



**AUDIT DEPARTMENT**

**CLARK COUNTY  
24-HOUR MARKED AND UNMARKED VEHICLES AUDIT**

**for the period January 1, 2005, through December 31, 2006**

**JEREMIAH P. CARROLL II, CPA**  
Audit Director



# Audit Department

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April 2, 2008

Virginia Valentine  
Clark County Manager  
500 South Grand Central Parkway, 6th Floor  
Las Vegas, Nevada 89106

Dear Ms. Valentine:

As provided by our annual audit plan, we have conducted a 24-Hour Marked and Unmarked Vehicles audit for Clark County. Our procedures considered transactions for the period January 1, 2005, through December 31, 2006.

The objectives of the audit procedures were to determine whether the 24-hour marked and unmarked vehicle assignments are in accordance with federal, state, and local rules and regulations, as well as internal policies, whether proper controls are placed over the federal taxation process, and whether the recommendations to our findings in the Audit of Emergency Response Vehicles Report No. 99P07 were instituted.

Although we have seen significant improvement since the last audit relating to the assignment and management of 24-hour marked and unmarked vehicles, based on our fieldwork we have determined that material weaknesses still exist and that proper controls are not adequate over the federal taxation process to prevent abuse and errors. Review of Administrative Guideline No. 6 – County Vehicles disclosed some areas of concern. We noted various discrepancies and vagueness within the policy, as well as departmental noncompliance as it relates to the notification of proper authority. We noted that the format for Reapplication for 24-Hour Vehicle forms needs improvement and application/reapplications are improperly completed. Furthermore, the County does not have a policy for purchasing extended vehicle warranties.

Based on various inquiries with County personnel, examination of 24-hour vehicle assignment application/reapplications, and examination of the NRS and County policy, we noted that current practices for assigning unmarked vehicles are noncompliant. DMV applications are not being submitted in accordance with County policy. Exemptions have not been properly requested for individuals not listed by the NRS as allowed for unmarked vehicles assignment. The Automotive Services Manager is unfamiliar with the criterion for assigning unmarked vehicles. Furthermore, not all unmarked and marked 24-hour vehicle assignments are warranted.

Lastly, in examining the payroll process, we noted that improper tax methods are being used to calculate taxable compensation, personal miles have not been taxed for some individuals, entries submitted by departments do not meet the IRS criteria for substantive evidence, and the County has not been sending written notifications to employees regarding withholdings, as required by the IRS.

A draft report was provided to the Finance Department and their response is included in the Appendix. The assistance and cooperation of the each department was recognized and appreciated.

Sincerely,

/s/ Jeremiah P. Carroll

Jeremiah P. Carroll II, CPA  
Audit Director

A draft report was provided to the Finance Department and their response is included in the Appendix. The assistance and cooperation of the each department was recognized and appreciated.

Sincerely,

/s/ Jeremiah P. Carroll

Jeremiah P. Carroll II, CPA  
Audit Director

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Sincerely,

/s/ Jeremiah P. Carroll

Jeremiah P. Carroll II, CPA  
Audit Director

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**CLARK COUNTY**  
**24-HOUR MARKED AND UNMARKED VEHICLES AUDIT**  
**for the period January 1, 2005, through December 31, 2006**

**BACKGROUND**

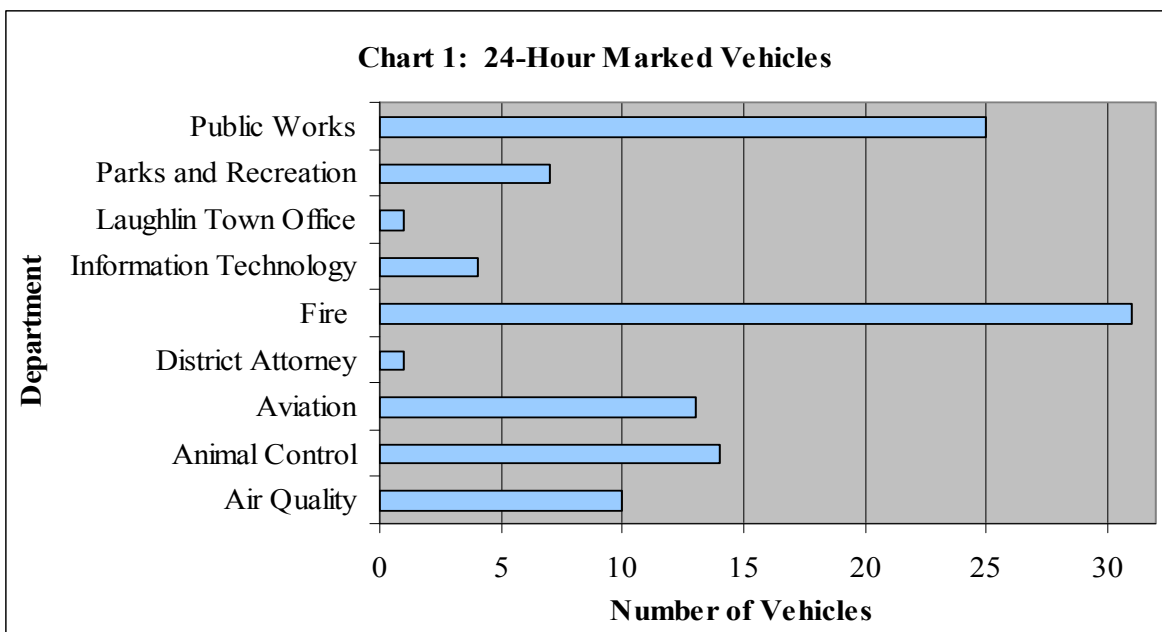
The Board of County Commissioners (BCC) created Administrative Guideline No. 6 - County Vehicles (Administrative Guideline) to establish guidelines for the use of automobiles and other motor vehicles owned by the County, as required by Nevada Revised Statute (NRS) 244.296. The Vehicle Review Committee (VRC) has been designated by the County Manager, by way of the BCC, to review requests and grant approvals for new vehicles or replacements, re-assignments, and other automotive-related activities. The Automotive Services division has been selected to be the liaison between departments and the VRC, and is to be notified of all vehicle requests, employee status changes, and vehicle changes.

