

OFFICE OF
CONTROLLER

LAURA N. CHICK
CONTROLLER

200 N. MAIN STREET, RM 300
LOS ANGELES 90012
(213) 978-7200
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January 22, 2009

The Honorable Antonio Villaraigosa
The Honorable Rockard J. Delgadillo
The Honorable Members of the City Council

Of the 167 audits completed since I took office as Controller, the two I release today are the most stunning testament to how the City does business in an un-businesslike way.

These audits spotlight serious issues which require immediate action. Every day, multiple conversations occur in City Hall about how to squeeze more money out of the taxpayers...more fees for parking meters, increased trash collection fees, higher DWP rates, a parcel tax for anti-gang programs. Before we ask for one more penny from the public, we must get our own house in order.

We are supposed to be leading and setting an example. This is not the example we want the public to follow.

Sincerely,

A handwritten signature in black ink that reads 'Laura N. Chick'. The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller



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January 22, 2009

Raymond P. Ciranna
Interim City Administrative Officer

Tony M. Royster, General Manager
Department of General Services

William J. Bratton, Chief of Police
Los Angeles Police Department

Douglas L. Barry, Fire Chief
Los Angeles Fire Department

Enrique C. Zaldivar, Director
Department of Public Works
Bureau of Sanitation

Randi Levin, General Manager
Information Technology Agency

Enclosed is a report of "Audit of the City's Home-Garaged Vehicles." A draft of this report was provided to your departments on December 30, 2008. Comments provided by your departments at various exit meetings held between January 7, 2009 and January 13, 2009 were considered prior to finalizing this report.

January 22, 2009
Page 2 of 2

Please review the final report and advise the Controller's Office by February 20, 2009, of actions taken or to be taken to implement the recommendations. If you have any questions or comments, please contact me at (213) 978-7392.

Sincerely,

A handwritten signature in black ink, appearing to read "Farid Saffar". The signature is fluid and cursive, with the first name "Farid" and last name "Saffar" clearly distinguishable.

FARID SAFFAR, CPA
Director of Auditing

Enclosure

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Karen E. Kalfayan, Interim City Clerk
Gerry F. Miller, Chief Legislative Analyst
Cynthia M. Ruiz, President, Board of Public Works
Anthony Pacheco, President, Board of Police Commissioners
Barry A. Sanders, President, Board of Recreation & Parks Commissioners
Genethia Hudley-Hayes, President, Board of Fire Commissioners
Independent City Auditors



City of Los Angeles Office of the Controller

Audit of the City's Home-Garaged Vehicles

January 22, 2009

Laura N. Chick
City Controller

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AUDIT OF THE CITY'S HOME-GARAGED VEHICLES

EXECUTIVE SUMMARY

BACKGROUND

The City has had long-standing policies regarding the use of home-garaged vehicles to conduct City business. A home-garage authority allows an employee to take home a City vehicle. The intent of the program is to promote efficiency by allowing employees to respond to an emergency directly from home. The business-use only policy, which prohibits the use of City vehicles for private/personal use is defined in Section 63.106 of the Los Angeles Municipal Code. The business only provisions of Section 63.106 do not apply to vehicles assigned to elected officials - the Mayor, City Attorney, Controller and members of the City Council when vehicles are being operated within the county.

The Council has designated the City Administrative Officer (CAO) to approve home-garaging authority for City-owned vehicles for all departments (except Los Angeles Police Department, Los Angeles Fire Department and proprietary departments). The Los Angeles Police Department (LAPD), the Los Angeles Fire Department (LAFD) and the proprietary departments operate their own home-garaged vehicle programs without CAO's involvement. The City maintains and provides fuel for all home-garaged vehicles.

The primary objective of this audit was to evaluate the controls over the assignment, usage, and monitoring of home-garaged vehicles to ensure maximum benefits to the City. We also evaluated the costs of each program in order to determine whether there is a potential for savings by reimbursing employees for mileage they incur on their private vehicles for City business.

Excluding proprietary departments, there are three home-garage programs in the City; the executive fleet (vehicles assigned to the elected officials, their staff and department general managers), LAPD vehicles, and LAFD vehicles. A total of 1,131 vehicles, with a purchase cost of approximately \$27 million, are authorized for home-garaging (excluding motorcycles) for the three programs.

SCOPE

The audit was performed in accordance with Generally Accepted Government Auditing Standards and covered the period from July 1, 2006 through June 30, 2008. Fieldwork was conducted between August 2008 and December 2008. This audit did not include the proprietary departments, who maintain their own vehicle fleets.

In conducting our audit, we interviewed management and staff involved in the three programs and reviewed applicable City policies and departmental procedures to obtain an understanding of the assignment, usage and monitoring of their home-garage vehicle programs. We reviewed samples of home-garaging authorization forms, vehicle logs, and accident reports involving home garaged vehicles to determine whether the assignment and monitoring of the home-garage programs are reasonable and consistent with City policies. We also analyzed mileage and cost data to determine estimated savings using mileage reimbursements.

Because the executive fleet vehicles are primarily assigned to elected officials, we contacted the Mayor's office, the City Attorney and the Council offices to solicit information regarding the assignment and monitoring of City vehicles allocated to their offices. We received responses from the Mayor's office and 10 of the 15 Council offices. In general, the elected officials believe GSD is monitoring the usage of vehicles and fuel but would like to receive usage reports from GSD so they can properly monitor their vehicles and fuel usage. Our survey questions are included in Attachment I.

As part of our audit, we also contacted five other municipalities to obtain best practices regarding home-garaging and fleet vehicles. Our survey questions, along with the responses are included in Attachment II.

SUMMARY OF AUDIT RESULTS

The City currently spends about \$10 million a year on the home-garaged vehicles for the elected officials and their staff and for LAPD and LAFD employees. Of this amount, \$7 million is attributed to the LAPD home-garage program. Despite Council's attempt to curtail the expenses relating to home-garaged vehicles, home-garaged assignments has increased significantly over the last five years, specifically at the LAPD. The number of LAPD's home-garaged vehicles increased by 40%, from 560 in 2003 to 786 in 2008. LAPD management stated that the increase can be partly attributed to the expanded operations in the Department.

Home-garaged vehicle assignments should be fully justified and based on the City's business needs. This audit found no evidence of consistent evaluations to ensure each home-garaged vehicle is justified, warranted and based on the City's business needs. Although LAPD and LAFD stated that their main criterion for assigning a home-garaged vehicle is to enable the employee to respond to emergency callouts directly from home, we found that many employees rarely get callouts and that they primarily use their

vehicles to commute to and from work. Also, in most cases, LAFD and LAPD do not monitor the frequency of emergency callouts.

Over 200 LAPD employees with assigned home-garaged vehicles live outside Los Angeles County. Therefore, it is questionable whether an employee living outside the County can respond to emergencies within the City in a timely manner.

In order to control the expenses relating to these programs, the City must evaluate alternative options such as using pool vehicles, reimbursing employees for using their private vehicles, or providing a monthly allowance. The City should embark on a vehicle-by-vehicle review to determine if the use of a pool car, mileage authority, or other alternatives would be feasible and more economical than a home-garaging authority. The following are some of the audit's key findings:

- **Numerous employees in the LAPD and LAFD have been assigned home-garaged vehicles but whose use of a home-garage vehicle may not be justified. In some cases, employees have been assigned home-garaged vehicles based solely on their positions. In other cases, employees do not meet the department's established criteria.**

Each of the 127 LAPD employees at the rank of captain and above automatically receives an assigned home-garaged vehicle. LAPD stated that this was negotiated as part of a Memorandum of Understanding (MOU) several years ago. LAPD was not able to provide the agreement. However, the department did provide a document that was dated on April 25, 1998 by the Los Angeles Police Command Officers Association. This document indicates that employees at the level of command officer or higher (and civilian equivalents) are entitled to a home-garaged vehicle.

The current MOU agreement between the City and the police officers' union does not include a provision for an automatic award of a home-garaged vehicle as part of a compensation package for each employee at the rank of captain and above. Unlike the employees at the rank of lieutenant and below, captains are not subject to annual reviews to assess the need for the vehicle, and they do not complete vehicle logs. Therefore, it is difficult to assess how often these employees conduct City business "off-duty." Included in the 127 positions are 21 civilian administrative positions. Based on functional responsibilities, we question whether all these civilian administrative positions warrant take-home vehicles.

The remaining 659 LAPD authorized vehicles are assigned to employees at the rank of lieutenants and below who are subject to callouts "after-hours." The Department policy establishes a threshold of at least 10 emergency callouts per year for receiving and retaining a home-garaging authority. We found that many employees who do not meet this requirement continue to retain their home-garaged vehicles. Of the 225 authorities we reviewed, 77 (34%) home-garage authorities did not meet the required minimum of 10 callouts during FY 2007-08, yet these vehicles were

retained as home-garaged. Of those 77 authorities, eight reported zero callouts for the year, and another 40 reported five callouts or less.

According to LAPD management, as a result of our audit and the current budget situation, the LAPD has decided to take away home-garaging privileges for approximately 120 employees. Letters were sent to bureaus/division heads requesting that they notify the employees that their home-garaging authority will be revoked 30 days after notification. LAPD management indicated that overtime costs may increase since there will be instances where an employee will incur additional work time to bring the vehicle back to the designated LAPD site. In addition, LAPD management indicated that there are no plans to eliminate any of the 120 vehicles. Instead, the vehicles will become pool vehicles.

LAFD also may be providing home-garaged vehicles to some staff that do not consistently have “off-duty” callouts. LAFD has 130 employees with home-garaged vehicles. Several administrative positions are provided home-garaged vehicles. The Fire Department does not track “off-duty” callouts by employees with home-garaged vehicles and does not require vehicle usage logs.

We recognize that the Fire and Police departments must have adequate capabilities to respond to emergency situations. Because an emergency can never be predicted, it is imperative that the City have its public safety resources in a “state of readiness” at all times. The flexibility of having some home-garaged vehicles for some command and support personnel is necessary. However, the home-garaged need for each vehicle should be thoroughly evaluated on a continuous basis to ensure that the assignment is truly based on the City’s emergency operational needs.

- **The City spends an estimated \$10 million a year on the home-garaged vehicle programs at LAPD, LAFD and the Executive Fleet. The City does not analyze costs related to staff using City vehicles for home-garaging purposes compared to other alternatives, such as the cost of paying mileage for using personal vehicles.**

Based on a sample of employee surveys, employees report that approximately 60% of the miles they drive are for commuting to and from work. The City could save money if it reduced the number of vehicles used for home-garaging and paid mileage to employees for using private vehicles. We estimate that the City could save approximately \$1 million a year by eliminating 20% of the 1,131 vehicles currently assigned in the three programs and pay mileage to these employees for using their private vehicles for City business when necessary. The 20% appears achievable. For example, the LAPD has approximately 40% more home-garaged vehicles than it had in 2003.

- **Through the use of temporary home-garage permits, several divisions within the Police Department are able to effectively increase or maintain the number of their home-garaged vehicles without obtaining proper approvals.**

According to the Police Department guidelines, temporary home-garaging can be approved for up to seven consecutive days. Unlike CAO Rule No. 5, which limits temporary home-garaging to a maximum of two consecutive months per year, Police Department policies do not specify time limits for temporary home-garaging.

LAPD employees used 88 vehicles for home-garaging for more than two consecutive months during FY 2007-08. Several vehicles were home-garaged for an entire year using temporary authorities. Temporary home-garaged vehicles are not subject to the same monitoring as those permanently assigned. For example, employees who temporarily home-garage City vehicles are not required to submit monthly vehicle logs nor are they required to maintain insurance to cover them in case of accidents during personal use of the vehicles.

LAPD management indicated that it transferred responsibility for monitoring temporary home garaging assignments to the Planning and Research Division in June 2008. The transfer was made so that monitoring of temporary and permanent home-garaging assignments would be under the same division. LAPD management stated that it had identified that there might be some problems with the temporary home-garaging program which factored into the decision to make the transfer.

- **Eleven employees with assigned home-garaged vehicles were not properly approved by the CAO.**

CAO Rule No. 5 establishes the current policy and criteria for the use of City vehicles, including long-term assignments, occasional overnight use, and home garaging authority for Council controlled departments. We noted eight employees at the Bureau of Sanitation (or the Bureau) and three employees at the Information Technology Agency that home-garage departmental assigned vehicles without CAO approval. Since these employees are not on the CAO's approved listing of home-garaged vehicles, the employees have not been subject to the insurance requirements. In addition, they have not reported taxable income, even though some employees have been driving these vehicles as a home-garaged vehicle for over four years. In the case of the Bureau of Sanitation, the employees continue to home-garage the vehicles without proper authorization, even after the CAO had denied the department's request to grant the eight employees home-garaging privileges. The three Information Technology Agency employees also continue to home-garage the vehicles (when on-call) without proper authorization.

