the Office of the City Auditor's Annual Work Plan.

This process is governed by City Policy A1421, *Vehicle Take-Home Permits*, dated September 24, 1992. When this document was originally developed, it was considered a City Policy. Currently, it is classified as an Administrative Directive because it is approved by the City Manager and not City Council. For the purposes of this report, we will refer to this as the policy. This policy establishes the definitions, responsibilities, criteria and procedures for employees to take a City vehicle home during the performance of essential City business¹.

2. Background

City employees take City vehicles home for two main reasons: on-call duties and reporting directly to or leaving from a work location at the beginning or end of a shift.

Fleet Services (formerly Mobile Equipment Services) is responsible for issuing take-home permits. A formal application process is in place to obtain take-home permit numbers each year because all permits expire on December 31st. Fleet Services sends a listing of the current take-home permit holders to the applicable Departmental Vehicle Coordinators (Coordinators) in December of each year. The Coordinators compile all the completed and approved application forms for their Department by January 2nd and send the completed forms to Fleet Services. Fleet Services reviews the forms to ensure completeness and records the new permit number on the application form. They then photocopy and file the application forms and send the original back to the requesting Department. The numbered application form serves as the official permit.

The responsibility for justifying, approving, and monitoring the use of take-home permits rests with each Department because they are most knowledgeable with regards to the activities and requirements of its staff.

Table 1 shows the number of vehicle take-home permits issued by Fleet Services based on available records.

¹ Essential City business is defined as "transportation required by employees to carry out their official duties. Does not include travel for personal business during lunch breaks or travel between home and a normal work location."

Table 1 Vehicle Take-Home Permits Issued (2007-2009)

<i>Department/Branch</i>	<i>2007 Permits Issued</i>	<i>2008 Permits Issued</i>	<i>2009 Permits Issued (as at September 2009)</i>
Current Planning/Animal Control	18	0	31
Transportation	49	46	50
Fleet Services	6	1	1
AM & PW – Land and Buildings	32	37	39
AM & PW – Drainage	1	1	25
Parks Planning	3	7	3
Capital Construction	0	0	1
Total Take-Home Permits Issued	109	92	150

3. Objectives

To define our primary audit objective, we examined applicable policies, interviewed key staff involved in the process and performed a high-level risk assessment. On the basis of the work performed during the planning phase, we developed the following audit objectives:

Objective 1: Assess the adequacy of the Policy.

To complete this objective, we assessed the clarity of the policy, determined whether the roles and responsibilities are clearly defined, and determined whether the policy is current.

Objective 2: Assess the monitoring practices and compliance to the Policy.

To complete this objective, we reviewed the application forms used to obtain a permit and tested the use of take-home vehicles to determine whether employees were in compliance with the policy.

Objective 3: Assess the cost effectiveness and efficiency of providing employees with a take-home vehicle.

To complete this objective, we completed quantitative analysis to determine the cost effectiveness and efficiency of employees using a take-home vehicle to travel between their home and work location.

4. Scope and Methodology

All City Departments reporting to the City Manager were within the scope of this audit.

We completed our review by gaining an understanding of the Vehicle Take-Home Permit process. We interviewed Fleet Services staff, Departmental Vehicle

Coordinators, and Supervisory staff responsible for employees with Vehicle Take-Home Permits.

We also obtained applicable records from 2008 and 2009 to conduct testing as well as complete analytical procedures. These records included:

- Listing of all 2009 take-home permit (150 total) holders as of September 2009.
- Copies of all take-home permit application forms for 2009.
- Listing of all employees with a City driver permit.
- The kilometre usage for vehicle units associated with a take-home permit for the period September 1, 2008 to August 31, 2009.
- Listing of overtime incidences/hours for all employees that had a take-home permit in the period September 1, 2008 to August 31, 2009.
- Log books of kilometre usage for take-home vehicles from Departments (where available).

5. Observations and Analysis

5.1. Objective 1: Assess the adequacy of the Policy

The current *Vehicle Take-Home Permit Policy* was adopted on September 24, 1992. The policy contains a good foundation for establishing the procedures for using City take-home vehicles, however, it is not adequate. In our audit work, we identified weaknesses as discussed in the following sections.

5.1.1. Is the policy clear and complete?

A clear and comprehensive policy is necessary to ensure consistent understanding and application of the policy. In our review of the policy, there were certain clauses which were not clear or complete. This weakness led to inconsistencies in applying the policy.

