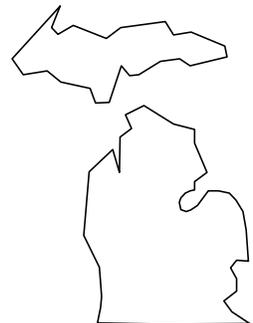


DEPARTMENT OF COMMUNITY HEALTH

**AUDIT OF STATE VEHICLE USE
BY NON-STATE EMPLOYEES**

Office of Audit
Special Audits, Review and Compliance Section
May 2005





JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE; LANSING, MI 48933

JANET OLSZEWSKI
DIRECTOR

May 19, 2005

Ms. Janet Olszewski, Director
Department of Community Health
Lewis Cass Building
Lansing, Michigan

Dear Ms. Olszewski:

This is our supplemental report on our audit of state vehicle use by non-state employees, as of June 30, 2004.

This report contains an introduction; audit scope and methodology; objective, conclusion, findings, and recommendations.

The report also contains a corrective action plan for each finding.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in cursive script that reads "James B. Hennessey".

James B. Hennessey, Director
Office of Audit
Internal Auditor

TABLE OF CONTENTS

**DEPARTMENT OF COMMUNITY HEALTH
AUDIT OF STATE VEHICLE USE
BY NON-STATE EMPLOYEES**

	<u>Page</u>
Introduction.....	1
Audit Objective.....	1
Audit Scope and Methodology	2
Conclusion	2
Findings and Recommendations	
1. Approving Non-State Employee Drivers.....	3
2. Obtaining Driver Agreements.....	3
3. Maintaining Driver Agreements	4
Corrective Action Plan.....	6

**DEPARTMENT OF COMMUNITY HEALTH
AUDIT OF STATE VEHICLE USE
BY NON-STATE EMPLOYEES**

INTRODUCTION

Public Act (PA) 431 of 1984 and Executive Order Number 1996-5 grants the Department of Management and Budget with the authority to establish rules and regulations covering the use of state-provided vehicles. Policies governing the use of state owned motor vehicles are set forth in Section 400 of the Administrative Guide to State Government (Guide). Section 0410.02 of the Guide states in pertinent part: “use of state motor vehicles by non-state employees such as volunteers and contractual employees who are conducting official state business is allowable with department approval.” On October 28, 2003, Governor Granholm issued Executive Order 2003-18 requiring reductions in the State motor Vehicle fleet. In response to that Directive, DMB/Vehicle & Travel Services (DMB/VTS), developed a State Motor Vehicle Driver Agreement (Form DMB-VTS 63) for all state motor vehicle drivers to sign. The agreement details the drivers’ responsibility for proper care and use of state vehicles and was amended in April 2004 to include non-resident employees and non-State of Michigan employees who may operate a state motor vehicle.

AUDIT OBJECTIVE

Our audit objective was to determine whether non-state employees were driving state-owned vehicles assigned to the Department of Community Health (DCH), and if so, to assess whether DCH had adequate controls in place to ensure compliance with applicable DMB and DCH policies, procedures, and guidelines.

AUDIT SCOPE AND METHODOLOGY

Our audit scope included an examination of the vehicle travel logs that had been filed with DCH Accounting for the period January 1, 2004 through June 30, 2004 to identify the driver(s) of each automobile. We obtained a listing of state vehicles assigned to DCH as of May 2004. We utilized the DCH organizational chart from the intranet to identify state employees and contacted selected staff from the unit the vehicle was assigned in order to identify illegible signatures and individuals not included on the organizational chart. We contacted DCH Human Resources and vehicle contact personnel to verify that a driver agreement was on file for each non-state employee driver. We contacted selected personnel of DCH to identify any DCH rules or guidelines concerning non-state employees use of state vehicles. We obtained DMB policies and procedures concerning the use of state vehicles and contacted DMB for clarification of certain policies and procedures. We examined selected Official Daily Travel Logs for vehicles driven by non-state employees to obtain reasonable assurance that the vehicles were driven for official state business.

CONCLUSION

Objective: To determine whether non-state employees were driving state-owned vehicles assigned to the Department of Community Health (DCH), and if so, to assess whether DCH had adequate controls in place to ensure compliance with applicable DMB and DCH policies, procedures, and guidelines.

Conclusion: There are non-state employees driving state-owned vehicles assigned to DCH, and DCH's controls were generally effective to ensure compliance with applicable DMB policies, procedures, and guidelines. However, we found that DCH has not developed its own policies, procedures, and guidelines concerning the use of state vehicles by non-state employees. We found exceptions relating to approvals for non-state employee drivers (Finding 1), obtaining driver agreements (Finding 2), and maintaining driver agreements (Finding 3).

FINDINGS AND RECOMMENDATIONS

Finding

1. Approving Non-State Employee Drivers

DCH has not developed standards for obtaining appropriate approval for use of state-owned vehicles by non-state employees.

