



Orange County Motor Vehicle Oversight

Report of Examination

Period Covered:

January 1, 2014 — July 29, 2015

2015M-314



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2016

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and County Legislature governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Orange County, entitled Motor Vehicle Oversight. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

Orange County (County) has a population of approximately 374,500 and occupies an area of 812 square miles. The County is governed by a 21-member Board of the Legislature (Board). The Board is responsible for establishing policies for daily County management. The 2015 total budget was \$732.8 million, of which the motor pool is allotted approximately \$2 million. The Department of Public Works (DPW), under the Commissioner of DPW's leadership, is responsible for purchasing, monitoring and maintaining County vehicles. The Finance Department, under the Commissioner of Finance's leadership, is responsible for maintaining an inventory of all County capital assets. The Department of General Services is responsible for auctioning County-owned vehicles.

Objective

The objective of our audit was to examine the County's internal controls over motor vehicles. Our audit addressed the following related question:

- Did County officials maintain complete and accurate records of vehicles acquired and disposed of to ensure that these assets were properly accounted for?

Scope and Methodology

We examined controls over motor vehicles for the period January 1, 2014 through July 29, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of County Officials and Corrective Action

The results of our audit and recommendations have been discussed with County officials, and their comments, which appear in Appendix A, have been considered in preparing this report. County officials disagreed with our report, but indicated they plan to initiate corrective action. Appendix B includes our comments on certain issues raised in the County's response.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and

recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Motor Vehicle Oversight

A complete up-to-date inventory of vehicles ensures that County officials are maintaining physical controls and accountability over them. Perpetual inventory records are detailed records that are continually updated as vehicles are purchased, sold or discarded. This inventory system provides managers with direct access to reliable information on vehicles throughout the year. To be effective, a perpetual inventory system needs timely information. When County officials acquire and dispose of vehicles, they are responsible for forwarding sufficient information to the property records manager so that he can properly complete detailed inventory records.

Conducting periodic physical counts help to verify the inventory system's accuracy. Any discrepancies between the physical inventory and inventory listing should be investigated and corrected. Further, it is important that the Board adopt a written comprehensive policy on vehicle disposal that clearly states the criteria which would be used to measure the vehicle's condition and mileage and what procedures should be followed to deem a vehicle not road-worthy. The policy also should establish the basis for determining values at which the vehicles would be disposed of.

Inventory – Although County officials maintained a perpetual vehicle inventory, this inventory was not complete. County officials did not conduct regular physical inventories of vehicles and could not provide us with a date that the most recent physical inventory was completed. Therefore, they did not regularly update inventory records to indicate vehicles that were purchased or disposed of. As a result, County officials did not have accurate records to indicate how many, and the specific types of, vehicles the County actually owned.

The County paid \$170,364 for vehicle insurance coverage in 2014. We obtained an inventory of motor vehicles for which County officials had insurance coverage and compared it to the County's inventory list for accuracy. The inventory on the County's system showed 522 motor vehicles with a total cost of \$42.9 million, while the insurance inventory showed 772 vehicles costing approximately \$6.5 million,¹ a difference of 250 vehicles and \$36.4 million.² We also selected and

¹ Approximately 700 vehicles included on the insurance list had no cost or value associated with them.

² We note that the vehicles included in the County's inventory were predominantly newer vehicles made up of mostly buses and larger vehicles, with a few cars. Conversely, the insured vehicles were older and mostly cars. Neither of the inventories included acceptable salvage values.

verified the existence of 30 of the 772 vehicles on the insurance list.³ We found that 10 of these vehicles were owned and being used by the County, but were not included on the County's inventory list.

We determined that these discrepancies were primarily the result of poor recordkeeping. Had County officials performed regular physical inventories of vehicles, they would have identified vehicles that needed to be added or deleted from their listing. This would have allowed them to keep more accurate motor vehicle inventory records.

Disposal – The County does not have a policy or written procedures that stipulate the proper actions for officials to take when vehicles are no longer suitable for County business and are deemed disposable. County officials rely on the fleet supervisor to determine when vehicles are deemed disposable and the acceptable salvage values of such vehicles. The Commissioners of the DPW and General Services told us that they make final decisions on disposal of vehicles based on the fleet supervisor's advice.

We selected and analyzed the most recent list of vehicles that were auctioned on September 4, 2014.⁴ The County maintained documentation to support that these vehicles were legitimately sold through the auction. The County received approximately \$10,000 for 17 vehicles that were sold through this auction. Of this total, 13 vehicles were sold for less than \$500, three for less than \$900 and one for more than \$1,000. County officials told us that the vehicles did not generate reasonable revenues because they did not pass State inspection or they needed major repairs. Maintenance records indicated that 16 of these vehicles were between 13 and 20 years old and were inoperable. We determined that County officials documented the vehicles' original purchase price, mileage and physical condition upon disposal. However, they did not document the salvage value.