The policy defines *economically justified* as involving a comprehensive documented analysis, yet the application form that is attached to the policy requests applicants to identify the reason for request based on the justification/criteria listed on the reverse side of the application form. As discussed in 5.2.2, this process is inadequate and Departments apply it inconsistently.

The justifications that are listed on the application form were not matched to the valid justifications listed in the policy. For example, the application form lists *public transportation not available* as one of the options, but this was not a criterion listed in the policy. In our testing, we found a take-home permit issued with this item marked as the only justification.

The policy requires employees to maintain a daily travel log of trips and actual kilometres traveled for City business and distance between home to work and back to home, using the form indicated as Attachment II. However, Attachment II is not attached to the policy nor is it readily accessible on the intranet.

Through our interviews with staff and reviews of policies in other jurisdictions, we also noted some additional items that would improve the clarity and completeness of the current policy:

- **Vehicle Units** – A take-home permit number is issued to each applicant to drive a specific vehicle unit home; it was not clear whether the take-home permit grants access to drive other City vehicles home. We noted employees driving various units home that were not specified on the application form.
- **Various Drivers** – When *various drivers* are specified on the take-home permit; it was not clear whether a listing of eligible drivers needs to be disclosed. Currently, the Supervisor is responsible for the proper use of these permits.
- **Valid Licenses** – The application form should have a space to record the City of Edmonton driver permit as well as the Provincial driver's license number to ensure all drivers taking a City vehicle home are eligible to operate a City vehicle.
- **Termination of Permit Numbers** – A process should be in place requiring Department Vehicle Coordinators to advise Fleet Services to deactivate take-home permits for those drivers who no longer require them.
- **Consequences of Non-Compliance** – The current policy does not have a clause to address violation of the policy (i.e. warnings, notices, suspensions, etc.).

5.1.2. Are roles and responsibilities clearly defined?

The policy defines the roles and responsibilities of the City Manager, Department Heads, Manager of MES (now Fleet Services) and Employees.

The Departmental Vehicle Coordinator position, though, was not clearly defined. Additionally, we noted that the position's authority level was not consistent across all of the Departments. Department Vehicle Coordinator positions are assigned to a wide variety of employees from Executive Assistants to Branch Managers. As the vehicle coordinator is a main point of contact between the Department and Fleet Services, clearly defined roles and responsibilities would improve consistency in applying the vehicle take-home policy.

Currently, employees are not required to complete or sign the application form. It is good business practice for employees to sign the application form to ensure that they formally acknowledge the responsibilities associated with having a take-home vehicle. There is currently a risk that vehicle take-home permit holders may not be fully aware of their responsibilities.

5.1.3. Is the policy relevant and current?

The policy contains outdated information including titles of responsible personnel and Department names. We also saw various versions of the application form being used. One version is attached to the policy, but through the years, some organizational units have created their own application forms. In our testing, we found three different versions of application forms being used, with each containing the same basic information.

During our compliance testing in section 5.2, we found a few exceptions to the policy. The Administration should consider whether these items are still relevant when considering future updates to the policy:

- 20-kilometre limit - Employees need to reside within 20 kilometre of the normal work location as discussed in section 5.2.2 (the City has expanded and this kilometre restriction may no longer be reasonable).
- Council Report - Issuing a report to Council annually as discussed in section 5.2.1 (the usefulness of this report needs to be assessed).

5.1.4. Taxable Benefit

According to the Canada Revenue Agency, when an employer provides a taxable benefit/allowance to an employee in addition to salary and wages, the value of the benefit/allowance needs to be included in the employee's income. In this case, "personal driving"² of the City's vehicle is considered a taxable benefit to the employee when traveling between home and a regular place of employment. The current policy has not addressed this issue.

The Administration needs to consider the impact this has on operations, including:

- Tax impact to employee - Based on our analysis, the estimated distance (personal driving) traveled by each individual over a calendar year is approximately 3,300 kilometres. At a taxable benefit rate of \$0.24, this translates to approximately \$800 in taxable benefit. At a marginal tax rate of 40 percent, an additional \$300 in income taxes may be payable.
- Options to employee - Employees may choose to not take a vehicle home, in which case, service delivery may be compromised.
- Administrative impact - Definitions need to be clarified, i.e., regular place of employment versus point of call, automobile versus motor vehicle. A process to track personal-use versus business-use and calculating the dollar value of the taxable benefit needs to be developed.
- Penalties – Canada Revenue Agency may assess a penalty, interest, or other consequences if payroll requirements are not fulfilled.

