

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Cano  
Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** May 9, 2022

Approved



Date

5/9/2022

## SUPPLEMENTAL

**SUBJECT: SUPPLEMENTAL RESPONSE TO THE CITY AUDITOR REPORT  
TAKE-HOME VEHICLES: IMPROVED CONTROLS CAN BETTER  
ENSURE COMPLIANCE WITH CITY POLICIES**

This supplemental memorandum responds to inquiries received during the City Take-Home Vehicle Program report presented to the Public Safety, Finance, and Strategic Support Committee on April 21, 2022. As presented in the initial response memorandum, Recommendations #1, 2, 3, and 4 were referenced with Yellow status, with Recommendation #5 referenced with a Green status. After further discussion and clarification during the Public Safety, Finance, and Strategic Support Committee meeting, it was acknowledged by the Administration that the status for Recommendations #1, 2, and 4 should be changed to Green as such work can be administered without further City Council action. Recommendation #3 will remain in the Yellow status as City Council budget approval is required for the action to be completed. Recommendation #5 will remain the same with a Green status. The adjustments are as follows:

### **Finding 1: Clarifying Policies and Streamlining Processes Can Lead to Better Management of Take-Home Vehicles**

**Recommendation #1: The Administration should clarify and update guidelines for take-home vehicles in the City Policy Manual 1.8.1 *Use of City and Personal Vehicles* to:**

- a) Better define roles and responsibilities of department liaisons, Public Works, and the City Manager's Office,
- b) Provide acceptable mechanisms to calculate call-backs, such as required documentation of reported numbers, and
- c) Require exemption requests in instances where employees do not meet all the policy guidelines, to include justification and reasoning for the request, including cost/benefit analyses as appropriate.

**Green (changed from Yellow):** The Administration agrees with the recommendation and will update City Policy Manual 1.8.1 to align with recommendations.

**Target Date of Completion:** April 2023

**Recommendation #2: To streamline the authorization process, Public Works should work with the Information Technology Department to simplify and develop an electronic approval process. This should include standard processes to:**

- a) Identify take-home vehicle, which should include departments providing updates to Public Works and the City Manager's Office on a periodic basis to account for changes to the roster of employees approved for take-home vehicles, and**
- b) Submit exemption requests for employees that do not meet all policy requirements.**

**Green (changed from Yellow):** The Administration agrees with the recommendation and, in collaboration with the Business Process Automation team in the Information Technology Department, will develop a process to electronically approve and capture take-home vehicle data to align with recommendations. The approval process will be shared with the City Manager's Office prior to implementing the revised workflows.

**Target Date of Completion:** January 2023

**Recommendation #3: To monitor for potential personal use:**

- a) Public Works should ensure take-home vehicles are equipped with telematics, as appropriate, and relevant department staff have access to telematics.**
- b) The Administration should update the policy to require departments to monitor for personal use, such as through random audits to identify off-hour, evening, or weekend use, or requiring department directors to attest that control are in place to prevent personal use of take-home vehicles.**

**Yellow:** The Administration agrees with the recommendation to equip all take-home vehicles with telematics, where appropriate and pending ongoing funding of the program, and to update policy language to require departments to monitor and report out on personal use of vehicles in the take-home program.

**Target Date of Completion:** April 2023

May 9, 2022

**Subject: Response to the City Auditor Report Take-Home Vehicles: Improved Controls Can Better Ensure Compliance with City Policies**

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**Recommendation #4: To ensure clear expectations for employees who may be subject to taxable fringe benefits, the Administration should update City Policy Manual 1.8.1 *Use of City and Personal Vehicles* to include IRS guidelines around what vehicles are exempt from fringe benefit calculation.**

**Green (changed from Yellow):** The Administration agrees with this recommendation. The Finance Department will work with Public Works (Fleet Division) to incorporate Internal Revenue Service (IRS) guidelines around what vehicles are exempt from fringe benefit calculations into the City Policy Manual 1.8.1 Use of City and Personal Vehicles.

**Target Date of Completion:** April 2023

**Recommendation #5: To ensure accuracy of IRS reporting of taxable fringe benefits, the Finance Department should:**

- a) **Work with Public Works to annually review the roster of take-home vehicles against IRS guidelines to identify vehicles subject to taxable fringe benefit reporting, and**
- b) **Revise the calculation of taxable fringe benefits to remove call-back events from the commute mileage.**

**Green:** The Administration agrees with this recommendation. The Finance Department will work with Public Works (Fleet Division) to establish a mechanism for identifying which take-home vehicles are subject to taxable fringe benefit reporting per IRS guidelines. The Finance Department will revise the calculation of taxable fringe benefits to ensure only qualifying trips are subject to taxable fringe benefit reporting.