- **Certain LAPD and LAFD employees should have reported taxable income because they do not actively participate in the prevention and/or investigation of crimes.**

According to IRS Publication 15-B, the taxable income is excluded if the vehicle provided to the employee is considered a “non-personal use vehicle.” The publication defines a qualified “non-personal use” vehicle as any vehicle the employee is not likely to use more than minimally for personal purpose because of its design.

LAPD and LAFD do not report fringe benefits for any of their staff. These departments believe that all their staff meets the exception to the IRS taxable income reporting requirement. Most LAPD and LAFD employees qualify for exemption from tax reporting because they are assigned clearly marked police and fire vehicles. However, if an employee drives an unmarked vehicle, the employee is exempt from tax reporting only if (s)he is a law enforcement officer. We noted several employees within the departments who are assigned an “unmarked” vehicle but may not qualify as a “law enforcement officer.” For example, several civilian managers have unmarked vehicles. LAPD and LAFD should determine the employees that do not qualify for IRS tax exemption and provide the list of employees to the Controller’s Office so that the employees’ W-2s can include taxable income related to the home-garaged vehicle.

Other findings of the audit include:

- The executive fleet has an excess of reserve vehicles, costing the City approximately \$153,000 a year.
- The type of insurance policy that employees with home-garaged vehicles are required to purchase is unclear to many employees, the requirement is not being monitored, and the insurance may not be feasible for employees to procure.
- City employees, including LAFD and LAPD employees need additional training or clarification on what constitutes an acceptable business use of a City vehicle.
- There are no policies and procedures with respect to the price of vehicles purchased under the home-garaged vehicle programs.

The details of each of our findings are discussed in the audit finding and recommendation section of this report. Since our audit did not include LAPD home-garaged motorcycles, we encourage the Department to apply all applicable recommendations in this report to the home-garaged motorcycles as well.

REVIEW OF REPORT

A draft report was provided to LAPD, LAFD, CAO, Bureau of Sanitation, and the Information Technology Agency on December 30th and 31st of 2008. We discussed the contents of the report with the management of these departments between January 7, 2009 and January 13, 2009. The departments generally concurred with the report's findings and observations. We considered the comments provided by these departments before finalizing this report. The departments recognize the need for improvements and have begun to address many of the issues in this report. We would like to thank management and staff of LAPD, LAFD, the CAO, Bureau of Sanitation, and Information Technology Agency for their cooperation and assistance during the audit.

Although the departments generally concurred with the findings, they did not agree with all recommendations. For example, with respect to the insurance policy requirements, the CAO stated that it believes its role should be limited to issuing policies but not to monitor and enforce the policies. Without monitoring and enforcement from a centralized department, there is a greater likelihood that the policies will not be followed.

TABLE OF RECOMMENDATIONS

RECOMMENDATIONS	PAGE REFERENCE
Section I. Home-Garaged Vehicle Needs Assessment	21
1. The Mayor and City Council should instruct LAPD and LAFD to work with CAO to develop uniform, stringent, and clear criteria for assigning home-garaged vehicles to ensure that each assignment is based on the City's business needs. The criteria should clearly define which positions are subject to emergency callouts.	25
2. The Mayor and City Council should instruct LAPD and LAFD to embark on a vehicle by vehicle review of current drivers to ensure that each vehicle being home-garaged is properly justified based on the criteria established in Recommendation #1.	25
3. The Mayor and City Council should instruct LAFD to establish an annual review process to reassess home-garaged vehicles to ensure every vehicle continues to be justified.	25
4. GSD management should perform an analysis to determine the appropriate number of vehicles needed as a reserve, with the goal of reducing the number of vehicles in reserve.	26
SECTION II. COST OF HOME-GARAGED VEHICLE PROGRAMS	27
5. The Mayor and City Council should instruct the CAO, LAPD, and LAFD to explore other alternative options to reduce the number of home-garaged vehicles.	31
6. The Mayor and City Council should designate one City Department to periodically analyze the cost of the home-garage vehicle programs to determine whether any modifications to the programs should be made.	31
SECTION III. HOME-GARAGE POLICIES	32
7. The CAO and City Attorney should reevaluate whether employees should be required to procure insurance for their City owned vehicle.	33
8. If it is determined that employees need the additional insurance, the CAO should issue another policy to clarify the type of insurance required, provide guidance on how this insurance can be obtained, and monitor for compliance on a periodic basis.	33

RECOMMENDATIONS	PAGE REFERENCE
9. If it is determined that employees need the additional insurance, the CAO should revoke the home-garaged privilege for individuals who do not comply with the insurance requirements.	33
10. If it is determined that employees need the additional insurance, the CAO should work with the Office of the City Attorney to determine whether it is necessary for the City to have an insurance requirement for employees driving City vehicles under temporary home-garaging authority.	33
11. LAFD management should develop written comprehensive and policies for its home-garaged program.	34
12. The CAO, City Attorney, and the Ethics Commission should reach agreement and provide clarification and additional examples of what constitutes acceptable/unacceptable use of a City vehicle.	35
13. The Mayor and City Council should adopt maximum price and fuel efficiency guidelines for vehicles purchased for the executive fleet. The maximum price could include a provision for cost increase adjustments.	37
14. The Mayor and City Council should direct the CAO, in conjunction with GSD, to recommend maximum price and other appropriate guidelines for vehicles that can be purchased for non-emergency home-garaging.	37
SECTION IV. HOME-GARAGE MONITORING	38
15. LAPD management should establish a limit, similar to the one in CAO Rule No. 5, for how long a Special Parking Authorization can be used to home-garage a City vehicle within a year.	39
16. LAPD management should properly monitor its temporary home-garaged vehicles to prevent misuse.	39
17. The Bureau of Sanitation and the Information Technology Agency should stop having the eleven employees mentioned above home-garaged City vehicles until proper approval is obtained.	41
18. The Bureau of Sanitation and the Information Technology Agency management should work with the eleven employees to determine the estimated personal use (commuting) portion of the total vehicle usage for each year they have had their City-owned vehicles. These estimated mileage data should be submitted to the Payroll Operations of the Controller's Office so that these employees can be properly assessed fringe benefits in accordance with the IRS guidelines.	41
19. LAPD and LAFD management should determine the employees	43

RECOMMENDATIONS	PAGE REFERENCE
that do not qualify for IRS tax exemption and provide the list of employees to the Controller's Office so that the employees' W-2s can include taxable income related to the home-garaged vehicle.	
20. The CAO should review home-garaging authorities annually.	44

BACKGROUND AND METHODOLOGY

BACKGROUND

The City has had long-standing policies regarding the use of home-garaged vehicles to conduct City business. The business-use only policy is defined in Section 63.106 of the City's Municipal Code and it prohibits the use of City vehicles for private/personal use. In 1951, in its attempt to prevent abuse and monitor the cost of home-garaged vehicles, the Council formed a three-person Transportation Committee to approve City vehicles for home-garaging authority. A home-garaging authority allows an employee to garage a City vehicle away from an assigned headquarter location.

The Transportation Committee established the original standards for procurement, equipment and assignment of all City vehicles used for home-garaging purposes, which was last amended in 1994. The business only provisions of Section 63.106 do not apply to vehicles assigned to the elected officials - the Mayor, City Attorney, Controller, and members of the City Council when vehicles are being operated within the county. The City provides fuel for all home-garaged vehicles. This audit focused on three home-garage vehicle programs, the executive fleet, Los Angeles Police Department (LAPD), and Los Angeles Fire Department (LAFD). Each of the three programs is discussed below.

Executive Fleet

Today, the City Administrative Officer (CAO) functions just like the Transportation Committee established in the fifties. The CAO approves home-garaging authority for City-owned vehicles for all departments (except LAPD, LAFD and proprietary departments). Each employee authorized to take home a City vehicle must have a permit on file with the CAO. An approval is also required for cars taken home occasionally. The pool overseen by the CAO comprises all the cars allocated to the elected officials, their staff and department heads, and it is referred to as the Executive Fleet. The executive fleet consists of 215 vehicles.

➤ Criteria for Assignment of Vehicles - CAO Rule No. 5

CAO follows the guidelines in Rule No. 5 to administer the executive fleet home-garaged vehicle program. This rule, which was last revised in 1994, established the following criteria for assigning home-garaged vehicle authority:

- Elected officials, their staff when requested by elected officials, and department heads.

- Employees whose duties involve emergency work and who are regularly subject to call, who have specific expertise and/or are required to work with special equipment, or who are assigned a specially equipped vehicle.
- Employees whose duties require regular and frequent off-duty supervision where there is no regular subordinate employee designated to act in their absence.
- Employees whose duties require special equipment and regular and frequent direct reporting to the field or who have a continuing daily assignment that requires regular and frequent fieldwork during off-duty hours.

➤ Approval Forms

CAO Form 34 for Regular Home Garaging is submitted for each new application and when there is a change of driver. The form requires an approval by the department head and commission or Board, if applicable. A temporary request for occasional home-garaged vehicles may be granted if it would serve the City's best interest. For vehicles belonging to individual departments, a department head, authorized deputy or authorized management representative from the Commuter Services Office within the Personnel Department's Employee Benefits Division must approve a CAO Form 36 for Occasional Home-Garaging.¹ Temporary authority can be for up to 30 days, with renewal authority for an additional 30 days for a maximum of 60 days in any consecutive 12-month period. Each department is required to maintain a list of positions authorized to approve occasional home-garaging at a level of no less than the equivalent of a Chief Management Analyst.

➤ Breakdown of the Executive Fleet Vehicle Assignment

The Council President authorizes up to eight cars for each Council office (including the one assigned to the Council member). Currently, the executive fleet has 215 vehicles with 167 of these vehicles assigned and 48 in the reserve pool. Reserve vehicles are used as loaners when assigned vehicles are being repaired or when executive staff need additional vehicles on a temporary basis. The table on the next page shows the breakdown of the 215 vehicles currently in the executive fleet:

¹ Several departments maintain their own vehicle fleets.

Table 1			
Executive Fleet Vehicle Assignments As of August 2008			
<u>Assignee</u>	<u>No. of Vehicles</u>		
Office of the Mayor	13	(1)	
Office of the City Attorney	10		
Office of the City Controller	1		
Council District #1	8		
Council District #2	7		
Council District #3	8		
Council District #4	8		
Council District #5	7		
Council District #6	8		
Council District #7	8		
Council District #8	7		(2)
Council District #9	8		
Council District #10	8		(2)
Council District #11	8		
Council District #12	8		
Council District #13	7		
Council District #14	8		
Council District #15	7		
Total Elected Officials & their staff		139	
Office of Chief Legislative Analyst	4		
Board of Public Works	5		
Emergency Preparedness	2		
Other General Managers	17		
Total General Managers & their staff		28	
Total Vehicles Assigned		167	
Reserve Vehicles		48	
Total Executive Fleet Vehicles		215	

(1) This number does not include vehicles provided by LAPD for Mayoral Security Detail. LAPD provides eight vehicles for Mayoral Detail.

(2) - This Council District also has an additional vehicle checked out from the Motor Pool for over six months.

Source: CAO's and GSD's records.

➤ Executive Fleet Vehicle Maintenance

The Department of General Services (GSD) maintains the executive fleet. Routine and preventive maintenance as well as accident repairs are performed at GSD repair facilities located throughout the City. In addition, the central repair facility provides car washing services.

GSD uses the Vehicle Maintenance System (VMS) database to track vehicle information and maintenance records. In general, mileage and repair costs are kept on each vehicle. GSD also handles replacement and purchases of vehicles in the executive fleet.

Los Angeles Police Department

The Police Department has 4,692 motorized vehicles (excluding motorcycles) in its fleet inventory as of October 2008. This includes the 786 vehicles authorized for home-garaging. In addition to the 786 vehicles, LAPD also has 302 motorcycles authorized for home-garaging. During the past year, an additional 88 vehicles were checked out under temporary authorizations but were used more like permanent home-garaged vehicles. Our review did not include the home-garaged motorcycles.