Conclusion on Policy Adequacy

Based on our audit work, the Vehicle Take-Home policy needs to be improved. We found weaknesses in the clarity of certain clauses, as well as new clauses that could enhance the current policy. Additional roles and responsibilities should be defined in order to include all parties involved. Finally, the policy contains terms and clauses that are outdated and/or are no longer relevant. The Administration should take steps to update the policy and ensure that employees taking home a City vehicle consistently apply its requirements.

² Personal driving per Canada Revenue Agency – any driving by an employee, or a person related to the employee, for purposes not related to his or her employment...one such inclusion is travel between home and work (even if (the employer) insists that the employee drive the vehicle home.)

Employees who drive between their regular place of employment and home incur a taxable benefit. These amounts should be recorded and be included in the employee's income. The Administration needs to comply with the rules/regulations set out by the Canada Revenue Agency.

We have directed one recommendation to the General Manager of Corporate Services (responsible for Fleet Services Branch) to lead a new policy framework development project. However, the responsibility for compliance to the policy requirements is decentralized amongst the participating departments. This means that General Managers and supervisors continue to be responsible to ensure that taking City vehicles home is justified. It also means that individual employees continue to be responsible and accountable to efficiently utilize and safeguard the City's assets.

Recommendation 1

The OCA recommends that the General Manager, Corporate Services, on behalf of the City Manager, review and update Policy A1421, *Vehicle Take-Home Permits*, to address issues relating to clarity, relevance, and roles and responsibilities to ensure a consistent understanding by all City employees requiring a vehicle take-home permit.

Management Response and Action Plan

Accepted. Fleet Services will update Policy A1421 for clarity and relevance. Revised policy will reflect roles, responsibilities, and expectations. The revision will be reviewed with the General Manager and sent to Senior Management Team for approval.

Implementation Date: 2nd Quarter, 2010

Responsible Party: General Manager, Corporate Services

5.2. Objective 2: Assess the monitoring practices and compliance to the Policy

In our assessment of the monitoring practices and compliance to the policy, we reviewed both the centralized and decentralized areas of responsibility to evaluate our criteria.

Centrally, Fleet Services is responsible for controls around issuing permit numbers. All completed application forms are sent to Fleet Services and permit numbers are issued. The result is a central record for each permit issued.

The other criteria deal with Department responsibilities, including compliance to the policy and monitoring permit use. This makes logical sense as departments are most knowledgeable with regards to the activities and requirements of its staff. Following are the results of our assessments.

5.2.1. Central Monitoring

Issuing Permits

Issuing permits is centralized within the Fleet Services Branch. Fleet Services is responsible for issuing a sequential permit number upon receiving an approved application form. Our review of the application forms show that:

- The City Manager is required to sign all out of town take-home permit application forms. All out of town forms complied with this criterion.
- Fleet Services is required to maintain a record of take-home permits issued. We were able to obtain summary information, details, and copies of all permits issued by Fleet Services for our 2009 testing.
- Three of the 150 take-home permit application forms (2 percent) did not comply with policy (e.g., not signed by the Department General Manager).

Our testing consisted of confirming whether a signature was in the appropriate area. We found three exceptions where the Department General Manager signature line was blank, yet a permit number was issued. According to the policy, the Department Head must approve all permit requests. For the remaining approved application forms, some signatures were not legible. Therefore, we could not confirm the approver for these forms. Controls should be improved to ensure that the correct person is in fact signing the forms. This could include requiring the approvers to also print out their name.

Information Report to Council

The Policy requires that an annual information report³ be provided to City Council. Fleet Services has not been in compliance with this section of the policy as the last reports sent to Council were in 1993 and 1994. Council has not been receiving timely information on the usage of take-home permits. To comply with the policy, Fleet Services needs to issue a report to Council or, since reports have not been provided for a number of years, the policy needs to be updated to reflect current practice.

5.2.2. Departmental Monitoring

For the decentralized portion of our review, we tested the individual Departments' monitoring practices pertaining to Vehicle Take-Home Permits. We selected a few of the high risk areas to determine whether the monitoring and compliance requirements were met:

- Application Stage
 - Determine whether Departments are economically justifying their application for a permit.

³ Policy A1421 – Clause 2.03b – “Annually, and as required, issue an information report to Council which documents, by Department, the number of Vehicle Take-Home Permits issued, both inside and outside the City (including the addresses of permit holders outside the City limits).”

