

UCLA AUDIT & ADVISORY SERVICES



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March 20, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Events & Transportation – Vanpool Program Audit Report #15-2213

Enclosed is the audit report covering our review of the UCLA Vanpool Program's business practices.

The primary purpose of the review was to ensure that the controls, systems, and procedures surrounding the Vanpool Program are conducive to accomplishing the program's business objectives.

The scope of the audit focused on the following areas:

- Vanpool Driver Responsibilities and Requirements
- Safety and Compliance

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures that have been established within the Vanpool Program are generally conducive to help accomplish its business objectives. However, some business practices could be further strengthened to ensure that controls consistently function as intended. Bruin Commuter Services management could improve internal controls by:

- Working with UCLA Fleet & Transit to determine if notification regarding all reported Department of Motor Vehicles (DMV) Employer Pull Notice (EPN) violations could be provided in a more timely and consistent manner.
- Ensuring that all reported driving safety observations reported by the public via the SmithSAFE program are resolved in a timely manner and documentation is maintained to support any actions taken.
- Ensuring that excess mileage reviews are performed on a regular basis and reimbursements from drivers for excess personal mileage are obtained in accordance with established policies and in compliance with IRS imputed income tax requirements.

The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to

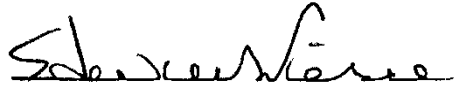
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assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.

A handwritten signature in black ink, appearing to read "Edwin D. Pierce". The signature is fluid and cursive, with a prominent initial "E".

Edwin D. Pierce, CPA, CFE
Director

Enclosure

cc: J. Powazek

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EVENTS & TRANSPORTATION
VANPOOL PROGRAM
AUDIT REPORT #15-2213

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VANPOOL PROGRAM
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Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) has completed a review of the UCLA Vanpool Program's business practices.

The Vanpool Program is a service provided by UCLA Bruin Commuter Services (BCS) to UCLA employees, UCLA students, ASUCLA employees, UCLA affiliates and other eligible Westwood area employees. BCS is a unit within Events & Transportation's Communications & Commuter Services area and is under the direction of the BCS Manager. Founded in 1984, the Vanpool Program is one of several strategies UCLA utilizes to reduce traffic congestion, to meet legal mandates for enhancing the region's air quality, and to provide sustainable alternate transportation options. The Vanpool Program provides ridership for over 150 vanpools that serve more than 85 communities in the greater Los Angeles area.

Purpose and Scope

The primary purpose of the review was to ensure that the controls, systems, and procedures surrounding the Vanpool Program are conducive to accomplishing the program's business objectives.

The scope of the audit focused on the following areas:

- Vanpool Driver Responsibilities and Requirements
- Safety and Compliance

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary in achieving the purpose. Interviews were conducted with BCS management and staff, and supporting documentation related to various Vanpool Program activities and processes were examined.

Summary Opinion

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures that have been established within the Vanpool Program are generally conducive to help accomplish its business objectives. However, some business practices could be further strengthened to ensure that controls consistently function as intended. BCS management could improve internal controls by:

- Working with UCLA Fleet & Transit (F&T) to determine if notification regarding all reported Department of Motor Vehicles (DMV) Employer Pull Notice (EPN) violations could be provided in a more timely and consistent manner.
- Ensuring that all reported driving safety observations reported by the public via the SmithSAFE program are resolved in a timely manner and documentation is maintained to support any actions taken.
- Ensuring that excess mileage reviews are performed on a regular basis and reimbursements from drivers for excess personal mileage are obtained in accordance with established policies and in compliance with IRS imputed income tax requirements.

The results of the audit and the related recommendations follow.

Audit Results and Recommendations

Vanpool Driver Responsibilities and Requirements

DMV Employer Pull Notice (EPN) Program

All vanpool drivers are required to be enrolled in the DMV's EPN Program, which provides notifications of motor vehicle violations to the University. The F&T Business & Compliance Manager is responsible for monitoring the DMV EPN system.

Discussions were conducted with the BCS Manager and the F&T Business & Compliance Manager to determine that the BCS Manager is notified of all motor vehicle violations and that appropriate corrective actions are taken in a timely manner. Five driving violations were judgmentally selected and reviewed to confirm the described business practices.

Both the BCS Manager and the F&T Business & Compliance Manager indicated that serious motor vehicle violations identified through the DMV EPN system such as driving under the influence and driver license suspensions are communicated consistently and timely. However, test work indicated there could be improvements relating to timely notification for less serious violations that still warrant attention and potential action. In some instances, the BCS Manager relied on monthly billing statements from Fleet Services to identify individual drivers that had activity reported by the DMV. The BCS Manager subsequently needed to contact the F&T Business & Compliance Manager to ascertain the nature of the violations. Since DMV pull notice charges are distributed by Fleet Services to campus departments one month in arrears, less serious violations may not be identified by the BCS Manager until a month after they occurred. Furthermore, during the past fiscal year the DMV billing statements, which were submitted to Fleet Services by the F&T Business & Compliance Manager for inclusion in consolidated distribution to campus departments, were not consistently provided to the BCS Manager. As of July 1, 2014, with Fleet Services' transition from a

paperless billing process to an electronic process, copies of the DMV billing statements are actually no longer provided by Fleet Services to the BCS Manager.

