



## CITY OF ATLANTA

City Auditor's Office  
Leslie Ward, City Auditor  
404.330.6452

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### ***Why We Did This Audit***

In our 2006 performance audit, *Payroll Tax Compliance*, and again in our 2010 follow-up, we found the city had failed to track personal use of city-owned vehicles and report employees' personal vehicle use to the IRS (Internal Revenue Service). We recommended that the chief financial officer develop a system track and report the personal use of city vehicles, consistent with IRS requirements, and propose legislation to align city code with these requirements. Our 2012 follow-up found that the city had implemented the IRS commuting rule for reporting employees' use of city-owned vehicles, but the policy did not specify enforcement mechanisms.

### ***What We Recommended***

To strengthen controls over the use of city vehicles, we recommend the chief operating officer:

- Consider distributing a vehicle allowance to employees who don't need specialized vehicles.
- Track the use of city vehicles, using methods such as maintaining usage logs and installing GPS on all city vehicles.
- Enforce the city's parking requirements that require vehicles to be parked in specific lots when not in use.
- Require authorized employees to report all city vehicle use, including zero use, to finance during the tax year.

We recommend the commissioner of public works:

- Complete and maintain an inventory of all city vehicles to determine the vehicle purpose, department, and assignment.

We recommend the chief financial officer:

- Make the necessary adjustments to 2013 IRS reporting issues and address them for the 2014 reporting year.
- Apply the appropriate IRS income calculation method to all employees.

For more information regarding this report, please contact Amanda Noble at 404.330.6750 or [anoble@atlantaga.gov](mailto:anoble@atlantaga.gov)

## ***Performance Audit:***

### **Take-Home Vehicles**

#### ***What We Found***

Weak controls over use of city vehicles put the city at risk of underreporting taxable fringe benefit income to the IRS. While 53 employees, excluding police and fire, were authorized to take vehicles home in 2013, unauthorized use of city vehicles could be widespread. Five departments accounting for over 77% of the city's passenger vehicles require no logs of vehicle use. In the event of misuse, the city has little in the way of methods to track vehicle use; The Department of Watershed Management has installed GPS equipment on 60% of its passenger vehicles, but no other department has a way to track vehicle locations. Further, most vehicles are not assigned to a designated parking location when not in use, so managers have no way of knowing where a car should be. More than 20% of Department of Watershed Management vehicles with GPS that were not assigned for overnight use showed stops of at least 12 hours outside of the city and outside of department facilities in 2013.

Recent changes to the city's vehicle use policy appear to contradict the IRS commuting rule for determining the benefit of personal use of city vehicles. The May 2013 revision allows "intermittent personal use" of city vehicles, while the commuting rule requires the employer to establish a written policy that prohibits personal use other than commuting. Other changes were made to the policy to reduce costs but have not been enforced, such as limits on the distance authorized employees can commute to and from city hall.

The city uses four separate sets of records of authorization to take vehicles home. Discrepancies among these records led to underreporting of taxable fringe benefits for authorized users in 2012, which we reported to finance.

We found in our 2006 *Payroll Tax Compliance Audit* that Section 2-1715 of the City Code of Ordinances, last updated in 1977, did not address tax implications and contradicted IRS regulations. We recommended that the chief financial officer propose legislation to amend the city code on the personal use of city-owned vehicles to comply with IRS regulations. The recommendation has yet to be implemented, and we repeat it in this report.