The County allows for 24-hour vehicles to be assigned to individuals. These vehicles are taken home by the employee and may or may not be restricted to commuting only. The Administrative Guideline states four factors for assignment of a 24-hour vehicle to an employee:

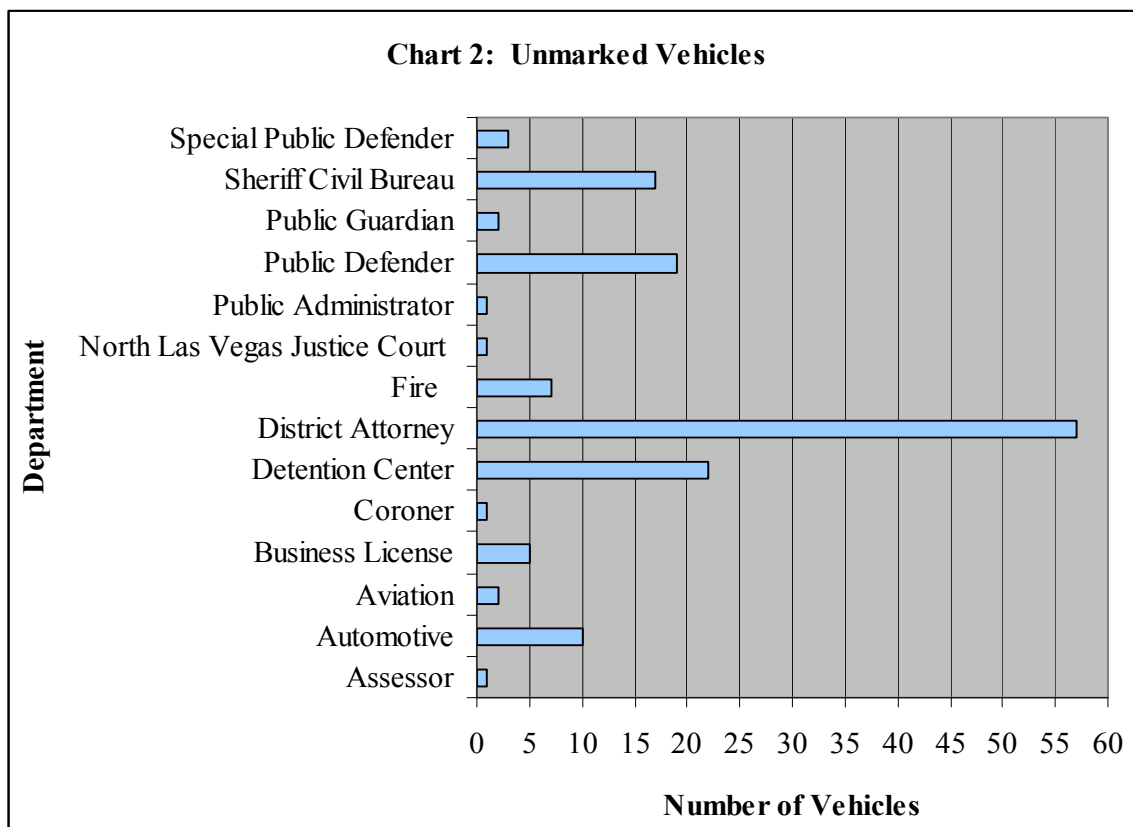
1. The user is subject to frequent emergency callbacks outside of the normal hours of his/her shift.
2. The user travels from his/her residence to a variable work site because it is impractical for the user to first report to a regular duty station to obtain a County vehicle.
3. The assignment can reduce the County's risk of liability for personal injury or damage to County assets.
4. A personal vehicle would not be practicable due to the requirement of emergency sirens, lights, or special tools and other such equipment.

As of December 31, 2006, the County provided a total of 106 marked vehicles for 24-hour usage. See Chart 1:





Unmarked vehicle assignments, allowable to be taken home and may or may not be restricted to commuting only, are authorized by NRS 482.368. As of December 31, 2006, the County provided a total of 148 unmarked vehicles for both 24-hour and non-24 hour usage. See Chart 2:



An employee's personal use of a County-provided vehicle is a taxable fringe benefit under the federal employment tax laws. The value of an employee's personal use of a County-owned vehicle is generally treated as taxable compensation and included in the employee's wages, subject to federal income taxes. The Internal Revenue Service (IRS) allows employers to choose among several valuation methods for determining the amount of income that must be added to an employee's wages.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit procedures were to determine whether:

- The 24-hour marked and unmarked vehicle assignments are in accordance with federal, state, and local rules and regulations, as well as internal policies.
- Proper controls are placed over the federal taxation process.
- The corrections to our findings in the Audit of Emergency Response Vehicles Report issued in 1999 were implemented.

Our methodology included having discussions with various personnel to obtain an understanding of the internal controls in place for the management and assignment of 24-hour marked and unmarked vehicles, as well as federal taxation processes. In conjunction with this step, we reviewed pertinent laws, statutes, regulations, and internal policies. We examined vehicle Applications and Reapplications for 24-Hour Vehicle Assignment, callback hours via the HRMS payroll system, departmental callback logs, mileage logs, additional taxable compensation calculations, and copies of Form W-2s within the 2006 calendar year. We also performed physical observation of vehicles.

Our procedures considered the period January 1, 2005, through December 31, 2006, and the last day of fieldwork was May 8, 2007.

Our audit was conducted in accordance with the generally accepted governmental auditing standards.

## **RESULTS IN BRIEF**

We have seen significant improvement since the last audit. However, we determined that there are still material weaknesses with assignment and management of 24-hour marked and unmarked vehicles, and that proper controls are not adequate over the federal taxation process to prevent abuse and errors.

Departments are not in compliance with the Administrative Guideline. Review of the Administrative Guideline disclosed some areas of concern. We noted various discrepancies and vagueness within the policy, as well as departmental noncompliance as it relates to proper authority. We noted that the format for Reapplication for 24-Hour Vehicle forms needs



improvement and application/reapplications are improperly completed. Furthermore, the County does not have a policy for purchasing extended vehicle warranties.

Based on various inquiries with County personnel, examination of 24-hour vehicle application/reapplications, and examination of the NRS and County policy, we noted that current practices for assigning unmarked vehicles are noncompliant. DMV applications are not being submitted in accordance with County policy. Exemptions have not been properly requested for individuals not listed by the NRS as allowed for unmarked vehicles assignment.

Lastly, in examining the payroll process, we noted that improper tax methods are being used to calculate taxable compensation, personal miles have not been taxed for some individuals, entries submitted by departments do not meet the IRS criteria for substantive evidence, and the County has not been sending written notifications to employees regarding withholdings, as required by the IRS.