- Monitoring & Compliance Stage
 - Employees taking vehicles home have a valid permit number.
 - Employees driving a take-home vehicle have a valid City of Edmonton Driver Permit.
 - Employees reside within 20 km of the normal work location.
 - Employees park City vehicle in a secure parking space at home.
- Reporting Stage
 - Employee kilometre log books are maintained.

Economical Justification

The economical justification for requesting a permit is weak in some Departments. We observed that it is standard practice for most applicants to simply check off the applicable reason(s) on the application form. The two boxes most commonly checked off were on-call and reporting directly to or leaving from a work location. As noted in section 5.1.1 of this report, there is ambiguity in the instructions contained in the policy. Simply checking off the various reasons does not meet the “Economically Justified”⁴ criteria as defined in the policy. Only checking off or listing the reason(s) does not provide adequate information for an approver to properly assess the need for a take-home permit.

We did observe that two Branches/Departments use an internally-developed worksheet to economically justify a take-home vehicle. This good business practice should be shared and be adopted amongst all departments. The worksheet should be considered a requirement as part of the application documentation.

Obtaining a Take-Home Permit Number

Table 1 (page 2) shows the number of permits issued in 2007, 2008, and 2009. The noted variances in number of permits issued by Departments each year were not due to the changing requirements. Rather, they were mainly due to Departments not obtaining new permits to replace those that had expired. This meant that employees were taking home City vehicles without a permit.

In the past three years, we noted the following exceptions:

- Instances where a batch of application forms was prepared by the Department but not sent to Fleet Services.
- In reviewing log books for 2009, we found six employees taking vehicles home without a take-home permit number.
- One branch used its own internal procedures to monitor and track the use of employees taking home City vehicles and, until June 2009, was unaware of the vehicle take-home policy.

⁴ *Economically Justified* was defined as “comprehensive documented analysis of vehicle utilization. Typical performance indicators shall include kilometres traveled; (total and work specific), usage (actual hours of use), downtime, standby and utilization percentages.”

Better controls are required for both employees and supervisors to ensure that permit numbers are in place prior to driving home a City vehicle. Without improving controls and awareness of the vehicle take-home policy, there is a risk that employees will continue to drive City vehicles home without having a valid permit number. If these permits had been obtained, instead of 109, 92, and 150 permits, our revised estimate would be 123, 146, and 156 permits for the years 2007, 2008, and 2009 respectively.

Invalid City of Edmonton Driver Permit

In addition to requiring a Provincial Drivers Permit to operate a City vehicle, the City tests and administers its own Driver Permit process. City Policy A1416 – *Operating and Maintaining City Vehicles or City Equipment* requires drivers of City vehicles to adhere to the City of Edmonton Drivers' Manual⁵ when operating City vehicles. The Drivers' Manual sets out the guidelines for all drivers of vehicles and equipment owned, rented, or leased by Mobile Equipment Services (Fleet Services). According to the Drivers' manual, City drivers need to have a City driver/operator permit (City driver permit) in order to drive or operate City vehicles.

For the 150 vehicle take-home permit holders, we reviewed their City of Edmonton driver permit status and the result of our review is shown in Table 2.

Table 2 - 2009 Vehicle Take-Home Permits Holders – License Status

License Status	Number of Permit Holders	Percentage of Permit Holders
Active	113	76%
Permit holders no longer employed with the City	11	7%
Inactive*	16	11%
Cancelled*	5	3%
Permit holders not on the City driver permit list*	3	2%
Suspended*	2	1%
Totals	150	100%

* Status as indicated in City of Edmonton Driver Permit listing. Individual names have been provided to Fleet Services for further investigation.

In 2009, 26 of the 150 take-home permit holders did not have a valid City driver permit. Following are the definitions of the statuses and descriptions of the exceptions:

- Inactive - means the permit expired within the previous twelve months. For the 16 exceptions, the expiry dates ranged from November 17, 2008 to September 27, 2009 (13 of the 16 expired as of July 2009).
- Cancelled - means the permit expired more than 12 months ago. For the 5 exceptions, the expiry dates ranged from January 14, 2008 to September 25, 2008.

⁵ A1437 – Drivers' Manual, Fleet Safety Training Manual – Mobile Equipment Services

- Permit holders not on City driver permit list - means that the permit holders never obtained a City driver permit. For the 3 exceptions, we concluded that those individuals had never obtained a City driver permit.
- Suspended - means the driver privileges are suspended for just cause. We were not able to obtain information on the date of suspension for the two exceptions.