The following table shows the general breakdown of the types of vehicles in LAPD’s fleet inventory. In general, vehicles used for the home-garaged program are typically from the plain sedan category.

Table 2	
Police Department Fleet Inventory As of October 24, 2008.	
General Type	No. of Vehicles
Sedan, Plain - Compact/Midsize/Full	2,023
Police Sedan -Black & White	1,763
Trucks, Utility/Sport Utility	481
Vans -Cargo/Passenger	247
Others -tractors, trailers, buses and other equipment	178
	<u>4,692</u>

Source: LAPD Records

Home-Garaging at the Police Department

In 1971, the Council transferred the responsibility for the Los Angeles Police Department (LAPD or Police Department) home-garage vehicle program to the Board of Police Commissioners (the Board). The Board, in turn, established the Department’s Home-Garaging Review Committee (the Committee). The Committee has three members, the Director of Office Support Services, the Chief of Staff and the Director of Office Operations. The Chief of Police serves as the reviewing authority over the

Committee. The Committee annually approves home-garaged vehicle applications and monitors employees' compliance with established policies. The Committee works primarily through a Home-Garaging Coordinator. The Police Department guidelines are detailed in the Department Manual Section 3/260, Home-Garaging of a Department Vehicle.

➤ Criteria for Assignment of Vehicles

The Police Manual established the following criteria for Home-Garaging authority for employees at the level of lieutenant and below:

- Employees whose duties regularly subject them to emergency call-outs where time is a critical factor and direct response serves the public interest and/or employees who, because of their individual expertise, use of specialized equipment or assignment of a specially equipped vehicle, are regularly and without prior notice required to respond directly to a crime scene. At least 10 emergency call outs per calendar year are required for retaining an authority.
- Crime task force employees whose duties require direct reporting to locations other than their assigned headquarters.

Employees at the level of captain and above (including civilian positions that are at an equivalent level) are entitled to a home-garaged vehicle if their duties require regular and unscheduled inspectional and supervisory activities. It is the LAPD's position that every employee at the level of captain and above meets this criterion and therefore is assigned a home-garaged vehicle.

➤ Approval Process

Each employee who uses a Home-Garaging vehicle authority completes a Home-Garaging Employee Authorization form. A single vehicle log is maintained for each Home-Garaging vehicle authority and completed by the employee(s) who uses that authority. The Home-Garaging Authorization Process is as follows:

- Applications for new authorities are completed and processed through the command officers by March 1 for the next fiscal year.
- The applications are forwarded to the Home-Garaging Coordinator to prepare for the Home-Garaging Committee.
- The Home-Garaging Committee meets to approve or deny the requests.
- The recommendation is then forwarded to the Chief of Police and the Police Commission for final approval.

This approval process only applies to employees at the rank of lieutenant and below and does not apply to the captains and above. See page 21 of this report for further discussion on this issue.

➤ Monitoring Usage and Tracking Emergency Callouts

Employees at the rank of lieutenant and below are required to complete a Home-Garaging Vehicle Log in which the vehicles' daily activity is recorded, including vehicle authority code, date, driver's serial number, vehicle ID, time, distance, destination and activity. It is initialed by the driver and signed by the commanding officer. The logs are forwarded to the Home Garaging Coordinator monthly. The following are documented reasons for home-garaging vehicle uses:

- Off-Hour Emergency Callout – this is when an officer is on his/her day off or is off duty from his/her work location and is called into work.
- Off-Hour Inspection is for an employee that is at or above the supervisory level and initiates any necessary inspections or supervisory activity. For example, the Gang Impact Team Lieutenant conducts an off-hour inspection of the Gang Enforcement Office.
- Other Off-Hour Use is for employees when they initiate necessary City business that is neither an off-hour emergency call-out nor an off-hour inspection. An example is an employee that comes into work to conduct investigative follow up on a day off.
- On-Duty En Route Activity means the officer is beginning the start of a watch or end of a watch at a location other than his regular work location.

Table 3 shows a breakdown of the LAPD vehicles used for home-garaging:

Table 3		
FY 2008-09 LAPD Home-Garaging Authority (HGA) as of July 1, 2008		
	Vehicles	Motorcycles
Subject to Home-Garaging Committee Review		
Lieutenants/below	659	
Not Subject to Home-Garaging Committee Review		
Command Officers HGAs	127	
Motorcycle HGAs		302
Total Authorized HGAs	786	302
Unauthorized HGAs - Temporary Authorization	88	
Total HGAs	874	302
 (1) - This includes eight vehicles provided for Mayoral Security Detail		
 (2) - These are vehicles checked out for an extended period of time using temporary authorizations. The vehicles are essentially being used like permanent home-garaged vehicles. See page 38 for details.		

Source: LAPD records

Los Angeles Fire Department

Like LAPD, the Fire Department operates its own home-garaged vehicle program without the involvement of the CAO and GSD. The LAFD has 130 home-garaged vehicles.

➤ Assignment of Fire Department Home-Garaged Vehicles

LAFD indicated that it assigns its vehicles based on two criteria; (1) management personnel at the Assistant Chief level and above and (2) individuals assigned to the incident management team (including arson investigators). The vehicles assigned to the incident management team stays with the position if the employee transfers to another position. Unlike the LAPD, LAFD's criteria for vehicle assignments are not documented.

➤ Breakdown of Vehicles in the Fire Department Program

Following is a breakdown of the 130 home-garaged vehicles:

Table 4	
Fire Department Home-Garaging Authority	
Essential Personnel (Chiefs, Assistant Chiefs)	11
Personnel assigned to the Incident Management Team	119
	<u>130</u>

Source: LAFD Records

LAFD also has 23 reserve vehicles for temporary use such as when Fire Department personnel go on training within or outside the City. These vehicles are used as needed by employees and can be used for temporary home-garaging. LAFD also buys and maintains its vehicles.

OBJECTIVES, SCOPE AND METHODOLOGY

The primary objective of this audit was to evaluate the controls over the assignment, usage, and monitoring of home-garaged vehicles to ensure maximum benefits to the City. We also evaluated the costs of each program in order to determine whether there is a potential for savings by reimbursing employees for mileage they incur on their private vehicles for City business.

The audit was performed in accordance with Generally Accepted Government Auditing Standards and covered the period from July 1, 2006 through June 30, 2008. Fieldwork was conducted between August 2008 and December 2008. The scope of the audit was limited to the executive fleet, and the LAPD and LAFD home-garage vehicle programs. We performed our detailed testing relating to the LAPD program at the Major Crime Division, the Force Investigation Division and the Narcotics Division. This audit did not include the City’s three proprietary departments who also operate their own home-garage vehicle programs. The audit did not include a review of home-garaged motorcycles or LAPD’s black and white vehicles.

In conducting our audit, we interviewed management and staff involved in the three programs and reviewed applicable City policies and departmental procedures to obtain an understanding of the assignment, usage and monitoring of their home-garage vehicle programs. We reviewed samples of home-garaging authorization forms, vehicle logs, and accident reports involving home-garaged vehicles to determine whether the assignment and monitoring of the home-garage programs are reasonable and

consistent with City policies. We also analyzed mileage and cost data to determine an estimate savings using mileage reimbursements.

Because the executive fleet vehicles are primarily assigned to elected officials, we contacted the Mayor's office, the City Attorney and the Council offices to solicit information regarding the assignment and monitoring of City vehicles allocated to their offices. We received responses from the Mayor's office and 10 of the 15 Council offices. In general, the elected officials believe GSD is monitoring the usage of vehicles and fuel but would like to receive usage reports from GSD so they can properly monitor their vehicles and fuel usage. Our survey questions are included in Attachment I.

As part of our audit, we also contacted five other municipalities to obtain best practices regarding home-garaging and fleet vehicles. Our survey questions, along with the response are included in Attachment II.

The remainder of this report details our findings, comments and recommendations.

AUDIT FINDINGS AND RECOMMENDATIONS

SECTION I. HOME-GARAGED VEHICLE NEEDS ASSESSMENT

Finding #1: Numerous employees in the LAPD and LAFD have been assigned home-garaged vehicles but whose use of a home-garage vehicle may not be justified. In some cases, employees have been assigned home-garaged vehicles based solely on their positions. In other cases, employees do not meet the department's established criteria.

Sec. 63.106 of the Los Angeles Municipal Code restricts the use of City vehicles to City business. In order for an employee to be assigned a home-garaged vehicle, there should be an "off-duty" business need for the vehicle. Our observations relating to LAPD and LAFD home-garaged vehicle assignment are discussed below.

Los Angeles Police Department

LAPD's home-garage program falls into two categories. The first category comprises the vehicles assigned to the employees at the rank of Captain and above and the second category comprises the vehicles assigned to employees at the rank of lieutenant and below.

➤ **Command Staff (rank of Captain and above)**

According to the Police Department, each employee at the rank of captain and above automatically receives an assigned home-garaged vehicle. There are 128 employees currently at this level in the Police Department and each has a home-garaged vehicle. LAPD stated that this was negotiated as part of a Memorandum of Understanding (MOU) several years ago. LAPD was not able to provide the agreement. However, the department did provide a document that was dated on April 25, 1998 by the Los Angeles Police Command Officers Association. This document indicates that employees at the level of command officer or higher (and civilian equivalents) are entitled to a home-garaged vehicle.

The current MOU agreement between the City and the Los Angeles Police Officers Command Association does not include a provision for an automatic award of a home-garaged vehicle as part of a compensation package for each employee at the rank of captain and above². LAPD does not monitor the usage of the vehicles

² The Los Angeles Police Officers Command Association represents all police officers at the rank of captain and above.

assigned to these employees. Unlike the lieutenant category (discussed below), captains are not subject to annual reviews and they do not complete vehicle logs.

To justify the assignments, LAPD stated that, in general, employees at this level are command officers and need home-garaged vehicles because their duties require regular and unscheduled inspectional and supervisory activities. However, because the Department does not track callouts or monitor usage of vehicles for this group of employees, it is difficult to assess whether and how often these employees conduct City business "off-duty."

Also included in this category are 21 civilian positions. While these civilian positions are equivalent to captain and above, in most cases, their functions do not appear to have a regular "after-hour" business need for vehicles. The civilian employees hold the following titles:

1. Executive Director of the Board of Police Commissioner
2. Inspector General
3. Public Information Director
4. Consent Decree Bureau Director
5. TEAMS II Development Bureau Director
6. Information & Communications Services Bureau
7. Asst. C/O Information & Communications Services Bureau
8. Police Training Administrator
9. Chief Psychologist
10. Director of Systems
11. Director of Records and Identification
12. Information & Technology Division Director
13. Administrative & Technical Services Director
14. Asst. Director Administrative & Technical Services
15. Asst. Director Administrative & Technical Services
16. Director of Police Transportation
17. Director of Scientific Investigation Division
18. Senior Property Officer
19. Director of Facility Management
20. Fiscal Operation Director
21. Personnel Director

The Department indicated that, just like the command officers, these civilian managers are required to be on call. Based on these employees' functional responsibilities, we question whether all these civilian administrative positions warrant take-home vehicles. For example, during work hours, LAPD has pool vehicles available that can be utilized for work-related travel. In addition, LAPD does not maintain logs to track after-hour callouts to assess the effectiveness of vehicles assigned to these individuals.

➤ Lieutenants and below

There are 659 (out of 786) authorized vehicles assigned to employees at the rank of lieutenants and below. These include sworn officers whose duties subject them to regular emergency callouts or require them to report directly to locations other than their assigned headquarter locations. The Department policy established a threshold of at least 10 emergency callouts per year for receiving and retaining a home garaging authority. This equates to less than one callout per month. Officers are required to submit a monthly usage log, detailing their emergency callouts.

Some employees in this category that are receiving home-garaged vehicles do not meet the established criteria of 10 emergency callouts per year. We reviewed callout logs for 225 vehicles used by three divisions in FY 2007-08 and noted the following.

Table 5		
Vehicles Not Meeting Minimum Established Callouts		
Division	No. of Approved Authorities	No. of Authorities with less than 10 callouts during the year
Major Crimes	74	43
Narcotics	84	7
Force Investigation	67	27
	<u>225</u>	<u>77</u>

Source: LAPD's Records

Table 5 above shows that, of the 225 authorities, 77 (34%) home-garage authorities did not meet the required minimum of 10 callouts per year, yet these vehicles were retained as home-garaged. Of those 77 authorities, eight reported zero callouts for the year, and another 40 reported five callouts or less.