Because County officials have not adopted a policy for the disposal of motor vehicles and have not conducted a physical inventory in several years, the County does not have an accurate inventory of the vehicles it owns.

Recommendations

County officials should:

1. Ensure that all vehicles are included on the County's inventory listing.
2. Conduct a physical inventory of motor vehicles.

³ See Appendix C, Audit Methodology and Standards, for details on our sample selection.

⁴ This was the only list of vehicles auctioned within the audit period.

3. Adopt a comprehensive policy to provide guidance on the disposal of motor vehicles. This policy should include procedures to indicate who the vehicle was sold to and document salvage value.

APPENDIX A

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following pages.



STEVEN M. NEUHAUS

COUNTY EXECUTIVE

March 31, 2016

Tenneh Blamah
Chief Examiner of Local Government &
School Accountability
State of New York
Office of the State Comptroller Regional Office
233 Airport Center Drive Suite 103
New Windsor, New York 12553

Dear Chief Examiner Blamah,

Orange County appreciates the efforts of the Office of the State Comptroller during their audit "Motor Vehicle Oversight." Orange County takes pride in accurate and precise delivery of services to the taxpayer. We are always receptive to input and oversight from the Comptroller's Office.

Vehicle lists are kept by different departments for accomplishing varying administrative tasks of the County's vehicle fleet. The documentation provided to the State Comptroller indicates that each department has a mastery of their respective tasks. During the State Comptroller's review, two listings of vehicles were compared in your report on page six in paragraph four. The listing provided by the Risk Department which is used for insurance purposes, does not include values for vehicles under the fifty thousand dollar insurance deductible; therefore the comparison of values of these lists is not relevant to the management of vehicle inventory. It is respectfully requested this comparison be removed. In addition, the insurance list contained items that were not vehicles, i.e. trailers, chippers, mowers, excavators, sweepers and pavers. This also skews the comparison of counts between lists as these items were not included in the vehicle inventory list.

See
Note 1
Page 10

Page seven of the State report indicates the County does not have a policy or written procedures that stipulate the proper actions for officials to take when vehicles are no longer suitable for County business and are deemed disposable. Pursuant to the County Charter Section 27.02 (5), the Department of General Services has the authority to dispose of all commodities, equipment, goods and services. The Legislature specifically established the position of Fleet Supervisor.

See
Note 2
Page 10

The position is a unionized (CSEA) employee hired in accordance with New York's applicable Civil Service Laws. The Fleet Supervisor, as established by the Legislature, has specialized knowledge and training. He/she has an extensive background in vehicle maintenance and makes recommendations to the Commissioner of the Department of Public Works, who then works with the Commissioner of General Services to dispose of vehicles no longer cost effective to repair.

Orange County strives to be accountable and safeguard its' assets to ensure there is accountability to the taxpayer. Every effort will be made to take the State's comments seriously and incorporate them into future internal control decisions.

Sincerely,

Steven M. Neuhaus
County Executive

Cc: L. Stephen Brescia, Legislative Chairman
Tawyna Muhlrاد, Commissioner of Finance
James P. Burpoe, Commissioner of General Services
Christopher Viebrock, Commissioner, Department of Public Works

APPENDIX B

OSC COMMENTS ON THE COUNTY'S RESPONSE

Note 1

While County officials maintain that each department manages its own list of vehicles, they could not provide us with a complete inventory list of all vehicles the County owned and operated. We compared two inventory lists: one generated from the County's asset management system and the other prepared by the insurance company and provided by the County. Footnote #2 in the report explained the differences in the County's and the insurance company's lists of vehicle inventories. Because these lists were both incomplete, County officials would not be able to rely on either of them to determine the number and types of vehicles the County actually owned and operated.

Note 2

The County has executive orders (deemed to be policies) for the acquisition of vehicles. However, County officials did not provide us with similar order for disposal of vehicles. County Charter Section 27.02 (5) describes the authority of the Commissioner of General Services to dispose of commodities, equipment, goods and services, with no specific mention of motor vehicles. As such, the Commissioner of General Services is responsible for ensuring that written policies and procedures are in place to provide specific guidance for County departments to follow for County vehicle disposals.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the County's internal controls over motor vehicles for the period January 1, 2014 through July 29, 2015. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed County officials such as the Commissioners of DPW, Finance and General Services. We also interviewed relevant staff members.
- We reviewed capital assets records maintained by the finance department (asset management). We also reviewed inventory records obtained from the risk management department and from an insurance company.
- We reviewed policy documents and insurance bills.
- From normal observations, a group of vehicles on the insurance list were not included on the inventory maintained in the County's asset management system. Therefore, we judgmentally selected 30 of the older vehicles that were included on the insured vehicles list for testing.
- We examined transactions related to disposal of vehicles through an auction held on September 4, 2014 (most recent auction of vehicles) to ensure that the funds were paid over to the finance department.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

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