DMB Administrative Guide 0410.02 indicates that non-state employees may drive a state-owned vehicle with department approval. We were informed by DMB that the determination of what would constitute an appropriate approval was not established by DMB, each department has the responsibility to determine what constitutes an appropriate approval beyond the driver agreement. They “assume that a department would have policies or procedures defining those approvals.” We were unable to locate any DCH procedures, policies or guidelines governing who may grant the approval to the non-state drivers and/or standards to be considered when granting that approval.

Specific written procedures are needed to ensure that only appropriate non-state employees are approved to drive state-owned vehicles.

Recommendation

We recommend that DCH establish written standards for approving non-state employees to drive state-owned vehicles.

Finding

2. Obtaining Driver Agreements

DCH did not ensure that a State of Michigan Motor Vehicle Driver Agreement was obtained from all non-state employees who drove a state-owned vehicle.

DMB/VTS in its “Frequently Asked Questions” regarding the driver agreements states that “anyone who may operate a state motor vehicle must sign the agreement.

We have revised the agreement so that it can be completed by non-state employees and state employees who live outside of Michigan.” We were informed by DMB/VTS that it would only be necessary for DCH to obtain a motor vehicle driver agreement from contract employees, volunteers, etc., who actually drive a state-owned vehicle. Our examination of the all of the vehicle logs that had been filed with DCH Accounting for the period January 1, 2004 through June 30, 2004 identified 74 non-state employees who drove a state-owned vehicle. Our examination of driver agreements revealed that eight of the individuals had not signed the required agreement. Four drivers were not actual contract employees but were employed by a county working in conjunction with the DCH unit that utilized the state-owned vehicles. They advised our office that they were not aware that all persons driving a vehicle were to sign agreements as they thought only contractual employees who drive a vehicle would be required to sign an agreement. The driver agreements inform the individual of their responsibilities when driving a state motor vehicle.

The failure to obtain State of Michigan Motor Vehicle Driver Agreements from all non-state employee drivers could result in a non-state employee being inappropriately allowed to drive a state-owned vehicle or more likely being uninformed of his/her responsibilities increasing the likelihood that state-owned vehicles may be used for purposes other than official state business.

Recommendation

We recommend that DCH ensure that all non-state employees sign a motor vehicle driver agreement prior to driving a state-owned vehicle.

Finding

3. Maintaining Driver Agreements

DCH has not established a designated driver agreement file.

The State of Michigan Motor Vehicle Driver Agreement (DMB –VTS 63) requires signed agreements for non-state employees to be retained in the “designated driver agreement file.” When we examined these driver agreements on file we found that 34 agreements had been filed with the Human Resources Department and that 32 agreements had been retained by three separate units, within DCH, that utilized the services of non-state employees.

Without an appropriate driver agreement file DCH cannot adequately ensure that State of Michigan Motor Vehicle Driver Agreements have been obtained from all non-state employees who are driving state-owned vehicles.

Recommendation

We recommend that MDCH establish a designated driver agreement file to retain all non-state employees’ motor vehicle driver agreements.

**Department of Community Health
Audit of State Vehicle Use
By Non-State Employees
Corrective Action Plan
May 2005**

Finding Number: One

Finding Title: Approving Non-State Employee Drivers

Recommendation: We recommend that DCH establish written standards for approving non-state employees to drive state-owned vehicles.

Comments: There is agreement with the recommendation.

Corrective Action: The MDCH policy manual currently under development will incorporate a policy for approving non-state employees driving state-owned vehicles.

Anticipated Completion Date: September 30, 2005

Responsible Individual: Bureau of Finance and Bureau of Human Resources

**Department of Community Health
Audit of State Vehicle Use
By Non-State Employees
Corrective Action Plan
May 2005**

Finding Number: Two

Finding Title: Obtaining Driver Agreements

Recommendation: We recommend that DCH ensure that all non-state employees sign a motor vehicle driver agreement prior to driving a state-owned vehicle.

Comments: There is agreement with the intent of the recommendation. However, a policy cannot ensure attainment of compliance but provides only the criteria and direction for staff to follow.

Corrective Action: DCH will incorporate this into the policy addressed in the previous recommendation.

Anticipated Completion Date: September 30, 2005

Responsible Individual: Bureau of Finance and Bureau of Human Resources

**Department of Community Health
Audit of State Vehicle Use
By Non-State Employees
Corrective Action Plan
May 2005**

Finding Number: Three

Finding Title: Maintaining Driver Agreements

Recommendation: We recommend that MDCH establish a designated driver agreement file to retain all non-state employees' motor vehicle driver agreements.

Comments: There is agreement with the recommendation.

Corrective Action: MDCH will establish a designated driver agreement file to retain all non-state employees' motor vehicle driver agreements.

Anticipated Completion Date: September 30, 2005

Responsible Individual: Bureau of Finance and Bureau of Human Resources