In addition, we noted that 227 of the 659 (34%) employees in this category live outside Los Angeles County. It is questionable whether employees residing 50 to 90 miles away from the City can respond to an emergency call within the City limits in a timely manner.

Recent LAPD Actions

According to LAPD management, as a result of our audit and the current budget situation, the LAPD has decided to take away home-garaging privileges for approximately 120 employees. Letters were sent to bureaus/division heads requesting

that they notify the employees that their home-garaging authority will be revoked 30 days after notification. LAPD management indicated that overtime costs may increase since there will be instances where an employee will incur additional work time to bring the vehicle back to the designated LAPD site. In addition, LAPD management indicated that there are no plans to eliminate any of the 120 vehicles. Instead, the vehicles will become pool vehicles.

With respect to the 21 civilian employees with home-garaged vehicles, LAPD management agrees that for some positions, a home-garaged vehicle may not be justified. However, the LAPD does not plan to revoke these employees' home-garaging authority. Instead, if an employee in the current position terminates LAPD service, the home-garaging authority related to the position will be revoked.

Los Angeles Fire Department

The Los Angeles Fire Department (or LAFD) also has not formally reviewed the need for each home-garaged vehicle and may be providing home-garaged vehicles to some staff that do not consistently have "off-duty" callouts. LAFD has 130 employees with home-garaged vehicles. LAFD stated that it assigns home-garaged vehicles based on CAO Rule No. 5. However, its vehicle assignment procedures are inconsistent with Rule No. 5. Specifically, LAFD does not maintain written justification for home-garaged vehicles nor does it annually review each vehicle assignment to ensure continued justification, as required by Rule No. 5. Fire Department also does not track "off-duty" callouts by employees with home-garaged vehicles and does not require vehicle usage logs.

Since the Department does not record callouts, we interviewed 20 employees to find out from them how often they are subject to callout. Two employees informed us that they had no callouts during FY 2007-08 and five stated they had less than five calls for the year. We also noted 29 of the 130 (22%) employees with assigned home-garaged vehicles are on training teams. Vehicles assigned to these employees are classified as non-emergency sedans. LAFD stated that training teams often respond to large events to gather information related to future training exercises. We question whether all 29 employees need take-home vehicles for this training function.

We recognize that the Fire and Police departments must have adequate capabilities to respond to emergency situations. Because an emergency can never be predicted, it is imperative that the City have its public safety resources in a "state of readiness" at all times. The flexibility of having some home-garaged vehicles for some command and support personnel is necessary. However, the home-garaged need for each vehicle should be thoroughly evaluated on a continuous basis to ensure that the assignment is truly based on the City's emergency operational needs.

Recommendations

The Mayor and City Council should:

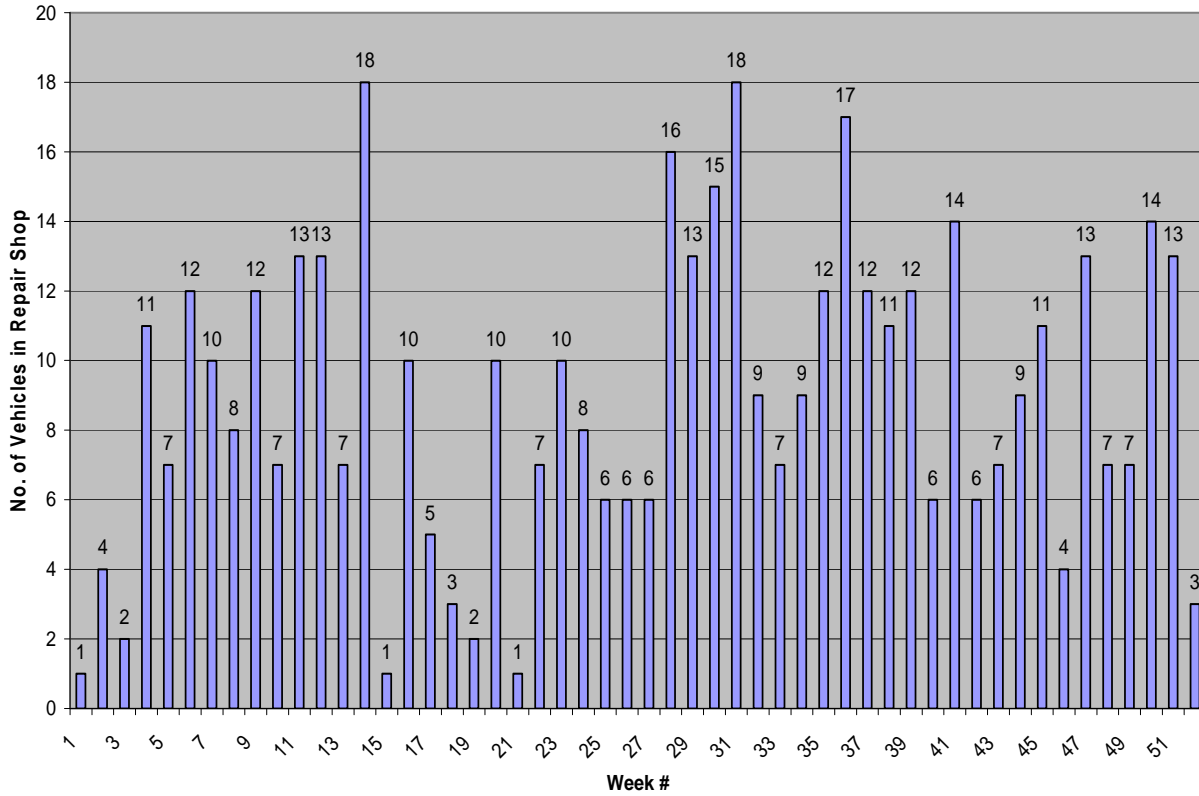
- 1. Instruct LAPD and LAFD to work with CAO to develop uniform, stringent, and clear criteria for assigning home-garaged vehicles to ensure that each assignment is based on the City's business needs. The criteria should clearly define which positions are subject to emergency callouts.**
- 2. Instruct LAPD and LAFD to embark on a vehicle by vehicle review of current drivers to ensure that each vehicle being home-garaged is properly justified based on the criteria established in Recommendation #1.**
- 3. Instruct LAFD to establish an annual review process to reassess home-garaged vehicles to ensure every vehicle continues to be justified.**

Finding #2: The executive fleet has excess reserve vehicles.

As indicated earlier, the executive fleet has 48 reserved vehicles, approximately one for every four assigned home-garaged vehicles. According to GSD, the reserve vehicles are used as loaners when assigned vehicles are in repair shops. The number of reserve vehicles appears to be excessive, and GSD has never determined how many vehicles are needed as a reserve. However, the Department indicated the number of the vehicles in reserve has increased because several vehicles were returned by the Mayor's Office as a cost cutting measure but have not yet been dispositioned.

To understand how frequently the executive fleet assigned vehicles were in the shop, we analyzed the maintenance data for FY 2007-08. The 165 assigned executive fleet vehicles were in repair shops a total of 465 times during FY 2007-08, an average of slightly less than 3 times per vehicle. On average, there are nine vehicles in the shop each week, with a range of one to 18. The chart below shows the number of vehicles in the shop each week during FY 2007-08.

**Executive Fleet - No. of Vehicles in Repair Shop by Week
FY 2007-08**



According to GSD, a scheduled maintenance takes about a half a day to complete. The maximum number of vehicles that came in for service on any day during the year was eight. Using this as a guide, only eight vehicles would be needed. However, if we assume conservatively that each vehicle is in the shop for a week, a maximum number of 18 reserve vehicles would be needed. This is because, as shown in the diagram above, the maximum number of vehicles in the shop during any week of the year was 18. Thus, GSD should be able to reduce the number of vehicles in the reserve pool by 20 to 25 vehicles. Maintaining 48 vehicles when half the number appears to be sufficient represent an underutilization of resources. Eliminating 20 to 25 vehicles could save the City approximately \$122,000 to \$153,000 a year³.

Recommendation

- GSD management should perform an analysis to determine the appropriate number of vehicles needed as a reserve, with the goal of reducing the number of vehicles in reserve.**

³ The executive fleet annual cost per vehicle is \$6,117.

SECTION II. COST OF HOME-GARAGED VEHICLE PROGRAMS

Finding #3: The City spends an estimated \$10 million a year on the home-garaged vehicle programs at LAPD, LAFD and the Executive Fleet. The City does not analyze costs related to staff using City vehicles for home-garaging purposes compared to other alternatives, such as the cost of paying mileage for using personal vehicles.

Home-garaged vehicle expenses and costs should be periodically reviewed to ensure that the program continues to meet the City's business needs in a cost effective manner. Currently, the City does not analyze costs related to operating City vehicles for home-garaging purposes compared to other alternatives, such as the cost of paying mileage for using personal vehicles.

Based on data obtained from GSD, LAFD and LAPD, we determined the costs related to the three home-garaged vehicle programs. Table 6 shows an estimated total purchase cost of \$27 million for the 1,131 vehicles in the three home-garaged programs (an average of \$23,952 per vehicle). We categorized the executive fleet into two groups to differentiate between the vehicles allocated to the department heads and elected officials versus those allocated to staff.

Table 6				
Vehicle Purchase Cost				
	No. Vehicles	Total Purchase Cost	Average Purchase Cost	Vehicle Cost Range
Exec Fleet - GMs/Elected Officials	39	\$ 1,193,777	\$ 30,610	From \$21,185 to \$40,707
Exec Fleet - Staff/Reserve	176	\$ 3,859,966	\$ 21,932	From \$16,314 to \$34,757
Fire Department	130	\$ 3,528,539	\$ 27,143	From \$13,195 to \$87,000 (1)
Police Department	786	\$ 18,507,534	\$ 23,546	From \$16,359 to \$53,913 (1)
	1,131	\$ 27,089,816	\$ 23,952	

(1) - The higher average cost for the Fire Department and Police Department vehicle programs can be attributed to specialized emergency response equipment. For example, the Fire Department program includes 14 vehicles with specialized equipment with a purchase price ranging from \$53,296 to \$87,000.

Source: GSD, LAPD and LAFD financial records

In addition to purchase costs for vehicles, ongoing operating costs include the cost of fuel, routine maintenance, accident and claim costs.⁴ Table 7 below shows an estimated annual operating cost per vehicle for each program. The schedule does not include claim costs because the City Attorney's Office was not able to provide a breakdown of these costs by department or for vehicles only used for home-garaging. In essence, the estimated City's costs as shown in tables 7 and 9 would be higher if claim costs were included.

Although the average purchase cost per vehicle is relatively close for all programs, the average annual cost per vehicle is lowest for the executive fleet staff and reserve vehicles. This is primarily because 75 percent of the 215 vehicles in the executive fleet are hybrid vehicles. Lower fuel costs could be attributed to fuel efficiency of the hybrids while lower maintenance costs could be because the majority of the vehicles are relatively new⁵. Fire and Police vehicles have a significantly lower number of hybrids in

⁴ Claim costs are judgments against the City as a result of an accident involving a City owned vehicle.

⁵ With respect to fuel costs, since the City does not have accurate fuel data per vehicle, we obtained standard miles per gallon for the vehicles in the programs from the United States Department of Energy's

their fleets. In addition, police and fire vehicles tend to have more mileage and thus use more fuel and are repaired more often.

	No. of Vehicles	Depreciation Cost (1)	Annual Ongoing Cost		Total Annual Cost (2)	Annual Cost Per Vehicle
			Fuel Cost	Maintenance and Repair Cost		
Exec Fleet - Elected Officials	16	\$ 85,912	\$ 25,473	\$ 28,077	\$ 139,462	\$ 8,716
Exec Fleet - GMs	23	\$ 113,051	\$ 22,605	\$ 19,226	\$ 154,882	\$ 6,734
Executive Fleet - Staff & Reserve	176	\$ 643,328	\$ 125,783	\$ 251,886	\$ 1,020,996	\$ 5,801
Fire Department	130	\$ 560,407	\$ 323,733	\$ 257,695	\$ 1,141,835	\$ 8,783
Police Department	786	\$ 3,084,589	\$ 1,992,583	\$ 2,048,471	\$ 7,125,644	\$ 9,066
Total	1,131	\$ 4,487,286	\$ 2,490,178	\$ 2,605,355	\$ 9,582,819	

(1) - We used straight line depreciation of six years. GSD, LAFD and LAPD use six years as the replacement cycle for sedans.