Further information is contained in the sections below.

## DETAIL OF FINDINGS

### County Policy

#### *Departmental Noncompliance with County Policy on Vehicle Changes*

During the course of our audit, we noted instances where departments are not notifying the Automotive Services Manager of vehicle status changes, vehicle assignment changes, or change in employee status, as required by the Administrative Guideline. Based on examination of vehicle applications, departmental mileage reports, and inquiries made with departmental vehicle coordinators, the Automotive Services Manager was not provided with the following information:

#### Animal Control

- Vehicle # 13663, assigned to an Animal Control Officer who transferred to the AS/Solid Waste department as a Code Enforcement Specialist on November 7, 2006, was reassigned.
- Vehicle # 12222, assigned to an Animal Control Officer who terminated on January 19, 2007, was reassigned.

#### Fire

- We were unable to locate applications for three of the four Arson Investigators assigned to the 24-hour unmarked vehicles. The Automotive Services Manager stated that applications were never submitted to him, nor was he notified that their unmarked vehicles were for 24-hour usage.



- Vehicle # 12299, assigned to an Emergency Medical Services Coordinator who promoted to Fire Airport Captain on January 13, 2007, was reassigned.
- Unmarked vehicle # 13321, assigned to a Fire Inspector, was reassigned.

#### Parks and Recreation

- A reapplication was not submitted for a Maintenance Supervisor who promoted to Assistant Manager on June 27, 2006, and maintains his vehicle # 13171.
- Vehicle # 13174, assigned to a Rural Park Maintenance Worker, was removed from 24-hour vehicle status in September 2006. Automotive Services has since removed 24-Hour vehicle markings and updated their records. A similar finding was noted in the prior audit.
- Vehicle # 13597, assigned to a North County Cultural Program Administrator who retired on January 11, 2007, was removed from 24-hour vehicle status. The departmental vehicle coordinator indicated that the vehicle never had 24-Hour vehicle markings.

#### Public Works

A Construction Management Inspection Supervisor parks his vehicle # 11604 off-site, rather than at his home. This finding is also addressed in the payroll processing portion of this report.

#### Special Public Defender

We were unable to locate applications for the three Investigators assigned to the unmarked vehicles. Based on discussions with the Automotive Services Manager, they were never submitted to him, nor was he notified that their unmarked vehicles were for 24-hour usage.

Departmental noncompliance with the Administrative Guideline will result in inaccurate automotive records, followed by charge backs to incorrect divisions. It may also lead to abuse of County vehicle usage.

As pertinent information must be identified, captured, and communicated in a form and timeframe that will enable people to carry out their responsibilities, departments should be effectively communicating status changes of vehicle assignments with the Automotive Services Manager. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. As such, we recommend that the County Manager's Office emphasize the importance of being familiar with and adhering to the procedures contained in the Administrative Guideline and issue corrective action for those who are noncompliant.

#### *DMV Applications are Not Remitted to the VRC*

Department of Motor Vehicles (DMV) Unlisted or Special Purposes License Plate Applications are not being submitted to the VRC for approval. Rather, the Automotive Services Manager reviews and submits them to DMV, Carson City, upon receipt.



It is important that the Automotive Services Manager submit all Unlisted or Special Purposes License Plate Applications to the VRC for review and approval prior to submission to the DMV. Not only is it a County requirement, but the VRC is proficient in state rules and regulations, making them more suitable in making the final decision regarding the assignment of unmarked vehicles. Upon receiving these applications, the VRC should scrutinize the applicant based on the criteria set by the NRS.

#### *Application and Reapplication Format Needs Improvement*

In examining Applications and Reapplications for 24-Hour Vehicle Assignment form, we noted the following:

- There is no evidence of VRC approval on completed application and reapplication forms. A similar instance was noted in the prior audit. We recommend that not only should the VRC expressly approve the forms, they should also notate the criterion for which their approval was based. We understand that this would require voluminous amount of paperwork, therefore, as an alternative to signing individual documents, we recommend that the VRC generate a memo that identifies each application, reapplication, and the approval criterion and sign the memo to indicate approval.
- Applicant and department head signatures are not required on the reapplication forms. We recommend that signatures of all involved parties be present for attestation, to authenticate official documents, and provide evidence of proper approval.
- During our examination, we also noted that all acceptable criterion for which to consider a 24-hour vehicle assignment are not listed; the only criteria listed is whether the user is subject to frequent emergency callbacks outside the normal work hours. Having only one criterion notated on the reapplication misleads applicants in thinking that the only acceptable consideration for retaining their vehicle is if they respond to after-hour emergencies. This is appropriate only to individuals who fit this criterion, but results in unrealistic justifications on reapplications of those who do not typically respond to after-hour emergencies. We recommend that all acceptable criteria for which a 24-Hour vehicle assignment will be considered be noted on the reapplication.

#### *Improperly Completed Application and Reapplications*

During our examination of application and reapplications, we noted that some were improperly completed, as shown in the following table:

| <b>Department</b>      | <b>Total No. Application/<br/>Reapplication</b> | <b>Total No. Application/<br/>Reapplication<br/>Improperly Completed</b> | <b>%</b> |
|------------------------|---|--|----------|
| Air Quality            | 10  | 2  | 20%      |
| Assessor's Office      | 1   | 1  | 100%     |
| Airport - Henderson    | 1   | 1  | 100%     |
| Airport - McCarran     | 11  | 9  | 82%      |
| Fire                   | 32  | 32   | 100%     |
| Information Technology | 1   | 1  | 100%     |
| Parks and Recreation   | 7   | 6  | 86%      |
| Public Administrator   | 1   | 1  | 100%     |
| Public Works           | 26  | 14   | 54%      |

**Items missing from application /reapplication:**

| <b>Department</b>      | <b>Justification</b> | <b>Backup<br/>Supporting<br/>Callback Hours</b> | <b>Department<br/>Head<br/>Signature</b> |
|------------------------|----------------------|---|--|
| Air Quality            | 1                    | 1   |  |
| Assessor's Office      | 1                    |   |  |
| Airport - Henderson    |                      | 1   |  |
| Airport - McCarran     |                      | 9   |  |
| Fire                   |                      | 32  |  |
| Information Technology |                      | 1   |  |
| Parks and Recreation   |                      | 6   |  |
| Public Administrator   |                      | 1   |  |
| Public Works           |                      | 14  | 3*                                       |

\* = Three of the 14 reapplications were missing the department head signature.