It is mandatory for employees with a take-home permit to also have a City driver permit. As shown above, 17 percent of take-home permit holders did not have a valid City of Edmonton driver permit. As discussed in section 5.1.1, we believe that the City should require Provincial driver license and City driver permit information on the application form. This requirement would mitigate the risk of employees driving and taking home City vehicles without a valid driver permit.

Furthermore, in our review of log books, we found two instances of employees who drove a vehicle home in months during which their City driver permit was expired. For employees with a cancelled status, a 2009 take-home permit should not have been approved nor issued since their City driver permit had already expired at the time of application.

Distance from Home to Normal Place of Work

According to clause 4.05⁶ of the policy, an employee should not be taking home a City vehicle if the distance between their home and normal work location is more than 20 kilometres. The application form included the distance from home to work for each employee. Table 3 is a summary of our analysis.

Table 3 – Permit Holder’s Distance from Home to Work

Distance From Home To Work	Number of Permit Holders	% of Total Permit Holders
20 km and under	128	85%
20.1 km – 29.9 km	13	9%
30 km – 39.9 km	3	2%
40 km or more	4	3%
“Various” ⁷	2	1%
Total	150	100%

In 2009, twenty employees lived more than 20 km from their normal place of business. This is an exception rate of 14 percent. Since this information is on the application form, reviewers/approvers of the permits need to be more diligent in applying the policy before signing the application forms.

⁶ Policy A1421 – clause 4.05 – Where employees reside more than twenty kilometres away from the normal work location, the City vehicle shall be left in a secure parking space at a normal work location or at the nearest City District Yard to the employee’s place of residence.

⁷ Two employees indicated “various” on their application form. These were bulk permit holders with several employees who have access to the permit.

In section 5.3, we discuss the cost efficiency and effectiveness of take-home vehicles. The distance an employee travels has an impact because the further an individual resides from their normal work location, the greater the City's cost of maintenance and fuel. Also, on-call response time increases the further away the individual resides.

Secure parking space

According to clause 4.04,⁸ employees are required to park City vehicles in a secure parking space.⁹ In our review of the 2009 application forms, all applicants had indicated that there was off-street parking available and either a heated garage or a plug-in was available. Parking off-street and in a secure location is important to protect the City's assets since the vehicles contain City equipment such as tools and electronic devices.

We selected a random sample of 11 take-home permits. On a selected evening, we drove to the employee's residence and observed how the City's vehicles were parked. Results of our testing are as follows:

- 5 vehicles were parked off-street (no exception)
- 3 vehicles were not sighted (no exception)
- 3 vehicles were parked on the street (exception)

Results of our testing showed an exception rate of 27 percent. (e.g., three exceptions out of eleven sampled). These exceptions are preventable as the employee's application forms specifically indicated off-street parking was available, yet the vehicles were inappropriately parked.

Daily travel log

We requested daily travel logs that are required by clause 2.04b.¹⁰ Only two Departments recorded this information. Those not recording kilometres are in violation of the policy. Administratively, the policy requires the use of Attachment II, yet it is not attached to the policy, nor is it readily available on the intranet. Therefore, the required form is not easily accessible to users who want to record this information.

Keeping an accurate, daily travel log is important to differentiate between business and personal usage. This ensures that the vehicle's use has been properly accounted for and will help in calculating the taxable benefit.

For the logs that we were able to obtain, we found various administrative errors on a number of approved logs. Some of these errors included:

- Reconciliation errors – the monthly km traveled (ending km minus starting km) did not agree to the detailed km recorded.

⁸ Policy A1421 – Clause 4.04 – Employees shall park in a secure parking space when taking a City vehicle to their place of residence.

⁹ Secure Parking Space is defined as – “an off-street parking stall, which is heated or provided with an electrical outlet for a block heater, and available at all times for parking a City vehicle.”

¹⁰ Policy A1421 – clause 2.04b – Employees to maintain a daily log of trips and actual km traveled for City business and distance between home to work – to home, using the form indicated in Attachment II: Vehicle Take-Home Permit Monthly km log, and submit annually to their GM for renewal justification.

- Typographical errors - typing in a “negative” km traveled.
- Mathematical errors - the monthly km details did not add up to the reported total.
- Administrative errors - double counting of information from prior months due to the use of the same worksheet and not deleting prior months’ information.
- Estimations - estimates were used instead of actual km traveled.