(2) - These costs do not include claim costs. The City Attorney was unable to provide a breakdown of claim costs by department or for vehicles only used for home-garaging.

To get an idea of how much vehicle usage is attributed to City business, we obtained self-reported commuting miles and total miles for a sample of 60 employees. The ratios are displayed in Table 8 below.

Program	% of Commuting miles to Annual Miles
Executive Fleet	53%
Fire Department	64%
Police Department	72%

The City could save money by reducing the number of vehicles used for home-garaging purposes. As shown in Table 8, since a high percentage of the vehicle usage is for

website –fuelconomy.com. We then calculated the fuel usage using the standard miles per gallon, miles driven, and the City’s average cost per gallon for FY 2006-07 and FY 2007-08.

commuting, exploring alternative options such as using the Motor Pool or paying mileage to employees for using private vehicles for City business would help reduce the expenses related to the home-garaged vehicles.

In Table 9 below, we compared the cost of paying employee mileage for official business miles driven on personal vehicles to the City's annual cost of a home-garaged vehicle.

Vehicle Cost Compared to Mileage Authority						
	Annual Average Miles	City Business Miles (1)	Commuting Miles (1)	City Cost Using Mileage Authority (2)	Annual Cost Per Vehicle (from Table 7) (3)	Annual Savings Per Vehicle
Exec Fleet - Elected	13,611	-	-	\$ 6,000	\$ 8,716	\$ 2,716
Exec Fleet - GMs	10,719	-	-	\$ 6,000	\$ 6,734	\$ 734
Exec Fleet - Staff	7,151	3,576	3,576	\$ 1,806	\$ 5,801	\$ 3,995
Fire Department	17,063	8,532	8,532	\$ 4,308	\$ 8,783	\$ 4,475
Police Department	17,370	8,685	8,685	\$ 4,386	\$ 9,066	\$ 4,680

(1) - Although a sample of self reported commuting mileage for staff with home-garaged vehicles shows an average of 60% utilization for commuting or personal use, we used a more conservative 50% for commuting in our calculation.

(2) - Based on current reimbursement rate of 50.5 cents (as of December 2008) per official business mile or an allowance of \$500 a month in the case of a department head or an elected official.

(3) - These costs do not include claim costs. The City Attorney was unable to provide a breakdown of claim costs by department or for vehicles only used for home-garaging.

The comparative analyses in Table 9 show a significant savings for the City ranging from \$734 to \$4,680 per vehicle per year. With respect to the department heads and elected officials, the Los Angeles Administrative Code provides an option of a City car or a \$500 monthly allowance. Therefore, mileage authority is not an option for this group unless the Code is changed. An allowance option would cost the City \$6,000 (\$500 times 12) per year. However, at an estimated "annual cost per vehicle" of \$8,716 for elected officials, the allowance option produces a savings of \$2,716 per year per vehicle (\$8,716 minus \$6,000). At an estimated "annual cost per vehicle" of \$6,734 for general managers, the allowance option produces a savings of \$734 per year per vehicle (\$6,734 minus \$6,000).

There is even greater potential savings for the other three categories of Police, Fire and staff executive fleet. For example, under our conservative assumptions, if the City

eliminates 20% of the vehicles in each of the three programs and uses mileage authority, it could realize a savings of approximately \$1 million a year⁶. Given that LAPD currently has 70% of 1,131 authorized home-garaged vehicles, the reduction is likely to impact the LAPD home-garaged program the most. However, the 20% reduction appears reasonable since LAPD had 40% less vehicles just five years ago. LAPD management stated that the increase can be partly attributed to the creation or expansion of entities responsible for Counter Terrorism/Homeland Security (including the Major Crime Division and Emergency Services Division) and Consent Decree compliance. In addition, LAPD management stated that the number of home-garaged vehicles has increased as a result of its review of temporary home-garage assignments. LAPD's review identified many vehicles that were classified as temporary assignments when they should have been classified as regular home-garaged vehicles because the assignments were not temporary.

Many municipalities around the country have taken steps to reduce the cost and number of their take-home vehicles by exploring alternative options. The City of Chicago, for example, significantly reduced its non-emergency take-home executive vehicles by implementing a shared-lease option for executives where employees and the City share the lease costs and the employee pays for fuel usage. The City of San Jose uses mileage reimbursement for non-emergency employees that are on "stand by" status. The City of Los Angeles should also explore many of these alternative options to reduce its costs, especially in light of the current budget crisis.

Recommendations

The Mayor and City Council should:

- 5. Instruct the CAO, LAPD, and LAFD to explore other alternative options to reduce the number of home-garaged vehicles.**
- 6. Designate one City Department to periodically analyze the cost of the home-garage vehicle programs to determine whether any modifications to the programs should be made.**

⁶This amount was calculated using tables 7 and 9. For example, table 7 shows that LAFD has 130 vehicles. A 20% reduction would equate to 26 vehicles. The savings per vehicle per table 9 is \$4,475. This results in total potential savings of \$116,350 (26 times \$4,475) related to LAFD.

SECTION III. HOME-GARAGE POLICIES

Finding #4: The type of insurance policy that employees with home-garaged vehicles are required to purchase is unclear to many employees, the requirement is not being monitored, and the insurance may not be feasible for employees to procure.

The City is self-insured, and drivers of city vehicles are protected when they are driving within the scope of their duties. According to the City Attorney's Office, the City is precluded from paying claims for accidents that arise from unauthorized use of a vehicle by an employee's or officer's relative, reckless driving, driving under the influence, or use of a vehicle for personal reasons such as running errands. To protect the driver of a City-owned vehicle in these cases, every driver who regularly garages a City vehicle away from headquarters is required to be insured by a standard automobile liability insurance policy. City guidelines require the standard insurance coverage to satisfy the limit in either (1) the Financial Responsibility Laws of the California Vehicle Code or (2) Section 4.232 of the Los Angeles Administrative Code, whichever amount is higher. Currently, the Administrative Code requires a higher liability policy limit of at least \$50,000 for bodily injury in an accident, and at least \$5,000 for property damage.

The insurance requirement is not monitored or enforced by LAPD, LAFD or the CAO. The CAO relies on department heads, Council members and elected officials to monitor for compliance for themselves and for their employees.

In response to requests for clarifications from employees, the CAO, issued a memo in July 2007, to department heads, which states, in part, "authority to home garage a City vehicle comes with a responsibility of procuring a standard personal automobile insurance policy, whether or not the employee owns their own vehicle or not. It is incumbent on the employee to ensure that such policies provide coverage for a City vehicle, i.e. a vehicle driven but not owned by the driver."

The language in the CAO's memo indicates that the drivers need to ensure that their policies provide coverage for their assigned City-owned vehicles. However, our testwork indicates that further clarification may be necessary. None of the 40 policies we reviewed at LAPD, LAFD or the CAO had extended coverage for City vehicles. Possible reasons for this include; the employee did not receive or understand the CAO's memo, the employee elected not to comply, or the employee was unable to find an insurance company offering this type of policy.

We contacted several companies and could only find a few that offer the coverage required by the City. Even with the low limits required by City policies, the companies quoted a price ranging from \$1,100 to \$1,700 a year. Due to this high cost, the City needs to evaluate whether employees should be required to procure this insurance for their home-garaged vehicle. The CAO believes it should be each department's

responsibility to ensure that their employees have the proper type of insurance. Given the fact that none of the employees we reviewed has the required insurance, we believe that the CAO should take responsibility to ensure City vehicles are properly protected by adequate insurance. Because there is a lack of enforcement of the insurance requirement and because there may be cost impediments to acquiring adequate insurance coverage, significant risk and liability exists both for the City and for its employees who drive City-owned cars.

Unlike the employees with permanent home-garaged vehicles, there is no insurance requirement for employees who temporarily home-garage a vehicle. As discussed in finding #1 on page 21, several employees use temporary home-garaging vehicles longer than the 60-day limit. The City is just as exposed to liability when an employee is driving a temporary home-garaged vehicle.

Recommendations

The CAO and City Attorney should:

- 7. Reevaluate whether employees should be required to procure insurance for their City owned vehicle.**

If it is determined that employees need the additional insurance, the CAO should:

- 8. Issue another policy to clarify the type of insurance required, provide guidance on how this insurance can be obtained, and monitor for compliance on a periodic basis.**
- 9. Revoke the home-garaged privilege for individuals who do not comply with the insurance requirements.**
- 10. Work with the Office of the City Attorney to determine whether it is necessary for the City to have an insurance requirement for employees driving City vehicles under temporary home-garaging authority.**

Finding #5: LAFD does not have any policies for its home-garaged vehicle program.

Policies and procedures provide employees with limits, alternatives and general guidelines. They help to make instructions definite, provide a common understanding of a policy interpretation and set boundaries so that actions and decisions are channeled along a particular path in pursuit of an objective. LAFD needs policies and procedures to ensure the assignment, usage and monitoring of home-garage vehicles are consistent with City guidelines and are for City business use.

LAFD lacks policies and procedures for home-garage vehicles and personal use of City vehicles. Records of approvals of home-garaging authority do not exist. Although the Fire Department maintains a spreadsheet showing names of employees assigned City vehicles, there are no authorization forms with justifications and employee signatures. The Department stated it is now developing its own policies, modeling the policies after the guidelines in CAO's Rule No. 5. Unlike the LAPD, LAFD does not require its employees to complete vehicle logs for "off-duty" callouts.

Recommendation

11. LAFD management should develop written comprehensive and policies for its home-garaged program.

Finding #6: City employees need additional training or clarification on what constitutes an acceptable business use of a City vehicle.

The Governmental Ethics Ordinance prohibits City officials and employees from using City resources, including City vehicles, for personal use. As discussed previously, the City's Administrative Code also prohibits the use of City vehicles for any purpose other than official City business. The City Ethics Commission provided the following examples of uses of City cars that are not permitted:

- Using a City car to attend a political campaign or events.
- Using a City car to drive a child to a Little League practice after work.
- Allowing family members to use a city vehicle for personal business, such as a trip to the market to buy groceries.
- Asking a member of the staff to use a vehicle to perform errands for a supervisor.

The fact that some employees are believed to be "on call" all the time may make it difficult for staff to separate personal use from business use. For example, one LAFD employee told us that because he is always "on call," whenever he travels a long distance away from his residence, he often drives his assigned City car so that he would have access to the car in the event he had to respond to an emergency. This employee considers using the City vehicle this way business-related because of his "on call" status. Others may disagree and view this type of usage as personal.

Our office has received several anonymous calls from employees and citizens on our Fraud, Waste and Abuse hotline on employees potentially abusing City vehicles by using them for personal business during and after work hours. Examples of some of the complaints we have received include employees seen picking up family members, transporting children to and from day care, allowing family members to drive a City vehicle, using a City vehicle to run personal errands during work hours, etc. If certain

employees are always considered to be “on-call” to respond to emergencies, then employees may consider these examples to be acceptable.

In reviewing a sample of accident reports involving LAPD home-garaged vehicles, we noted two cases that suggest personal use. In one case, an unoccupied police sedan was parked on a suburban street in the City of Rolling Hills Estates, outside of Los Angeles, when it was hit by another vehicle. In another case, an accident occurred in Huntington Beach in the parking lot of a Blockbuster; the passenger door was hit when the officer’s wife opened the door. The Police Department did not provide us any detailed information on the resolution of the two accidents. However, we were informed that the accidents were investigated and appropriate action was taken to resolve the issues.

Our review suggests a need to clarify the business use policy for all City employees who drive City vehicles. These policies should be clear with respect to whether certain employees are considered to be on-call and the criteria for being on-call. Although it is not possible to cover every situation, the policies should also provide additional clarification and examples of what constitutes business and personal use for both employees on-call and those not on-call. For example, the policies should address whether employees are allowed to run errands, attend entertainment events, or transport another individual if the employee is on the way to or from work and the additional miles driven are minimal. Because current policies may not be clear, significant risk and liability exists both for the City and for its employees who drive City-owned cars.

If it is decided that some employees are always on-call, the City should recognize that some citizens will be concerned or upset when they see employees using vehicles for what they would consider to be personal use. If it is decided that certain employees are not always on-call, then departments should monitor their employees to ensure they are using their vehicles only for business. Our audit of “City Passenger Vehicles and Fuel Usage” contains a recommendation for GSD to begin providing departments with regular reports of vehicle and fuel usage. These reports could be used to assist departments in monitoring for inappropriate personal use.