Noncompliance with application requirements set forth by the Administrative Guideline puts the VRC and the Automotive Services Manager in a position where they will not be able to properly scrutinize application/reapplications or make the best decisions regarding vehicle assignments. This may result in departmental abuse of vehicle usage privileges.

We recommend that Automotive Services should reject incomplete application and reapplications. Rather they should remit only properly completed application and reapplications to the VRC. Approval should be granted only upon proper completion.



### *County Policy Needs Clarification*

We noted that the Administrative Guideline is vague in topics of tax implications, criteria and type of vehicle assignments, and the authority of the Automotive Services Division. A similar finding was noted in a prior audit.

Additionally, we noted the following discrepancies:

- The Administrative Guideline states that employees issued a 24-Hour Vehicle are to verify the usage to the Manager of Automotive Services on a monthly basis via a verification form; however, the Automotive Services Manager has never seen a verification form.
- The Administrative Guideline states that all vehicle applications for ongoing, temporary, and miscellaneous assignments be submitted to the VRC or their designated Assistant County Manager; however, the application and reapplication forms state that they need to be submitted to the Automotive Services Manager.
- The Administrative Guideline states that employees who are issued a 24-hour vehicle may not use the vehicle for personal purposes, other than commuting, except for de minimis personal use. However, current practice allows for vehicles to be driven for personal use other than de minimis purposes by individuals in the Coroner's Office and the Department of Aviation. We recommend that the County Manager's Office review the current policy and either revise it to explicitly allow the VRC to exempt certain vehicles from the commuting policy, or restrict the above individuals from using their vehicles for other than commuting purposes in accordance with the existing policy. Moreover, we are unable to determine whether the VRC was made aware of the current practice, as documents provided to them do not state that the applicant will be using their vehicle for other than commuting/de minimis purposes, and therefore, we are unable to determine whether the VRC had approved such an exemption.

Because staff references the Administrative Guideline, misinterpretation or improper judgments may arise when they do not reflect or clearly address the most current procedures. As it is required for all staff assigned a County-owned vehicle to be knowledgeable of County policy, we recommend that an addenda to the Administrative Guideline be written to include additional matters that will assist both Management and their staff. We recommend that the addenda include an in-depth discussion on the following:

### **Tax Implications**

- Fringe benefits and how taxable income is affected.
- Tax reporting method used for and recordkeeping requirements for individuals restricted to commuting only, not restricted to commuting, and control employees, as well as the consequences of failing to comply with those requirements.
- Definition of control employees.
- Guidance as to what individuals are exempt from tax reporting, i.e. those individuals who drive qualified non-personal use vehicles.



- Substantiation requirements for mileage verification, verification form template with instructions on how to complete the form, and who to submit the form to. Although the Guideline states that the verification forms should be submitted to Automotive Services, we believe it would be more effective to require employees to submit them to the Payroll department, because the purpose of the forms are to facilitate in the W-2 calendar year end processes. We recommend that the Administrative Guideline be revised to require verification forms be sent to the custodial Payroll personnel instead of the Automotive Services Manager.

#### Vehicle Assignments

- Criterion for unmarked vehicle assignment, including reference to NRS 482.368.
- Procedures for submitting a proper application and justification to the State when requesting an unmarked vehicle assignment for an individual not listed in the NRS, including a standard letter or memorandum format to be used.
- Criterion for individuals restricted to commuting only and those not restricted to commuting only.
- A policy to mandate the creation and retention of records to document emergency callback hours to validate justifications for vehicle necessity due to emergency callbacks.

#### Automotive Services Division

- Define the authority of the Automotive Services Division as it relates to County-owned vehicles, stated similar to the explanation provided of the VRC.
- Requirements for all applications to be sent to the Automotive Services Division. Accordingly, we also recommend that the information on the vehicle application forms be consistent with what is documented on the Administrative Guideline, and vice versa.

Furthermore, we recommend that the County Manager's Office create a vehicle policy agreement to be signed by each employee in acknowledgment of the receipt and in agreement to all terms and conditions, immediately prior to vehicle assignment. The agreement should clarify the responsibilities associated with driving the vehicle, recordkeeping requirements, and additional taxable income effects.

Lastly, we recommend that the County Manager's Office take action to ensure proper communication is being carried out between the Automotive Services, Payroll, and other County departments. County departments should be notifying Automotive Services of any changes to vehicle or employee status. Automotive Services should be remitting an annual list to Payroll of all County personnel driving a 24-hour vehicle at calendar year end, including the year/make/model of the vehicle, an indication of whether they are marked or unmarked, the name and position of individuals assigned an unmarked vehicle, and an indication of whether users are restricted to commuting only. Automotive Services should also notify Payroll of all changes to employees assigned the vehicles, i.e. assignment removal or change in assigned vehicle.





### *Guidelines for Vehicle Markings Need Improvement*

During vehicle observations of airport vehicles, we noted that the majority of the decals and County markings are very small and therefore do not support their use as “emergency” vehicles, which usually require high visibility. The County logos observed are about 3" x 3" and the markings are about 1.5" tall, placed on the lowest part of the door where it is least visible.

Current vehicle policy does not mandate letter size and placement of County decals and markings so that all County vehicles can be immediately recognized, as recommended in the prior audit.

Emergency vehicles should be highly visible so as to expedite the emergency in a timely manner, as small, hard-to-read logos will hamper or impede emergency vehicles. As recommended in the prior audit, we recommend that the current vehicle policy mandate letter size and placement of County decals and markings.

### *Policy for Purchasing Extended Warranties Do Not Exist*

During the audit, we noted the purchase of an extended warranty on a vehicle for \$1,890. County policy regarding the purchase of extended service warranties does not exist. Without guidelines, departments may be purchasing warranties that may be costly and unnecessary, and improperly entering it into the general ledger. According to the Automotive Rate Structure dated October 12, 2005, Automotive Services performs repair and maintenance work for all County vehicles at a labor rate of \$59 per hour. It would be impractical in most cases to purchase extended service warranties that can cost the County hundreds or thousands of dollars when departments can be utilizing the services of Automotive Services.

As it may not be in the County’s best interest to purchase extended service warranties for new vehicles, and as other departments may not be aware of the services provided by Automotive Services, we recommend that a County policy on purchasing extended service warranties be created and enforced.