Conclusion on monitoring

Based on the results of our fieldwork, monitoring the use and application of the policy is weak. We observed various incidents of non-compliance to the policy.

In the application stage, there needs to be better documented justification to substantiate the need for a permit and ensure that appropriate approvals have been obtained prior to issuing a permit number.

In the monitoring stage, employees were driving City vehicles home without a take-home permit. Additionally, some employees were driving City vehicles without a valid City driver permit. With respect to individual clauses contained in the policy, employees were taking vehicles home even though the distance from home to their normal place of work is greater than 20 km. In addition, some employees were not parking in a secure parking space, even though they had indicated that a secure parking space was available.

In the reporting stage, a daily travel log of trips and actual kilometres traveled was not being maintained by every individual taking home a vehicle.

The informal awareness and monitoring process is not adequate. Our second recommendation focused on developing a process to improve the compliance to the take-home policy.

Recommendation 2

The OCA recommends that Fleet Services formalize a monitoring process and provide training to Department Vehicle Coordinators to ensure City take-home vehicles are utilized as directed by the policy. The training should reinforce their responsibility to:

- Ensure the requirement to take a City vehicle home is economically justified.
- Ensure employees driving City vehicles have a valid City driver permit, as well, when taking a vehicle home, have a take-home permit.
- Track, record, and calculate the taxable benefit received by employees taking home a City vehicle.
- Ensure employees are adhering to clauses contained in the policy such as parking in a secure parking space and keeping a daily travel log.

Management Response and Action Plan

Accepted. Fleet services will formalize the monitoring process, which will include checking for conformity to the City of Edmonton driver permit process. Fleet Services will also provide training to the Department Vehicle Coordinators.

Implementation Date: 3rd Quarter, 2010

Responsible Party: Branch Manager, Fleet Services.

5.3. Objective 3: Assess the cost effectiveness and efficiency of providing employees with a take-home vehicle

We assessed efficiency by reviewing the service delivery aspect for those taking home a City vehicle and assessed the cost effectiveness by analyzing the City's cost to provide employees with take-home vehicles.

5.3.1. Efficiency

The two main reasons (95% of the applicants listed at least one of the reasons below) cited for requiring a vehicle take-home permit were:

- On-Call – Emergency, 24-hour standby - 70 percent of applicants checked this off. This deals with responding to emergencies during non-working hours.
- Reports directly to or leaves from work location at beginning or end of shift – 75 percent of applicants checked this off. The benefit is increased productivity time due to reduced traveling time.

Additionally, we looked at three organizational units where individuals take a City vehicle home on a daily basis and reviewed their overtime incidents and hours. Table 4 is a summary of the results.

Table 4 – Average Overtime Incidences and Hours of Take-home Permit Holders

Department/Branch	Number of Drivers	Average Overtime Incidents ¹¹ /Driver	Average Overtime Hours/Driver
Drainage	25	172	518
Land & Buildings	39	37	116
Transportation	40	73	246

Table 4 shows a substantial amount of overtime incidents and hours charged by individuals with take-home permits over a period of one year within their organizational unit.

5.3.2. Effectiveness

Vehicle cost vs. Allowance

There is a cost to providing an employee with a take-home vehicle. This vehicle cost would normally include a monthly fixed rate (capital or lease cost) and a variable rate (maintenance and fuel costs).

In our analysis of City take-home vehicles, we estimated that the majority (89 percent) of vehicles were specifically work vehicles, (carry equipment/tools, fully decaled, have strobe/arrow-bars, etc.) and are not passenger vehicles. For our cost analysis purposes, the fixed rate is deemed not relevant in our calculation because an operational requirement has already been established. This means that the fixed cost of the vehicle

¹¹ Incidents may also include hours worked which are appended to the end of the workday and does not necessarily mean a call out during non-working hours.

would have been incurred regardless of whether or not the employee takes the vehicle home. Therefore, we analyzed only on the incremental cost and incremental time difference between employees driving the vehicle home versus not driving the vehicle home.

The total kilometres traveled by all vehicles associated with a take-home permit was 1,920,000 kilometres for the period September 1, 2008 to August 31, 2009. Our estimation of business use was 1,419,000 kilometre (74 percent) and personal use was 501,000 kilometre (26 percent).