Recommendation

- 12. The CAO, City Attorney, and the Ethics Commission should reach agreement and provide clarification and additional examples of what constitutes acceptable/unacceptable use of a City vehicle.**

Finding #7: There are no price restrictions for vehicles purchased under the home-garaged vehicle programs.

Executive Fleet

GSD purchases vehicles that are used for the executive fleet. There are no policies and procedures stipulating the maximum price for home-garaged vehicles. With respect to vehicles purchased for the elected officials, the Council adopted a motion in 2002, to restrict vehicle purchases to a maximum price of \$25,000 and to make each elected official eligible for a replacement vehicle every four years. However, in 2003, the Council removed the maximum price cap and changed the eligibility for a replacement vehicle to three years. The removal of the price cap has had some financial impact on the average price of vehicles in the executive fleet. The average purchase price for executive fleet vehicles in 2003 was \$20,923. By 2007-2008, it had increased by 45% to \$30,327. Prior to 2003, only one vehicle in the executive fleet cost more than \$30,000. The average cost of the last 25 executive fleet vehicles purchased is \$30,327.

Although the new policy also states that elected officials may request the purchase of any vehicle equivalent to a full-size sedan with the Ford Crown Victoria LX, Buick LeSabre Custom, and Chrysler Concorde LXI as examples, the three most recent vehicles purchased were Toyota Highlander Sport Utility Hybrid Vehicles that cost over \$40,000 each.

The Council motion did not address a maximum price for vehicles allocated to the staff of elected officials or for department managers. According to GSD, vehicles for department managers have traditionally been full-sized sedans such as Crown Victorias or Impalas, which typically cost around \$23,000. Now, they are purchasing more fuel-efficient mid-sized sedans and hybrids, such as the Honda Accord or Toyota Camry, which typically cost more than \$30,000. If the City assigned general managers smaller hybrid vehicles such as a Honda Civic and Toyota Prius, it could save \$5,000 to \$10,000 per vehicle.

LAPD/LAFD

LAFD also does not have any policy on the maximum price of vehicles to be purchased for its home-garaged program. However, the vast majority of LAFD emergency home-garaged vehicles are Ford Crown Victorias. The Department indicated this is to give members a large, safe vehicle when responding to an emergency. Most Chief Officers, Captains and other essential personnel also have Ford Crown Victorias. Other employees have smaller sedans. Police vehicle purchasing procedures follow similar guidelines. We did not see any material increase in the price of vehicles purchased for their programs over the last few years.

Recommendations

The Mayor and City Council should:

- 13. Adopt maximum price and fuel efficiency guidelines for vehicles purchased for the executive fleet. The maximum price could include a provision for cost increase adjustments.**
- 14. Direct the CAO, in conjunction with GSD, to recommend maximum price and other appropriate guidelines for vehicles that can be purchased for non-emergency home-garaging.**

SECTION IV. HOME-GARAGE MONITORING

Finding #8: Through the use of temporary home-garage permits, several divisions within the Police Department are able to effectively increase or maintain the number of their home-garaged vehicles without obtaining proper approvals.

According to the Police Department guidelines, temporary home-garaging can be approved for up to seven consecutive days. Employees complete a Special Parking Authorization (SPA) form to request temporary home-garaging authority. Division managers approve SPA forms. Policies prohibit garaging vehicles approved under temporary authority outside the County.

Unlike CAO Rule No. 5, which limits temporary home-garaging to a maximum of two consecutive months per year, Police Department policies do not specify time limits for temporary home-garaging. LAPD employees used 88 vehicles for more than two consecutive months during FY 2007-08. Several vehicles were home-garaged for an entire year using SPAs. The Divisions simply renew the SPA forms for each vehicle every week.

We reviewed the SPA forms for the Major Crime, Force Investigations and Narcotics divisions and noted the following:

- The Major Crimes Division used SPAs for 52 consecutive weeks to home-garage five vehicles, essentially increasing the number of permanent home-garage authorities without proper authorization.
- The Force Investigation Division (FID) was approved for 68 home-garage authorities for FY 2007-08. As discussed in finding #1 on page 21, using LAPD's 10 emergency callouts per year threshold, FID should have lost 27 home-garaging authorities because these authorities did not meet the 10 callouts per year requirement. However, the Home-Garaging Committee only reduced the number of authorities for FID by seven, to 61 for FY 2008-09 due to FID's appeal. As of the time of our fieldwork in October, the Division continued to home-garage the seven vehicles using SPAs. This defeats the purpose of the Department annual review policy.
- We noted a total of 14 instances of vehicles garaged outside the County at the three divisions, in violation of the Police Department's policy.
- We did not note any problems with the Narcotics Division's use of the SPAs.

The divisions believe that they have an operational need for home-garaged vehicles, beyond the numbers approved for them by the Home-Garaging Committee. However, as discussed in finding #1 on page 21, a significant number of the authorized vehicles for these three divisions had zero callouts during the year. Using the temporary home-garaging process, the divisions were able to increase the number of home-garaged vehicles for their employees without obtaining proper approvals.

The LAPD vehicles used for temporary home-garaging are not subject to the same kind of monitoring as those permanently assigned. For example, employees who temporarily home-garage City vehicles are not required to submit monthly vehicle logs nor are they required to maintain insurance to cover them in case of accidents during personal use of the vehicles. Therefore, using a vehicle checked-out temporarily on a long-term basis exposes the asset to higher risk of misuse and the City to a liability. It should be noted that LAPD has recognized the problems and the misuse of its temporary home-garaging program and has designated the Home-Garaging Coordinator to provide more central oversight of the program.

Recommendations

LAPD management should:

- 15. Establish a limit, similar to the one in CAO Rule No. 5, for how long a Special Parking Authorization can be used to home-garage a City vehicle within a year.**
- 16. Properly monitor its temporary home-garaged vehicles to prevent misuse.**

Finding #9: Eleven employees with assigned home-garaged vehicles were not properly approved by the CAO.

As discussed earlier, CAO Rule No. 5 establishes the current policy and criteria for the use of City vehicles, including long-term assignments, occasional overnight use, and home garaging authority for Council controlled departments. We noted 11 employees at the Bureau of Sanitation (or the Bureau) and the Information Technology Agency that home-garaged departmental assigned vehicles without CAO's approval. Since these employees are not on CAO's approved listing of home-garaged vehicles, the employees have not been subject to the insurance requirements. In addition, they have not reported taxable income, even though some employees have been driving these vehicles as a home-garaged vehicle for over four years. (see finding #10).

Bureau of Sanitation

At our entrance conference, Bureau of Sanitation management stated that, except on rare occasions, employees are not allowed to take a vehicle home. However,

subsequently we found that the following eight employees have home-garaged vehicles assigned to them from departmental assigned vehicles. The employees do not appear on the CAO's listing of authorized home-garage users.

1. The Chief Operating Officer
2. Assistant Director
3. Plant Manager for Hyperion Treatment Plant
4. Plant Manager for Tillman and LAG Water Reclamation Plant
5. Division Manager for Hyperion Maintenance
6. Plant Manager for Terminal Island Water Reclamation plant
7. Bureau Emergency Response Coordinator
8. Agriculture Land Developer

The Bureau stated that it attempted to get five employees approved, but the CAO denied the requests in August 2008. The Bureau Director has continued to allow the employees to home-garage the vehicles without proper authorization, pending the Bureau's appeal. Some of the employees did not know their applications were denied by the CAO. A request was never made for the other three employees until October 2008 when the Department made a new request for approval. Three of the eight employees have been taking their vehicles home for at least four years. However, the CAO's listing of employees with home-garaged vehicles does not include any of these employees.

The Bureau does not monitor callouts or the usage of these vehicles, making it difficult to assess the justification for the assignments. In response to our inquiries, Bureau management stated that these employees are assigned home-garaged vehicles because they are expected to respond to emergency callouts as well as to make periodic visits during off hours. The Bureau also stated that the positions had been approved in the past for home-garaging status. However, because some of these employees may have been approved in the past does not necessarily mean that they continue to be entitled to the privilege. The annual review process was established to ensure that each vehicle is re-evaluated annually to ensure the assignment continues to be in the best interest of the City.

Information Technology Agency

Three ITA managers are designated to stand-by duty to provide on call support for applications, system or hardware on a quarterly, rotational basis. ITA stated that each manager is assigned a vehicle. The three managers rotate the on-duty assignment throughout the year with only one employee on call at a time. ITA indicated that the three directors home-garage their vehicles only when on call. Since each employee home garages his or her vehicle four months a year, this exceeds the temporary home-garaging limit of sixty days a year. Consequently, the ITA should have requested CAO's approval for these employees. The Department stated that it will submit applications to the CAO for home-garaging authority for the three managers. However, in the meantime, the employees will be allowed to home-garage the vehicle if on-call.

Recommendations

- 17. The Bureau of Sanitation and the Information Technology Agency should stop having the eleven employees mentioned above home-garaged City vehicles until proper approval is obtained.**
- 18. The Bureau of Sanitation and the Information Technology Agency management should work with the eleven employees to determine the estimated personal use (commuting) portion of the total vehicle usage for each year they have had their City-owned vehicles. These estimated mileage data should be submitted to the Payroll Operations of the Controller's Office so that these employees can be properly assessed fringe benefits in accordance with the IRS guidelines.**

Taxable Income Reporting

Finding #10: Certain LAPD and LAFD employees should have reported taxable income because they do not actively participate in the prevention and/or investigation of crimes.

According to Internal Revenue Service (IRS) Publication 15-B, "Employer's Tax Guide to Fringe Benefits," a fringe benefit is a form of pay for the performance of services. The personal use of a City vehicle is considered a "non-cash" fringe benefit subject to taxes. Commuting is considered personal use. City employees who are assigned home-garaged vehicles must report the personal use portion as a fringe benefit. IRS Publication 15-B prescribes the methods for determining commuting costs as taxable income.

The Controller's Office Payroll Operations tracks the taxation and reporting for personal use of City vehicles. The City does not withhold federal and state income tax on the personal use of a vehicle. However, wages are reported and social security and Medicare taxes are withheld.

Every October, Payroll Operations obtains a list of employees with home-garaged vehicles from the CAO and mails out instructions and the forms that need to be completed directly to each employee. City employees are instructed to complete the forms and return them to Payroll Operations. The Controller's Office has the authority to assign a value if the form is not turned in.

According to Payroll Operations, the City reported income for 208 employees in 2006 and for 229 employees in 2007. These include the elected officials, the elected officials' staff, and department heads that are part of the executive fleet. LAPD and LAFD do not report fringe benefits for any of its staff. These departments believe that all their staff meets the exception to the IRS taxable income reporting requirement.

Exceptions to Taxable Income Reporting

According to IRS Publication 15-B, the taxable income is excluded if the vehicle provided to the employee is considered a “nonpersonal-use vehicle.” The publication defines a qualified “nonpersonal-use” vehicle as any vehicle the employee is not likely to use more than minimally for personal purpose because of its design. Generally, qualified “nonpersonal-use” vehicles include the following vehicles:

1. Clearly marked police and fire vehicles.
2. Unmarked vehicles used by law enforcement officers, if the use is officially authorized.
3. An ambulance or hearse issued for its specific purpose.
4. Any vehicle designed to carry cargo with a loaded gross vehicle weight of over 14,000 pounds.
5. Passenger bus with a capacity of 20 or more used for its specific purpose.
6. Delivery trucks with seating for driver only or the driver plus a folding jump seat.
7. School buses.
8. Tractors and other special-purpose farm vehicles.
9. Pick-up truck hydraulic lift gates, permanent tanks or drums, permanent side boards, or other heavy equipment that is used to transport a particular type of load.

While most LAPD and LAFD employees would qualify for exemption from tax reporting under #1 and #2, several employees within the departments who are assigned an “unmarked” vehicle do not appear to qualify.

The Treasury Regulations, Subchapter A, Sec. 1.274-5T(k)(6) (i) and (ii) provide the following further clarification on the definition of an “unmarked law enforcement vehicle” and “law enforcement officer.”

(i) ***Unmarked law enforcement vehicles***—In general, the substantiation requirements of section 274(d) and this section do not apply to officially authorized uses of an unmarked vehicle by a “law enforcement officer”. To qualify for this exception, any personal use must be authorized by the Federal, State, county, or local governmental agency or department that owns or leases the vehicle and employs the officer, and must be incident to law-enforcement functions, such as being able to report directly from home to a stakeout or surveillance site, or to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips cannot qualify as an authorized use.