## **Unmarked Vehicle Assignments**

### *Proper State Approvals Have Not Been Requested*

NRS 482.368 states that license plates furnished for vehicles of the County, if authorized by the Department for the purposes of law enforcement or work related thereto, or such other purposes as are approved upon proper application and justification, must not bear any distinguished mark which would serve to identify the vehicles as owned by the County. NRS 480.010 defines “Department” as the Department of Public Safety (in the calendar year 2001, the State reorganized the Department of Motor Vehicles and Public Safety to the Department of Motor Vehicles [DMV] and the Department of Public Safety).

In reviewing vehicle assignments for the calendar year ending 2006, we noted that individuals who are not expressly listed by the NRS as authorized to drive unmarked vehicles were assigned



unmarked vehicles. Based on discussions with the Automotive Services Manager on January 31, 2007, he was unaware of the stipulations set by the NRS for unmarked vehicle usage, as he stated that vehicle assignments have been based on practical justification only. Additionally, the only documentation provided to the State were the DMV Unlisted or Special Purposes License Plate Application forms.

Consequently, assignment of unmarked vehicles for individuals not specified or approved by the Department is a violation of Nevada state law. To comply with the NRS, we recommend that a standard letter or notification format be created by the County Manager's Office to be used as "proper application and justification" for submission to the Department. Corresponding policies and procedures for proper completion and submission should be established for employee guidance and adherence. Similar findings were noted in the prior audit.

Furthermore, we recommend that Automotive Services create an instruction manual to include vehicle assignment criterion, procedures, and form templates. This manual should be created to supplement the Administrative Guideline and to provide departmental personnel with additional documented reference.

#### *Unmarked Vehicles Assigned to Unapproved Positions*

As the individuals noted below are not specifically listed by the NRS as individuals being allowed unmarked vehicles and their job duties does not involve law enforcement functions, assignment can only be granted after proper application and justification is submitted to the Department and should involve law enforcement duties. Any justification that may have been provided cannot be verified because Automotive Services has not maintained copies of DMV Unlisted or Special Purposes License Plate Applications.

##### *Assessor's Office*

The Assessor is responsible for locating, appraising and collecting taxes on all personal property in Clark County. Since his work is performed only during office hours and he does not respond to emergencies, it is unnecessary for him to maintain his 24-hour, unmarked vehicle # 11274. Furthermore, the Assessor is not involved in law enforcement or work related thereto; hence he does not qualify for unmarked vehicle assignment. Similar findings were noted in the prior audit. On February 21, 2007, Automotive Services picked up the vehicle for service, decal and re-registration and has returned it to the Assessor's Office as a pooled vehicle. No further correction is needed.

##### *Coroner's Office*

The Coroner and Assistant Coroner has been assigned 24-hour, unmarked vehicle #'s 14169 and 14168, respectively. As they respond to incidences at various times throughout the day, we agree with the appropriateness of the 24-hour vehicle assignment. However, we recommend that the vehicles assigned to them be marked with County decals to allow law enforcement and other authority to identify the presence of authorized officials as they arrive to incident sites. We understand that sensitivity and privacy should be preserved on certain issues such as notifying



next of kin, and therefore believe that the word “Coroner” can be left out, so long as “For Official Use Only” is permanently and legibly affixed to each side of the vehicle, in accordance with the NRS and County policy.

#### District Attorney’s Office

Non 24-hour, unmarked vehicle # 11348 is assigned to five personnel within the Bad Check Unit for the primary use of transportation to/from training seminars. On June 19, 2007, the vehicle was moved to the District Attorney’s pooled fleet and a marked vehicle has been given to Bad Check Unit. No further correction is needed.

#### Fire Department

Although they oversee an investigative arm such as fire arson, the Fire Chief (vehicle # 13320) and Assistant Fire Chief (vehicle # 13321) do not meet the State law or IRS’ definition of law enforcement. Moreover, as they respond to emergency incidences at various times throughout the day, we recommend that their vehicles be marked with County decals to allow law enforcement and other authority to identify the presence of authorized officials as they arrive to incident sites.

### **24-Hour Marked Vehicle Assignments**

#### *Unwarranted 24-Hour Vehicle Assignments*

In examining 24-hour vehicle application and reapplications, every applicant stated as being subject to frequent emergency callbacks outside of the hours of his/her shift. Yet, based on discussions with various personnel, as well as examination of HRMS payroll data of the calendar year 2005 and 2006 and other related documentation, we determined that some applicants have not responded to emergencies or can respond to emergencies without the use of a 24-hour vehicle, making their vehicle assignments unwarranted for that purpose. Similar findings were noted in the prior audit.

#### Animal Control

- The Animal Control Supervisor (assigned vehicle # 11330) responds to infrequent emergencies. Payroll records indicate that he was only called back a total of five times during 2005 and 2006. Four instances were three-hour calls; one was a six-hour call.

#### Fire

- The primary function of the Deputy Fire Chief over the Fire and Hazard Prevention Services (assigned vehicle # 12149) is to coordinate business license building inspection oversight.



- The Fire Protection Engineer (assigned vehicle # 13183) responds to infrequent emergencies. Payroll records indicate that he was not called back anytime in 2005 and only five times in 2006.
- The Emergency Medical Services Coordinator who promoted to Airport Fire Captain in 2007 (assigned vehicle # 12299) and the Hazmat Coordinator (assigned vehicle # 10427) responds to infrequent emergencies. Payroll records indicate that they were not called back in 2005 or 2006.
- The Senior Employee Assistance Specialist (assigned vehicle # 11619) arrives on-site when fire department personnel needs counseling. Payroll records indicate that she did not have any callback or on-call hours in 2005 or 2006. Furthermore, the vehicle she currently drives is a 1998 Mercury Marquis, which shows that she travels infrequently to rural and rugged areas and that her personal vehicle is capable of maneuvering through such terrain. Lastly, we noted that there are no decals on her vehicle, which is an NRS violation.

#### Parks and Recreation

- The North County Cultural Program Administrator (assigned vehicle # 13597) responds to emergencies such as broken water lines and vandalism calls in the parks, centers, and fairgrounds. According to his application, once he has arrived at the scene, he evaluates the situation and calls the necessary crew and equipment with the needed supplies to correct any emergency situations. His vehicle does not have any specialized equipment (amber lights, radios, etc.). We therefore believe the use of a personal vehicle is sufficient to perform his job duties. This employee terminated on January 11, 2007 and his assigned vehicle has been removed from 24-hour vehicle status. No further correction needed.
- A Rural Park Maintenance Worker (assigned vehicle # 13174) responds infrequently to emergencies. Payroll records indicate that he was called back only one time during 2005 and 2006. His assigned vehicle has been removed from 24-hour vehicle status. No further correction needed.
- A Maintenance Supervisor who promoted to Assistant Manager (assigned vehicle # 13171) on June 27, 2006, responds to infrequent emergencies. Payroll records indicate that he was only called back once during 2005 and 2006. Additionally, there are other personnel within his division not assigned 24-hour vehicles who have been called back during the two years.