Recommendation: The BCS Manager should work with the F&T Business and Compliance Manager to determine if all DMV EPN violation notifications pertaining to Vanpool Drivers can be provided in a more timely and consistent manner.

Response: We concur. The BCS Manager is working with the F&T Business and Compliance Manager to implement a more efficient and effective follow-up process, effective April 1, 2015. The process will allow for all Vanpool Driver(s) DMV EPN violations to be provided in a timely and consistent manner.

Safety and Compliance

Driver Safety Observation Reporting

Driver safety observation reporting systems have been implemented for the Vanpool Program. Decals with a telephone number for the public to report observations/complaints about vanpool drivers are on all UCLA owned vans. The decals are part of a program offered by a privately contracted vendor SmithSAFE, which includes a hotline operated by the vendor to record the observations/complaints reported by the public. A designated BCS employee checks the SmithSAFE system frequently to identify reported safety observations. BCS staff contact vanpool drivers as necessary to validate reported observations and determine who was driving the vehicle at the time of the observation. BCS staff also document vanpool drivers' responses in the SmithSAFE system. Depending on the nature, frequency and/or severity of the observation/complaint, corrective action may include verbal and/or written warnings with reminders of safe driving tips, suspension, or revocation of driver privileges.

A judgmental sample of five driving safety observations reported via the SmithSAFE system from July 2013 through September 2014 was selected and reviewed to ensure

that the incidents were reviewed and any necessary corrective actions were taken in a timely manner.

Of the five SmithSAFE driving safety observations sampled for review, there was one notation in the system indicating a written warning was sent to the driver. However, a copy of the written warning could not be located. From September 2013 through September 2014, 150 observations were reported through the SmithSAFE program. As of September 30, 2014, there was only one observation with an unresolved status. The BCS staff could not locate any records pertaining to this reported observation.

Recommendation: BCS staff should ensure that all reported driving safety observations are resolved in a timely manner and documentation is maintained to support any action(s) taken.

Response: We concur. The BCS Manager is working with the BCS staff to ensure that all reported SmithSAFE driving safety observations are resolved in a timely manner and that supporting documentation, if any, is appropriately maintained in accordance with established procedure(s).

Excess Mileage

Excess vanpool mileage and personal use of vanpool vehicles by vanpool drivers are defined in the Vanpool Program policies and procedures. All vanpool drivers must sign a document acknowledging that they understand and agree with these policies. Vanpool vehicles are allocated between 100 to 200 personal miles per month, which is in compliance with IRS imputed income tax requirements. Drivers should reimburse the University for excess personal mileage at the current mileage reimbursement rate.

The BCS Manager and staff indicated that excess mileage reviews are performed on a quarterly basis. The actual miles driven by individual vanpool vehicles are compared to the expected mileage for each vanpool route to identify vans that may have exceeded

their personal mileage allotments. The actual miles driven are calculated based on odometer readings recorded by Fleet Services staff when the vans are brought in for maintenance. The Fleet Services staff manually enter the odometer readings and dates of service into an Excel spreadsheet and forwards the document to BCS on a monthly basis for review.

For vans that exceed their personal mileage allotments based on the odometer readings data and pre-established daily round trip commute miles, BCS staff must conduct additional research and obtain clarification from vanpool drivers to determine if there were valid reasons for the excess mileage. For example, security or parking issues may have required vanpool drivers to change pick-up or drop-off locations that resulted in increased daily commute mileage. If the excess mileage cannot be attributed to the daily round trip commute, BCS staff begin the process of requesting driver(s) reimbursement to UCLA for any personal excess mileage over the personal mileage allotment.

Discussions were conducted with BCS staff to determine if mileage is being monitored and reimbursements for excess personal mileage are being obtained from vanpool drivers as appropriate. Mileage reports for the two most recent quarters were reviewed to determine compliance with described business practices.

Test work indicated reviews to identify excess mileage and obtaining reimbursement from the vanpool drivers for excess personal mileage have not been consistently performed for the two most recent quarters. BCS staff indicated a lot of time and effort is required to validate that the expected commuting miles reflect all changes in vanpool routes and approved exceptions for additional commuting mileage, such as parking vans in more secure locations or changes to pick-up locations. BCS staff must contact Vanpool Program drivers to gather and analyze this information and sometimes drivers do not respond in a timely manner. Workload and resource constraints of the BCS office were also indicated as a reason the reviews have not been performed consistently. A&AS also noted that some of the odometer reading data used to

calculate excess mileage was inadvertently input incorrectly by BCS staff for the two sample quarters reviewed.

Recommendation: The BCS staff should ensure that excess mileage reviews are performed on a regular basis and reimbursements from drivers for excess personal mileage are obtained in accordance with established policies and in compliance with IRS imputed income tax requirements.

Response: We concur. The BCS Manager will work with the BCS staff to ensure that excess mileage reviews are performed on a quarterly basis and that reimbursement from drivers for excess personal mileage is obtained in accordance with established University and Vanpool policies and in compliance with IRS imputed income tax requirements.