(ii) ***Law enforcement officer*** -The term law enforcement officer means an individual who is employed on a full-time basis by a governmental unit that is responsible for the prevention or investigation of crime involving injury to persons or property (including apprehension or detention of persons for such crimes), who is authorized by law to carry firearms, execute search warrants, and to make arrests (other than merely a citizen's arrest), and who regularly carries firearms (except when it is not possible to do

so because of the requirements of undercover work). The term law enforcement officer may include an arson investigator if the investigator otherwise meets the requirements of this paragraph (k)(6)(ii), but does not include Internal Revenue Service special agents.

Based on the above definitions, it appears the following employees that are assigned “unmarked” home-garaged vehicles do not qualify for exemption:

- Fire Department managers with unmarked vehicles – With the exception of arson investigators, who are considered peace officers, all Fire Department employees with unmarked vehicles do not appear to qualify for the exemption and therefore should report taxable income for their personal vehicle usage. This includes the Fire Chief, five Deputy Chiefs and one administrator. It should be noted that a recent Grand Jury audit of Los Angeles County also determined that the fire department administrators driving unmarked vehicles need to report taxable income.
- Police Department civilian employees and officers not involved in the prevention or detection of crime also do not appear to qualify as “law enforcement officer.” For example, the 21 civilian positions listed in finding #1 on page 21 do not appear to qualify as “law enforcement officers” as defined by the IRS.

Recommendation

- 19. LAPD and LAFD management should determine the employees that do not qualify for IRS tax exemption and provide the list of employees to the Controller’s Office so that the employees’ W-2s can include taxable income related to the home-garaged vehicle.**

Finding #11: All forms for approval of executive home garaging authority are not re-evaluated annually.

CAO Rule No. 5 requires all home garaging authorities to be approved annually. Rule No. 5 states that, each year in September, the CAO should transmit a list of currently approved home-garaging permits to all department general managers. The rule was intended to ensure that the need for each home-garaged vehicle is evaluated annually. This notice also serves to reinforce the requirement and policies of the home-garaging program. In addition, the notice provides the CAO the avenue to monitor insurance policies by obtaining a certification from the general managers that they and their staff are maintaining appropriate insurance policies on their assigned City vehicles. Prior to July 2008, the CAO had not sent any notices since 2005. Of the 168 employees with home garaging, only 42 had current forms on file with the CAO.⁷ The CAO indicated

⁷ As of January 2009, the CAO stated that the majority of forms are now on file.

that the annual review was not completed because, during FY 2006-07, home garaging and the approval process were being reviewed for potential policy changes.

Without this annual review process, the CAO may not be aware of any driver changes or new employees. For example, as discussed in finding #9, some of the employees at the Bureau of Sanitation believe they have authorization to drive their assigned vehicles even though no proper permit was on file with the CAO. The Bureau of Sanitation submitted applications for five employees after receiving the CAO's July 2008 notice. Moreover, the Controller's Office relies on the list of employees provided by the CAO for tax reporting at the end of each year. Annual reviews would help ensure the accuracy of all employees that should be processed for tax reporting each year.

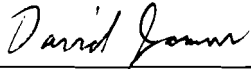
Recommendation

20. The CAO should review home-garaging authorities annually.

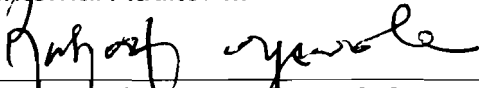
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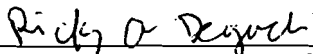
Erendira Sanchez, CPA
Internal Auditor I



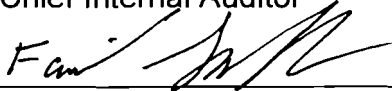
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Director of Auditing

December 19, 2008

**APPENDIX I
OFFICE OF THE CONTROLLER**

AUDIT OF THE CITY’S HOME-GARAGED VEHICLES

Ranking of Recommendations

Finding Number	Description of Finding	Ranking Code	Recommendations
	Section I. Home-Garaged Vehicle Needs Assessment		
1	Numerous employees in the LAPD and LAFD have been assigned home-garaged vehicles but whose use of a home-garage vehicle may not be justified. In some cases, employees have been assigned home-garaged vehicles based solely on their positions. In other cases, employees do not meet the department’s established criteria.	U	1. The Mayor and City Council should instruct LAPD and LAFD to work with CAO to develop uniform, stringent, and clear criteria for assigning home-garaged vehicles to ensure that each assignment is based on the City’s business needs. The criteria should clearly define which positions are subject to emergency callouts.
		U	2. The Mayor and City Council should instruct LAPD and LAFD to embark on a vehicle by vehicle review of current drivers to ensure that each vehicle being home-garaged is properly justified based on the criteria established in Recommendation #1.
		U	3. The Mayor and City Council should instruct LAFD to establish an annual review process to reassess home-garaged vehicles to ensure every vehicle continues to be justified.
2	The executive fleet has excess reserve vehicles.	N	4. GSD management should perform an analysis to determine the appropriate number of vehicles needed as a reserve, with the goal of reducing the number of vehicles in reserve.

	Section II. Cost of Home-Garaged Vehicle Programs		
3	The City spends an estimated \$10 million a year on the home-garaged vehicle programs at LAPD, LAFD and the Executive Fleet. The City does not analyze costs related to staff using City vehicles for home-garaging purposes compared to other alternatives, such as the cost of paying mileage for using personal vehicles.	U	5. The Mayor and City Council should instruct the CAO, LAPD, and LAFD to explore other alternative options to reduce the number of home-garaged vehicles.
		U	6. The Mayor and City Council should designate one City Department to periodically analyze the cost of the home-garage vehicle programs to determine whether any modifications to the programs should be made.
	Section III. Home-Garage Policies		
4	The type of insurance policy that employees with home-garaged vehicles are required to purchase is unclear to many employees, the requirement is not being monitored, and the insurance may not be feasible for employees to procure.	N	7. The CAO and City Attorney should reevaluate whether employees should be required to procure insurance for their City owned vehicle.
		N	8. If it is determined that employees need the additional insurance, the CAO should issue another policy to clarify the type of insurance required, provide guidance on how this insurance can be obtained, and monitor for compliance on a periodic basis.
		N	9. If it is determined that employees need the additional insurance, the CAO should revoke the home-garaged privilege for individuals who do not comply with the insurance requirements.

		N	10. If it is determined that employees need the additional insurance, the CAO should work with the Office of the City Attorney to determine whether it is necessary for the City to have an insurance requirement for employees driving City vehicles under temporary home-garaging authority.
5	LAFD does not have any policies for its home-garaged vehicle program.	N	11. LAFD management should develop written comprehensive and policies for its home-garaged program.
6	City employees need additional training or clarification on what constitutes an acceptable business use of a City vehicle.	N	12. The CAO, City Attorney, and the Ethics Commission should reach agreement and provide clarification and additional examples of what constitutes acceptable/unacceptable use of a City vehicle.
7	There are no price restrictions for vehicles purchased under the home-garaged vehicle programs.	U	13. The Mayor and City Council should adopt maximum price and fuel efficiency guidelines for vehicles purchased for the executive fleet. The maximum price could include a provision for cost increase adjustments.
		U	14. The Mayor and City Council should direct the CAO, in conjunction with GSD, to recommend maximum price and other appropriate guidelines for vehicles that can be purchased for non-emergency home-garaging.
	SECTION IV. HOME-GARAGE MONITORING		
8	Through the use of temporary home-garage permits, several divisions within the Police Department are able to effectively increase or maintain the number of their home-garaged vehicles without obtaining proper approvals.	N	15. LAPD management should establish a limit, similar to the one in CAO Rule No. 5, for how long a Special Parking Authorization can be used to home-garage a City vehicle within a year.

		N	16. LAPD management should properly monitor its temporary home-garaged vehicles to prevent misuse.
9	Eleven employees with assigned home-garaged vehicles were not properly approved by the CAO.	N	17. The Bureau of Sanitation and the Information Technology Agency should stop having the eleven employees mentioned above home-garaged City vehicles until proper approval is obtained.
		U	18. The Bureau of Sanitation and the Information Technology Agency management should work with the eleven employees to determine the estimated personal use (commuting) portion of the total vehicle usage for each year they have had their City-owned vehicles. These estimated mileage data should be submitted to the Payroll Operations of the Controller's Office so that these employees can be properly assessed fringe benefits in accordance with the IRS guidelines.
10	Certain LAPD and LAFD employees should have reported taxable income because they do not actively participate in the prevention and/or investigation of crimes.	U	19. LAPD and LAFD management should determine the employees that do not qualify for IRS tax exemption and provide the list of employees to the Controller's Office so that the employees' W-2s can include taxable income related to the home-garaged vehicle.
11	All forms for approval of executive home garaging authority are not re-evaluated annually.	U	20. The CAO should review home-garaging authorities annually.

Description of Recommendation Ranking Codes

U- Urgent-The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

N- Necessary- The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. The recommendation should be implemented within six months.

D- Desirable- The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

N/A- Not Applicable

AUDIT OF THE CITY'S HOME-GARAGED VEHICLES

SURVEY QUESTIONS FOR THE ELECTED OFFICIALS

1. What are your criteria for assigning home-garaged vehicles?
2. How does your office assess needs for home-garaged vehicles? Does your office have a sufficient number of vehicles?
3. How do you monitor use of vehicles to ensure City vehicles are used only for authorized City business?
4. How do you monitor personal insurance coverage for authorized drivers of City vehicles?
5. Do you periodically record usage or log mileage of all your offices' vehicles for monitoring purposes?
6. For Council office vehicles assigned to "Staff," is there a tracking of who uses the vehicle, whether the vehicles are being used for authorized City business and whether all drivers have insurance coverage?
7. Does your office generate any reports on home-garaged vehicles?
8. Do you/your staff have fuel/Voyager cards? How does your office monitor fuel card usage?
9. Are there any questions or concerns your office has regarding home-garaged vehicles?
10. Do you have any suggestions or alternative recommendations to make the program more efficient while maintaining adequate flexibility for staff to carry out City business?

Best Practices of Surveyed Municipalities for Home Garaging of Vehicles

We surveyed five municipalities regarding their practices and policies for home garaging and vehicle fleets.

Cost Reduction and Fleet Reductions

The cities we surveyed have taken steps to reduce the cost of home garaging and vehicle fleets. For example the City of Chicago has only 30 non-emergency take-home vehicles and 100 emergency take home vehicles. In Chicago, elected officials are generally not assigned cars, except a few (mayor, chairman of finance committee). Five years ago, the City of Chicago initiated a shared cost lease program that drastically reduced the number of non-emergency take home vehicles. The employee pays about \$150 a month plus fuel, and the City pays the remainder.

Los Angeles County has instituted a policy of a maximum cost of \$30,000 for vehicles that are home-garaged. Stipends for vehicles are available to executives, who can also lease a vehicle to which the County contributes.

In San Jose, employees subject to standby or callback who are not authorized for take home vehicles are expected to use private transportation in responding to calls. On days off, employees park vehicles in City lots. Reimbursement for mileage does not include commuting travel. City vehicles cannot be used to transport passengers except on City business. San Jose does not pay a car allowance, but reimburses for mileage based on IRS guidelines.

Utilization Standard

At San Jose, all City transport vehicles should meet minimum utilization standards: sedans 9,000 miles per year, light trucks 11,000 miles per year. Their General Services Department conducts periodic break even analyses. Departments may request an exception.

Vehicle Monitoring

To monitor vehicles, Chicago uses GPS devices and 311 for complaints that are investigated by the Inspector General.

At the City of Austin, abuse is monitored during vehicle maintenance. They track miles per gallon and follow-up on any vehicles that fall outside the average.

Insurance Requirements

None of the five municipalities we surveyed require personal insurance or non-owned policies to drive a City vehicle. All are self-insured.

Criteria for Home Garaging

In San Jose, operational needs are the criteria for home-garaging. City vehicles are to be used for City business only. Employees can use their own vehicles for City business and be paid for mileage reimbursement.

At the City of Austin, home garaging of vehicles are assigned at Department directors’ discretion based on operational need or emergency response. Personal use is not allowed.

For Chicago, criteria are based on operational needs.

The San Diego Police Department utilizes call-backs to determine the need for take-home vehicles. The commanding officers do monthly Vehicle Inspection Reports and Call Back Reports.