#### Public Works

- The Maintenance Management Manager (assigned vehicle # 11290) does not respond to emergencies unless it is serious or involves fire department emergencies. His name is part of the Public Works emergency call list, but always stays at the bottom (there are 12 employees above his name). According to the Maintenance Management Callout report dated January 1, 2005 to December 31, 2006, he was not called back in 2005 and was only called out four times in 2006. Additionally, since his vehicle is without specialized tools such as barricades and sand buckets like the other vehicles assigned to his division,



we believe that the vehicle assignment does not give him any advantage during emergency incidents, and realistically, emergencies can be arrived to by driving his personal vehicle.

- Maintenance Management Assistant Manager responds to infrequent emergencies. He is part of the Public Works emergency call list, but his name always stays second from the bottom (there are 11 employees above his name). Payroll data indicates that he was only called back twice in 2005 and was not called back in 2006.
- Callback times for four Supervisor Construction Management Inspectors, one of whom is an M Plan employee, are infrequent. Payroll records indicate that the three non-M Plan supervisors were not called back during calendar year 2005 and 2006. Because the fourth supervisor is an M Plan employee and the construction division does not keep callback logs, we could not verify his callback or on-call hours on payroll record. We examined the 2006 Las Vegas Metropolitan Police Department (LVMPD) Private Branch Exchange (PBX) log and noted that the supervisor was never called. The PBX log is maintained by the switchboard for each callout made to County personnel. We could not obtain 2005 PBX logs because they were destroyed prior to our document request.
- A Construction Management Principal Civil Engineer oversees the Supervisor Construction Management Inspectors. We could not verify his callback or on-call hours on payroll records as he is an M Plan employee, so we examined 2006 LVMPD PBX log. The log revealed that the one time the engineer was contacted, he responded a couple days later. Callback times for the engineer are infrequent, and since we have determined that the vehicle assignments of his four supervisors are inappropriate, we believe that his position does not warrant a 24-hour vehicle either.
- Upon examining the 2006 LVMPD PBX log, we noted that two Traffic Management Principal Civil Engineers were contacted several times. However, payroll records did not indicate any callback hours during 2005 and 2006. This suggests that the engineers did not attend to emergencies themselves; rather they contacted someone else to resolve the situation.

Abuse and misuse of County assets will result when vehicles are assigned to individuals whose justification does not support their job duties and whose job duties do not necessitate one. Due to the infrequency of emergencies, 24-hour vehicles are not warranted for the individuals noted above. We recommend that their vehicles be removed and that they instead drive their private vehicles. Additionally, all County-owned marked vehicles need to be affixed with proper markings and decals.

## **Payroll Processes**

### *Improper or No Tax Method Used to Calculate Taxable Compensation*

There are various employees assigned 24-hour, unqualified nonpersonal use vehicles and are not listed by the IRS as being exempt from additional taxable compensation on the personal use of their County-owned vehicles. During the course of the audit, in examining payroll documentation and departmental mileage logs for the calendar year 2006, we noted the following



instances of improper tax methods used to calculate taxable compensation as well as personal miles not being taxed:

- The Commuting Valuation Method was used to calculate fringe benefit taxes for the Assistant Coroner and a McCarran Airport Management Analyst. As they are not restricted to commuting only, the Lease Value Method should be used.
- The vehicle application for the Laughlin Town Manager states that her vehicle was a condition of her employment, and that she uses it for various business trips, as well as personal trips to the pharmacy, grocery store, retail store, etc. However, she has not submitted mileage logs to Payroll. Payroll has unsuccessfully attempted to obtain logs from her, and therefore has been computing her fringe benefit via the Commuting Valuation Method based on HRMS data. As she is not restricted to commuting only, the Lease Value Method should be used.
- The Fire Chief and Special Public Defender Investigators have not been taxed on their fringe benefits. They are not tax exempt as their vehicles are unmarked and they do not qualify as law enforcement officers under IRS regulations. As they take their vehicles home and are not restricted to commuting, they should be taxed on their personal usage of their County-owned vehicle using the Lease Value Method.
- The McCarran Airport Security Administrator was not taxed on her fringe benefits in 2006 because she claimed the entire 4,572 miles driven were all business miles. Payroll records indicate that she worked 1,944 regular hours between December 2005 and November 2006. We calculate her additional 2006 compensation to be \$1,246 at the minimum, as 4,214 miles would be commuting, assuming she took the vehicle home.
- A Public Works Principal Civil Engineer was not taxed on his fringe benefits as a result of his mileage log submission indicating "0" miles driven. As he is restricted to commuting only, the Commuting Valuation Method should be used to compute his taxable fringe benefit. Payroll records indicate that he worked 1,864 regular hours between December 2005 and November 2006. We calculate his additional 2006 compensation to be \$699, assuming he took the vehicle home.
- Payroll did not apply additional taxable compensation for a Public Works Construction Management Inspection Supervisor, based on a note documented on the Public Works mileage reports that said, "At this time, [the employee] will continue to park off-site, but not at his home, thus no days to charge." This Supervisor is in violation of County policy which clearly prohibits vehicles to remain anywhere except at a secure location at the employee's home when not used for County business. This also appears to be an attempt to circumvent IRS Regulations. As he is restricted to commuting only and commuting under IRS Regulations includes parking at a County location near his home, the Commuting Valuation Method should be used to compute his taxable fringe benefit. Payroll records indicate that Supervisor worked 1,769 regular hours between December 2005 and November 2006. We calculate his additional 2006 compensation to be \$663.