Table 5 is a comparison between the variable cost to the City due to employees taking home a City vehicle versus providing an allowance for the business use of an employee's personal vehicle.

Table 5 – Variable Cost versus Allowance

	Variable Cost	Allowance Cost	Total
Kilometre	501,000	1,419,000	1,920,000
Cost/Kilometre*	\$0.4050	\$0.49	
Cost Totals	\$203,000	\$695,000	

* Variable cost is an average of variable rates for a sample of take-home vehicles; the allowance cost is the City's *Private Vehicle Use Reimbursement Rate*.

Based on the above calculation, the City incurs an extra \$203,000 in additional variable cost when an employee takes a City vehicle home. In comparison, if an allowance was provided, employees would claim the business use associated with their own vehicle. The estimated allowance claimed would be \$695,000. This assumes that employees could perform their normal work functions using their own vehicle. Comparing the two options, employees taking home a City vehicle is the better alternative as this results in a \$492,000 cost avoidance.

Work Time Savings/Productivity Hours

The other alternative is to require an employee to drive their own vehicle to a district yard to pick up and drop off a City vehicle at the beginning and end of the workday. This option results in no additional variable cost to the City, and no allowance payable. This option though, has a negative impact in terms of extended response time during a call-out and also the loss of productive time due to the employee having to drive between the district yard and worksite during working hours.

Table 6 – Variable Cost versus Productivity

Unit	Variable Cost	Productivity	Comments
Kilometre and Hour	27.5 KM	1 hour	Single Trip (13.75KM or ½ Hour)
Cost per km and Hour	\$0.4050/KM	\$27.25/Hr*	Average Rate/Wage
Cost Total	\$11.15	\$27.25	Net Difference is \$16.10

* The average wage was based on a sample of employees from a single Department that used the amounts for its economical justification.

In our estimation, the average daily round trip cost to the City is \$11.15 when an employee takes home a City vehicle. Compared to the average hourly productivity cost (\$27.25) would result in a net benefit of \$16.10 per hour. It should be noted that the above is an estimation as this amount is subject to variation depending on the driving distance and hourly wage of each employee.

To put it in perspective, on some take-home application forms, we saw justifications on a yearly basis using 260 days in a year. If we extrapolate this, the benefit to the City is \$4,190/year (\$16.10/day * 260 days per employee). Since about 100 employees take a City vehicle home on a nightly basis, the yearly benefit to the City would be \$419,000 (\$4,190 * 100) worth of productive time.

Conclusion on Effectiveness and Efficiency

Based on the above analysis, allowing employees to take a City vehicle home provides a cost-effective and efficient service delivery model.

Reporting directly to a worksite results in increased productive time since travel time during working hours is reduced. Response time is also reduced when a City employee can respond directly from home. With the number of incidents and associated overtime hours that these individuals accumulate on a yearly basis, it appears that the take-home permits support effective service delivery.

The City also achieved cost-effectiveness in providing employees with take-home vehicles. Considering the analysis from both perspectives, employees taking a City vehicle home costs about \$492,000 less than providing an allowance. The City also gains an estimated \$419,000 worth of productive time when employees take a vehicle home without having to commute during working hours.

6. Overall Conclusion

Based on our audit work, the policy needs to be updated with clearer roles and responsibilities. Certain clauses should be enhanced to provide for more clarity and understanding. Addressing our first recommendation will provide employees with a better understanding of the policy and should increase compliance.

Our second recommendation addresses the monitoring and compliance to the policy. Improvements are required in this area to ensure that employees are complying with the clauses contained in the vehicle take-home policy. We observed several instances of non-compliance and consider overall monitoring to be weak. Also, there is a personal benefit incurred by employees who take City vehicles home, resulting in a taxable benefit that is not being attributed and may create a liability with the Canada Revenue Agency. This recommendation will strengthen the controls and procedures to improve compliance to the improved policy. Without improved controls, there is a risk that the permits may be abused and City assets may not be protected.

Using City take-home vehicles is a cost effective method of providing efficient service delivery. Our analysis shows that the additional cost incurred for personal use (travel between home-work-home) of a City vehicle results in cost avoidance of approximately \$492,000 compared to providing an employee with a car allowance. By reporting directly to a worksite, productive time is increased as there is less travel time during working hours. This additional savings is estimated to be about \$419,000. There is also the intangible benefit of being able to report directly to the work site by having direct access to a fully-equipped work vehicle.

We thank all staff involved with this review for their co-operation and assistance.