Reporting

San Jose Fleet Management provides the Director of General Services a quarterly performance report. This core service report contains six reporting elements which include customer service, cost per mile or hour by class of equipment, percentage of fleet in compliance with replacement cycle by class, percentage of fleet availability by class of equipment, percentage of fleet that is alternative fuel, and activity workload and highlights.

In San Diego, all vehicles are equipped with passive automated fuel systems that report usage and mileage.

Survey Responses

Question	San Jose	Chicago	Austin	San Diego	LA County
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ATTACHMENT II

<p>1. What are your policies and procedures for fleet and home-garaged (assigned take-home) vehicles? Are your home-garaged policies different for public safety employees?</p>	<p>In the City Policy Manual. Authorizations for take home use of Police and Fire vehicles will be based upon written justification from the Department Chief. Such authorizations are subject to annual review by the City Manager's Office.</p>	<p>Drivers of City owned vehicles must be city employees. Family members who are not city employees cannot be transported in city-owned vehicles. In all cases, City-owned vehicles are to be used for city business only.</p>	<p>NA</p>	<p>See attached Department Procedure 1.16 (currently under revision)</p>	<p>Policies and procedures vary by department, according to the Grand Jury Report, "Audit Of County-Wide Vehicle Use: The Drawbacks Of Decentralized Management."</p>
<p>2. What are your criteria for home-garaged vehicle assignment (i.e., perk versus job functions/operational needs, elected officials versus employees)?</p>	<p>Operational needs.</p>	<p>Assignment of take home and shared cost leased units is based on operational needs. Elected officials are not generally assigned cars, with the exception of a select few (mayor, chairman of finance committee) who are assigned police department security details with corresponding vehicles.</p>	<p>Operational need and emergency response.</p>	<p>Use of Department take-home vehicles that fall within one of the preceding categories must: 1. Meet a specific Department need that is outlined within a written take home vehicle and/or call-back program; 2. Be recommended, in writing, by the requesting unit's commanding officer and receive approval from the Chief's Executive</p>	<p>Varies across departments, according to Grand Jury Report.</p>

ATTACHMENT II

				Committee (CEC); and, 3. Receive annual renewal, from date of approval.	
3. What is the size of your vehicle fleet and the number of home-garaged vehicles?	2750. 129 are categorized as "take home" vehicles.	Our vehicle fleet is comprised of 8,817 units. There are very few (30 units, if that) city-owned non-emergency take home vehicles. Fire and Police have 100 or more take home units for first responders and detectives.	We have approximately 5000 units of which 3800 are vehicles. (Home-garaged information was not given.)	1,520 vehicles overall with approximately 300 take home	The information is listed in the Grand Jury Report as follows: Fleet Size -- 12,780 Take Home Vehicles -- 1,456
4. What types of vehicles are in your fleet?	All vehicles and equipment including Police and Fire excluding refuse equipment.	Automobile, general purpose automobile, police special all terrain vehicle neighborhood electric vehicle, etc. See breakdown.	We maintain Fire, Ambulances, Police, Garbage, Public Works, Water utility, Parks and Recreation, Electric Utility and administrative vehicles. We maintain all vehicles in the city.	Academy, ATV, Command, Electric, Patrol - B&W, Patrol – SRT, Undercover, Utility	County of Los Angeles has a wide variety of vehicles to provide core services. These generally include: <ul style="list-style-type: none"> • Light Duty sedans, trucks, and vans • Medium and Heavy Duty trucks, vans, buses (shuttle and commercial), specialty vehicles (e.g., sweepers, fire suppression, beach rakes, weed abatement, waste removal, etc.) • Off Road and Construction Equipment (e.g., tractors, fork lifts, back hoes, cranes, etc.)
5. Do you allow personal use of vehicles? Under what	City provided vehicles shall be used only for official City	Shared cost vehicles can be used for personal business and city	No	Take-home vehicles authorized for Police	Los Angeles County Code prohibits any personal use of County vehicles and limits use of County vehicles to business.

ATTACHMENT II

circumstances?	business.	business.		Department command members and staff members as a result of management compensation packages may be used for personal business within San Diego County, if authorized.	
6. How do you monitor for vehicle abuse, especially those relating to home-garaged vehicles?	The Fleet Management database has specific work order coding for accidents and abuse.	Assuming you mean abusing the city business use policy. The use of take-home vehicles is monitored by GPS. In addition, we have a city-wide 311 system for residents to report suspicious or dangerous use of city vehicles. Complaints are investigated by the Inspector General.	Abuse is identified by the maintenance facility when units are brought in for preventive maintenance.	Monthly inspection performed by Staff Sergeants	Overall, the lack of tracking of vehicle use after hours is insufficient to ensure that only staff that have sufficient business need should be provided vehicles, according to the Grand Jury Report.
7. What key ratios or measures do you use to measure the cost effectiveness of your fleet? For example, is there an average	Fleet Management provides the Director of General Services a quarterly performance report. This core service report contains six reporting elements	I do not have this type of data to share with you.	Generally we perform lifecycle costing on vehicles by class.	We use utilization reports to determine vehicles excess to fleet requirements – Fleet % availability as compared to	The County of Los Angeles has decentralized fleet operations. Departments use a variety of evaluation tools or measurements to address fleet budgeting and operations support. Examples include calculation and evaluation of mile/hourly/daily chargeback rates per vehicle class, vehicle replacement criteria, and vehicle life, yearly and monthly maintenance and repair expenditures. Due to the nature of business that the Sheriff's Department is involved in, it is difficult to measure the cost effectiveness of the

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<p>annual utilization by miles, hours, trips, vehicle class, type of assignment or vehicle?</p>	<p>which include customer service, cost per mile or hour by class of equipment, % of fleet in compliance with replacement cycle by class, % of fleet availability by class of equipment,% of fleet that is alternative fuel, and activity workload and highlights.</p>			<p>service level agreements.</p>	<p>entire fleet, including take home vehicles, with a tangible numeric figure. Many of the vehicles in the Department's fleet are utilized for patrol functions, surveillance, executive duties, and specialized facilities services and repairs.</p> <p>The Department has many positions that require the use of a take home vehicle, including investigative and surveillance units, because they are required to respond after hours. Additionally, it is critical that the Department assign vehicles to various employees to respond after hours to facilities for emergency repairs in a timely manner. The executives with take home vehicles are frequently required to engage in public appearances, community forums, and respond to major incidents.</p> <p>Based on the wide variety of purposes for take-home vehicles, and the inability to foresee emergent situations, no ratio has been determined.</p>																																			
<p>8. What is the total cost per mile to operate each vehicle in your fleet?</p>	<p>This analysis is by vehicle class and can be reviewed on an individual basis.</p>	<p>I do not have this type of data to share with you.</p>	<p>Data is still not available due to our conversion.</p>	<p>The three City Fleets (Police, Fire, General Services) consolidated in July 07 into one organization. We are currently working on determining a Fleet-wide CPM for all vehicle classes.</p>	<p>The County of Los Angeles has decentralized fleet operations. Departments use a variety of calculation and data capture methods to evaluate fleet costs, budgeting and operations support. The diversity of vehicle types and usage will sometimes askew comparisons. In these instances, core service, logistics, and emergency response preparedness purposes are considered.</p> <p>The following is an illustrative example as provided by the Department of Public Works:</p> <table border="1" data-bbox="1251 1016 2049 1297"> <thead> <tr> <th colspan="4"></th> <th align="center" colspan="3">FY 2007-08</th> </tr> <tr> <th>Type</th> <th>Count</th> <th>Cost</th> <th>Miles</th> <th colspan="3"></th> </tr> </thead> <tbody> <tr> <td>Mileage Vehicles</td> <td align="center">1008</td> <td align="right">\$9,762,139</td> <td align="right">10,684,369</td> <td colspan="3"></td> </tr> <tr> <td>Hourly Equipment</td> <td align="center">1017</td> <td align="right">\$17,044,704</td> <td align="right">13,824,020</td> <td colspan="3"></td> </tr> <tr> <td><u>Totals</u></td> <td align="center"><u>2025</u></td> <td align="right"><u>\$26,806,843</u></td> <td align="right"><u>24,508,389</u></td> <td colspan="3"></td> </tr> </tbody> </table> <p>It is difficult to measure the cost per mile to operate each vehicle, because of the various duties within the Department that are associated with a employee being assigned a take home vehicle.</p>					FY 2007-08			Type	Count	Cost	Miles				Mileage Vehicles	1008	\$9,762,139	10,684,369				Hourly Equipment	1017	\$17,044,704	13,824,020				<u>Totals</u>	<u>2025</u>	<u>\$26,806,843</u>	<u>24,508,389</u>			
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					<p>Additionally, depending on the type of vehicle and the job function for which they are assigned, usage can vary greatly.</p>
<p>9. Do you provide fuel and/or fuel cards for your home garaged vehicles? If so, how do you monitor usage to prevent abuse?</p>	<p>Fuel cards are assigned to the "individual operator" and not the vehicle. The employee completes and signs a form and is handed a set of rules governing the use the fuel card.</p>	<p>Shared cost lease vehicles are fueled by the users at their cost. City-owned vehicles are fueled at our 12 city-run fueling sites. Operators of these vehicles must swipe their ID badges to receive fuel, and indicate the vehicle number and meter reading.</p>	<p>Yes, the fuel cards are assigned to the vehicle. We monitor usage by tracking the MPG and identifying units that fall outside of the average for possible investigation.</p>	<p>Yes - All vehicles are equipped with a passive automated fuel management system which reports usage and miles.</p>	<p>All County vehicles, including home garaged County vehicles, have access to a number of County fuel sites. County fuel sites are also decentralized with varying accessibility to County departments. Additionally, fuel credit cards may be issued by County departments for County vehicles. Each County department evaluates their operations and logistics to determine if a fuel card will be issued for their County vehicles, including home garaged vehicles.</p> <p>Additional Information from ISD, Department of Public Works, and Fire Department:</p> <p>ISD Internal Services Department (ISD) manages three main fuel sites for all County departments. To assist County departments in their review of fuel expenses, ISD provides fuel purchase details monthly on Web BASIS via the County intranet. Details are listed by vehicle and include issue date, number of gallons, and employee information.</p> <p>Dept of Public Works Yes, fuel is provided to DPW vehicles, which include the home garaged vehicles. Department employees fueling department vehicles can access fuel at any of the department's 36 fueling facilities using the department's Automated Fuel System. The Automated Fuel System manages fueling records and provides Miles per Gallon (MPG) Exception reports, which allow the department to monitor the use of fuel in order to prevent abuse.</p> <p>Yes, Fuel Cards are provided for certain DPW home garaged vehicles. The department is currently developing internal control procedures that include self-auditing in order to prevent abuse.</p> <p>Fire Department Yes, fuel is provided to all department assigned vehicles, including "home garaged" vehicles. In addition, fuel cards are also</p>

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					<p>provided, but to only authorized chief officers who have emergency response responsibilities and are to be utilized only for out of county responses. Usage is monitored via the driver's monthly mileage report and is in accordance with Department vehicle policy.</p> <p>Sheriff's Department The Sheriff's Department provides fuel for take-home vehicles, which can be accessed at most Sheriff Stations and other facilities located throughout the County. A computerized fuel distribution system that requires an employee's identification number, the assignment number for their County vehicle, and the vehicle's mileage is required before fuel can be dispensed. A monthly print-out is sent to the employee's unit of assignment for supervisory review. If a mileage discrepancy or possible misuse is suspected, the system automatically locks-out the employee until the issue can be investigated and resolved.</p> <p>Fuel cards are assigned on an as-needed basis. Receipts are reconciled on a monthly basis to ensure that the cards are used for fuel usage during the performance of an employee's duties.</p>
<p>10. Do you offer a car allowance in lieu of a home-garaged vehicle? If so, under what circumstances and what is the amount?</p>	<p>This is an option for directors and above only.</p>	<p>A shared-cost least program was initiated around 5 years ago that allowed us to drastically reduce the number of non-emergency take home vehicles. This program allows the employee (primarily city executives) to participate in a vehicle lease at a subsidized cost. The employee</p>	<p>No, but anyone who uses their personal vehicle for city business is eligible for reimbursement based on IRS guidelines.</p>	<p>No.</p>	<p>Any management position authorized for vehicle assignment and whose appointing power is the department head, may elect to receive a monthly transportation allowance in lieu of an assigned or leased county vehicle, according to the County Code.</p>

		pays for a portion of the lease cost (around \$150 a month) and fuel, and the City pays for the rest, including insurance and maintenance. All shared cost lease cars are take home.			
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