The following additional individuals were not taxed:





### Air Quality

| Employee Position            | Vehicle # | Restricted to Commuting | Tax Method |
|------------------------------|-----------|-------------------------|------------|
| 1. Specialist II             | 12190     | Yes                     | Commuting  |
| 2. Specialist II             | 10546     | Yes                     | Commuting  |
| 3. Specialist II             | 13055     | Yes                     | Commuting  |
| 4. Specialist II             | 12192     | Yes                     | Commuting  |
| 5. Specialist II             | 13792     | Yes                     | Commuting  |
| 6. Specialist II             | 13796     | Yes                     | Commuting  |
| 7. APC Compliance Supervisor | 13057     | Yes                     | Commuting  |
| 8. Specialist II             | 13060     | Yes                     | Commuting  |
| 9. Specialist II             | 12186     | Yes                     | Commuting  |
| 10. Specialist II            | 13412     | Yes                     | Commuting  |

### Fire

| Employee Position                    | Vehicle # | Restricted to Commuting | Tax Method  |
|--------------------------------------|-----------|-------------------------|-------------|
| 1. Sr Employee Assistance Specialist | 11619     | No                      | Lease Value |

### Parks and Recreation

| Employee Position                 | Vehicle # | Restricted to Commuting | Tax Method  |
|-----------------------------------|-----------|-------------------------|-------------|
| 1. Maintenance Supervisor         | 13171     | Yes                     | Commuting * |
| 2. Cultural Program Administrator | 13597     | Yes                     | Commuting   |
| 3. Rural Parks Recs Worker I      | 13174     | Yes                     | Commuting   |

\* = Employee promoted to Assistant Manager on June 27, 2006.

Similar findings were noted in the prior audit.

Such violation of tax laws may result in the IRS issuing tax penalties. IRS generally charges interest on any unpaid tax from the due date of the return until the date of payment. The interest rate is determined every three months and is the federal short-term rate plus 3 percent. Interest is compounded daily.

As all employees assigned 24-hour vehicles should be keeping a daily log as required by the IRS, we recommend that the individuals noted above submit 2006 mileage logs or commuting logs, as appropriate, to the Payroll department. We further recommend that Payroll amend their 2006



Form W-2 subsequent to receiving the revised logs. If they fail to maintain and provide adequate records, IRS presumes that the use of their County vehicle was primarily personal, and individuals should be taxed at the maximum rate of 100% personal usage.

### *Incorrect Values Used to Calculate Taxable Compensation*

In re-calculating additional taxable compensation via the Lease Value Method for the seven individuals listed below, we noted that the Payroll department did not assess the current market value based on the initial calendar year driven by the employee, nor have they re-assessed the current market value of the vehicle as of January 1 following the fourth full year to re-adjust for the new annual lease value, in accordance with IRS regulations. Instead, the lease value amounts were incorrectly based on the fair market value of the vehicle purchase. Furthermore, McCarran Airport's Assistant Director of Landside Operations and the Airport Safety Administrator were assigned new vehicles during 2006, yet tax calculations did not take into consideration the new vehicles' fair market values and the mileage logs submitted did not identify personal miles accumulated on their new vehicles.

#### Assessor's Office

| Employee Position | Vehicle No. | Make | Model         |
|-------------------|-------------|------|---------------|
| 1. Assessor       | 11274       | 1998 | Ford Explorer |

#### Airport

| Employee Position                            | Vehicle No. | Make | Model            |
|--|-------------|------|------------------|
| 1. Henderson Airport General Manager         | 11529       | 1999 | Ford Explorer    |
| 2. North Las Vegas Airport Manager           | 11987       | 2001 | Dodge Durango    |
| 3. Assistant Director of Landside Operations | 11527       | 1999 | Dodge Intrepid * |
| 4. McCarran Airport Operations Manager       | 11761       | 2000 | Chevy Blazer     |
| 5. McCarran Security Administrator           | 11842       | 2000 | Chevy Blazer     |
| 6. McCarran Safety Administrator             | 11763       | 2000 | Chevy Blazer *   |

\* = These vehicles were switched out for new ones during 2006.

We recommend that McCarran Airport's Assistant Director of Landside Operations and the Airport Safety Administrator be required to correct their 2006 mileage logs to include personal usage of their new vehicles and resubmit their 2006 mileage logs to the Payroll department. We also recommend that Payroll recalculate the 2006 taxable compensation with the proper fair market values and amend 2006 Form W-2s for the listed individuals.

### *Process for Recordkeeping Notifications Do Not Exist*

In 2007, the Coroner and an Assistant Fire Chief were assigned an unmarked vehicle. However, based on discussions with the vehicle coordinators, Payroll has not made them aware of





recordkeeping requirements and the taxable income implication. We recommend that the Comptroller develop a process to notify employees immediately before vehicle assignment of recordkeeping requirements, as required by the IRS.

#### *Withholdings Reporting Obligations Not Met*

Employees are generally subject to Federal income tax withholding on the personal use value of a County-owned vehicle. The IRS allows employers the option of not withholding Federal taxes on this value, as long as written notification is provided to employees disclosing their decision. The County has chosen to not withhold Federal income taxes on the taxable value of County-owned vehicles; however, required notifications to employees are not being prepared.

Not providing written notification to employees may result in the employees' underpayment of estimated taxes and IRS penalties for insufficient withholdings. As the Comptroller's Office is responsible for disseminating payroll information to the employees, we recommend that the Comptroller's Office send out written notices to those employees assigned a 24-hour vehicle as required by the IRS.

#### **Grant-Funded Purchase**

##### *Vehicle Purchase Noncompliance with Grant Terms*

The 2005 Ford Expedition (vehicle # 13418) assigned as the Assistant Coroner's 24-hour unmarked vehicle for the calendar year 2006 purchased under federal grant FY2004 State Homeland Security Program (SHSP) No. 97004HL4. The description provided on the grant application by the Coroner's Office states:

...the need exists for a mobile morgue command vehicle. This vehicle will allow the establishment of an independent command and response site that will be established on any incident involving multiple deaths and specifically those instances that would involve chemical, biological, radiological, nuclear, and explosive...The Coroner's Office employs...investigators. These investigators respond to death scenes in the vast majority of the time in their own vehicles. The need exists for the ability to provide all necessary equipment and supplies on scene to be used...upon the arrival of the investigative staff. It is not logistically possible for all of these investigators to carry all of the equipment needed in their individual personal vehicles. By obtaining this particular piece of equipment, it would allow the office the ability to respond in an appropriately and timely manner with a high degree of safety for the employees allowing the office to complete the task in a mass fatality. The vehicle will be utilized as a command and control center for morgue activities on site. It will not only be easily recognizable but well stocked with the necessary equipment, write-on boards and other item to ensure the integrity of the investigation through appropriate identification of decedent locations, the retrieval of those decedents and the successful completion of each event that occurs.

