

## Executive Summary

This Management Implication Report (MIR 09 A&R-01) is issued in connection with our evaluation of the City of New Orleans (City) passenger vehicle fleet. The purpose of this MIR is to offer timely findings, recommendations and observations which effect many departments within the legislative and administrative branches of government.

In December, 2008, the Office of the Inspector General (OIG) issued the *Interim Report on the Management of the Administrative Vehicle Fleet*.(see report at [nolaoig.org](http://nolaoig.org)) That report concerned an evaluation of a portion of the City's vehicle fleet that falls under the management of the Mayor and the Chief Administrative Officer (CAO). The OIG's interim report was issued prior to the completion of an evaluation of all City departments to provide City officials an early opportunity to consider the OIG's findings, recommendations and observations.

In correspondence from the CAO to the OIG, dated January 30, 2009(Appendix B), the CAO states that "Immediately after receiving the report, ... the CAO established a vehicle operations and policy development workgroup to review the report and further formulate strategies for both immediate and future improvements to all aspects of the City's vehicle and equipment fleet management and operations based on the recommendations in the interim report."

As a result of this work group, the CAO issued the revised Policy Memorandum No. 5 (R) (CAO Policy #5R on April 28, 2009. The newly issued CAO #5R replaces the previous Policy Memorandum No. 5 (R) (old Policy No. 5), which was issued on March 18, 2002, and eliminates Policy Memorandum No. 40 (R) (Policy 40R) dated April 21, 1994.

This MIR summarizes the revisions made to CAO Policy #5R. There are 17 sections in the revised policy:

1. Applicability
2. Background
3. Vehicle Identification
4. Security
5. Departmental Responsibilities
6. Take-Home Vehicles
7. Departmental Vehicle Motor Pools
8. Auto Allowances
9. Mileage Reimbursement for Business-Related Travel
10. Employee/Operator Responsibility
11. Equipment Maintenance Divisions Responsibilities
12. Accident Procedures
13. Vehicle Operations During Emergencies
14. Receipt and Acknowledgment Requirements
15. Substance Abuse and Testing
16. Exceptions
17. Inquiries

An analysis of the revisions to CAO Policy #5R yielded eight major findings and recommendations which are offered in this MIR to provide additional timely comments to improve the operations and increase effectiveness of City services and the efficiency of their delivery.

- **Major Finding #1:** The City may owe additional Federal income taxes, interest and penalties for failure to report income of employees with a take-home vehicle.
- **Major Finding #2:** The City's employees may owe additional Federal income taxes, interest and penalties for failure to report income related to take-home vehicles.
- **Major Finding #3:** Lack of compliance with Internal Revenue Service requirements for documentation of personal use of vehicles at the departmental level.
- **Major Finding #4:** Lack of compliance with Internal Revenue Service requirements for documentation of personal use of vehicles at the employee level.
- **Major Finding #5:** Lack of compliance with Internal Revenue Service requirement to value and include separately the fringe benefit received from fuel provided to City employees for inclusion in the employee's income.
- **Major Finding #6:** The City's take-home use charge per take home vehicle is not adequate to cover fringe benefits for all employees with a take-home vehicle.
- **Major Finding #7:** The City's new take-home policy may not be in compliance with Louisiana State Statute.
- **Major Finding #8:** The City's vehicle policy fails to establish the minimum personal insurance requirements for employees provided with a take-home vehicle to cover damage related to an employee acting beyond the scope of their authority.

The following three observations, which are derived from good practices noted by the OIG at other City departments, boards, agencies or commissions, are offered in this MIR and are intended to provide additional timely comments to improve the operations and increase the effectiveness of City services and the efficiency of their delivery.

- **Observation #1:** Security of vehicles
- **Observation #2:** Proper licensing of employees for the vehicle they operate
- **Observation #3:** Investigating suspected vehicle misuse and/or abuse