**Target Date of Completion:** December 2022

/s/  
MATT CANO  
Director of Public Works

/s/  
JULIA H. COOPER  
Director of Finance

Questions should be directed to Walter Lin, Deputy Director of Public Works, [walter.lin@sanjoseca.gov](mailto:walter.lin@sanjoseca.gov) or (408) 535-1298 or Rick Bruneau, Deputy Director of Finance – Accounting, [rick.bruneau@sanjoseca.gov](mailto:rick.bruneau@sanjoseca.gov) or (408) 535- 8310.

Attachment: *Response to the City Auditor's Report Take-Home Vehicles: Improved Controls Can Better Ensure Compliance with City Policies*



# Memorandum

**TO:** JOE ROIS  
CITY AUDITOR

**FROM:** Matt Cano  
Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** April 6, 2022

Approved

Date

4/11/2022

**SUBJECT: RESPONSE TO THE CITY AUDITOR'S REPORT TAKE-HOME  
VEHICLES: IMPROVED CONTROLS CAN BETTER ENSURE  
COMPLIANCE WITH CITY POLICIES**

This memorandum responds to the recently completed report of the City Take-Home Vehicle Program. The Administration appreciates the professionalism of the City Auditor's Office and the time taken to gain insight, understanding, and appreciation for the complexity of the program and the roles of the various stakeholders. The Administration is pleased the City Auditor's report found no major areas of concern and appreciates the City Auditor identifying process improvements to further develop the program. The Administration agrees with the report and looks forward to implementing the recommendations to improve the program and better serve our partner departments. The following are the Administration's responses to each of the Auditor's recommendations.

## **Finding 1: Clarifying Policies and Streamlining Processes Can Lead to Better Management of Take-Home Vehicles**

**Recommendation #1: The Administration should clarify and update guidelines for take-home vehicles in the City Policy Manual 1.8.1 *Use of City and Personal Vehicles* to:**

- a) Better define roles and responsibilities of department liaisons, Public Works, and the City Manager's Office,
- b) Provide acceptable mechanisms to calculate call-backs, such as required documentation of reported numbers, and
- c) Require exemption requests in instances where employees do not meet all the policy guidelines, to include justification and reasoning for the request, including cost/benefit analyses as appropriate.

**Yellow:** The Administration agrees with the recommendation and will update City Policy Manual 1.8.1 to align with the recommendations.

**Target Date of Completion:** April 2023

**Recommendation #2: To streamline the authorization process, Public Works should work with the Information Technology Department to simplify and develop an electronic approval process. This should include standard processes to:**

- a) Identify take-home vehicle, which should include departments providing updates to Public Works and the City Manager's Office on a periodic basis to account for changes to the roster of employees approved for take-home vehicles, and**
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**Yellow:** The Administration agrees with the recommendation and, in collaboration with the Business Process Automation team in the Information Technology Department, will develop a process to electronically approve and capture take-home vehicle data to align with recommendations. The approval process will be shared with the City Manager's Office prior to implementing the revised workflows.

**Target Date of Completion:** January 2023

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**Yellow:** The Administration agrees with the recommendation to equip all take-home vehicles with telematics, where appropriate and pending ongoing funding of the program, and to update policy language to require departments to monitor and report out on personal use of vehicles in the take-home program.

**Target Date of Completion:** April 2023

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**Yellow:** The Administration agrees with this recommendation. The Finance Department will work with Public Works (Fleet Division) to incorporate Internal Revenue Service (IRS) guidelines around what vehicles are exempt from fringe benefit calculations into the City Policy Manual 1.8.1 Use of City and Personal Vehicles.

**Target Date of Completion:** April 2023

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**Target Date of Completion:** December 2022

/s/  
Matt Cano  
Director of Public Works

/s/  
Julia H. Cooper  
Director of Finance

Questions should be directed to Walter Lin, Deputy Director of Public Works, [walter.lin@sanjoseca.gov](mailto:walter.lin@sanjoseca.gov) or (408) 535-1298 or Rick Bruneau, Deputy Director of Finance – Accounting, [rick.bruneau@sanjoseca.gov](mailto:rick.bruneau@sanjoseca.gov) or (408) 535- 8310.