Based on observations, inquiries, and examination of grant documentation, we noted that the vehicle in possession of the Assistant Coroner is in noncompliance with the grant terms. We observed that it is equipped no differently than the other departmental vehicles. The only specialized equipment attached to the vehicle were red/blue flashing lights on the sun visors, flashing light in the four corners, and one police radio in the center console. The only equipment noted were three portable plastic bins carrying items such as gloves, body bags, and gowns which can fit comfortably in a vehicle of any size. Investigators carry the same bins in the pooled vehicles driven when they respond to an incident. Furthermore, the vehicle is not easily recognizable because it is unmarked. In our opinion, this vehicle does not appear to have been equipped in accordance with the grant terms, which required the vehicle to be a mobile morgue command and control center.

As of February 9, 2007, the status of vehicle # 13418 has been changed from unmarked to marked. Proper Clark County logos and markings are attached and "EX" plates have been ordered. It is no longer assigned as a 24-hour vehicle; it is currently part of the departmental pooled vehicles and remains at the Coroner's headquarters so that any authorized personnel can have immediate access to it. However, we maintain that it is a necessity for this vehicle to be outfitted with the essential equipment in making it a mobile command and control center because the grant terms do not allow for purchases of vehicles for the purpose of regular County operations. Therefore, we recommend that either the vehicle be properly outfitted to meet the grant terms, or disclose to the grantor that the funds were not used in accordance with the grant terms.



## **APPENDIX**

# MEMORANDUM

## DEPARTMENT OF FINANCE

GEORGE W. STEVENS  
Chief Financial Officer

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TO: Jeremiah P. Carroll II, Director of Auditing

FROM: George W. Stevens, Chief Financial Officer

SUBJECT: 24-Hour Marked and Unmarked Vehicles Audit Response

DATE: March 26, 2008

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This memo is in response to issues raised in the audit dated December 12, 2007 of the Automotive Division of Finance.

### **Detail of Findings**

#### ***County Policy***

It is correct that various departments have failed to notify Automotive when the status of their 24-hour vehicles change or they have a need for 24-hour vehicles. This by no means is acceptable but it is the Department responsibility to notify Automotive when vehicle assignment changes or the need for a 24-hour vehicle arise. When the annual approval letters are sent to the department heads there is a reminder that they are to notify us in the event of any changes. We agree with your assessment that emphasis from top management is needed to ensure this policy is followed.

#### ***DMV Applications are not remitted to the VRC***

A meeting was held with the VRC and starting this fiscal year all unmarked vehicles will be approved/disapproved on an annual basis at the same time the 24-hour vehicles are approved/disapproved. Any requests that fall outside of this time frame will be handled on a case-by-case basis with the request(s) being routed to all VRC members for approval before the unmarked plates are procured.

#### ***Application and Reapplication Format Needs Improvement***

Starting this fiscal year a memo, with signatures of all VRC members, will be attached to the spreadsheet showing which requests have been approved and which have been denied. This should satisfy any documentation requirements. We will take your recommendation of changing the applications, department head signatures and the criterion under advisement.

### ***Improperly Completed Application and Reapplications***

It is correct that the applications that were reviewed were missing their support documentation. During this fiscal year we made the applicants submit justification showing their callbacks. Unfortunately personnel in management did not have documentation of callback due to they receive no compensation. Therefore, by requiring them to fill out the mileage logs starting this fiscal year this can serve as documentation of their callbacks for next fiscal year. Starting in fiscal year 2009 all applications that are submitted but missing information will be rejected until the applicant submits all the required data.

### ***County Policy Needs Clarification***

A complete review of the policy will be accomplished.

### ***Guidelines for Vehicle Markings Need Improvement***

In reference to you comments concerning airport vehicles, they will soon be marked with their own logo thereby distinguishing this vehicle as county assets. We will take your other recommendations under advisement at this time.

### ***Policy for Purchasing Extended Warranties do not exist***

Referencing the extended warranty purchases, since SAP was introduced to the county all requests for vehicles come to the Automotive Services Manager as he is designated the commodities broker for these transactions. All requests for purchasing extended warranty are evaluated and if applicable they are approved. The departments do not have the authority to make these decisions without consulting with automotive. Further you must bear in mind that these warranties not only cover the labor put also the parts, which depending upon the vehicle may actual cost more than the warranty it self. When you purchase certain vehicles, extended warranties make sense. We will develop a policy concerning this area.

### ***Unmarked Vehicle Assignments***

#### ***Proper State Approvals Have Not been Requested***

All unmarked vehicles have been submitted to the Department of Motor Vehicles with justification on the application. If the justification was not acceptable by the State of Nevada they would reject our application. Therefore, all current unmarked vehicles have been properly justified and approved by the State of Nevada. While justification in the past was not preserved it is now preserved and a copy of the application is filed in the appropriate vehicle jacket.

#### ***Unmarked Vehicles Assigned Without Obtaining Proper Approvals***

We have taken your recommendations under consideration but the VRC believes these vehicles should remain unmarked and they have been properly justified and approved by the State of Nevada. If these vehicles had not been approved by proper application and justification to the State of Nevada the State would not have issued unmarked license plates.

### ***Assigned Unmarked Vehicles Deemed Unnecessary***

Again, we have taken your recommendations under consideration but the VRC voted that the Coroner's, Fire Chief and Assistant Fire Chief vehicles should remain unmarked and they have been properly justified and approved by the State of Nevada. However, the Fire Chief and Assistant Fire Chief have decided to mark their vehicles and we have turned in their unmarked license plates and they have been issued the standard EX plates.

### **24-Hour Marked Vehicle Assignments**

#### ***Unwarranted 24-Hour Vehicle Assignments***

Your recommendations have been taken under advisement and the VRC will continue to make the decisions on who is approved or disapproved for a 24 hour vehicle.

### **Payroll Processes**

#### ***Improper or No Tax Method Used to Calculate Taxable Compensation***

This finding has been corrected.

#### ***Incorrect Values Used to Calculate Taxable Compensation***

This finding has been corrected.

#### ***Process for Record Keeping Notifications Do Not Exist***

This finding will be corrected.

#### ***Withholdings Reporting Obligations Not Met***

This finding has been corrected.

### **Grant-Funded Purchase**

#### ***Vehicle Purchase Noncompliance with Grant Terms***

As stated in your report this vehicle has been marked and "EX" plates have since been obtained. The Coroners office has obtained the necessary equipment as stated in the grant to ensure this vehicle meets the requirements of the grant. Therefore, the need to return the grant funds is unnecessary.