

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE

PATERSON INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT

DISTRICT VEHICLES

AUGUST 2018

**NEW JERSEY DEPARTMENT OF EDUCATION
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DISTRICT VEHICLES**

Distribution List of Final Audit Report

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EXECUTIVE SUMMARY

The Paterson Internal Audit Unit has conducted an audit of district vehicles. The purpose of the audit was to determine if the district is in compliance with N.J.A.C. 6A:23A-6.11 *Vehicle Tracking, Maintenance and Accounting* and district policy, if fuel usage is monitored and verified, and if the personal use of district vehicles is being properly recorded as a taxable fringe benefit to the employees using an acceptable method as described in IRS Publication 15-B, *Employers Tax Guide to Fringe Benefits*.

As a result of the audit, the following deficiencies were noted:

- Discrepancies between the Edumet (district financial software) fixed asset vehicle inventory maintained by the business office and the vehicle inventory maintained by the Transportation Services Department.
- Vehicle logs were not always prepared as required by N.J.A.C. 6A:23A-6.12(e).
- A sample of invoices reviewed from Fleetcard (fuel credit card) contained numerous erroneous odometer readings.
- District procedures for the timely removal of disposed vehicles from the Edumet inventory are not adequate.
- Vehicle logs did not always contain all required information.

BACKGROUND

The fleet maintenance coordinator in the Transportation Services Department maintains the database of all vehicles owned and operated by the district. As of June 30, 2018, the fleet is comprised of 71 vehicles (23 vans, 18 SUV's, 25 trucks, two passenger cars, two buses, and one trailer). The database includes the following:

- license plate number
- vehicle identification number (VIN)
- year, make and model
- vehicle location/assigned department
- purchase price and date purchased

Vehicle use is tracked using the daily motor vehicle use & fuel log record (vehicle log) (Attachment 1). The vehicle log includes the license plate number, driver name, department name, position, supervisor, and all the pertinent details for daily mileage. Fuel for district vehicles is purchased via the use of a credit card issued by Fleetcard, Inc. Expenditures for the fiscal 2017-2018 year for gasoline total \$57,243.20. Each vehicle has a card assigned to it which contains the vehicle license plate number that should be verified by the gas attendant. When filling up, the driver is required to record the date, mileage, number of

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gallons and cost on the fuel log. The motor vehicle log is submitted on a weekly basis along with any gas receipts if any fuel purchases were incurred during the week. After being approved by the employee's supervisor, it is sent to the transportation department where it is later compared to the monthly invoice from Fleetcard, Inc.

Insurance is provided via a commercial automobile policy and covers all vehicles owned and operated by the district. The annual policy cost is determined by soliciting quotes using a vehicle list provided to Risk Management by the Fleet Maintenance Coordinator.

Five drivers use individually assigned district vehicles for commuting purposes. At the end of the calendar year, the list of drivers is sent to the Supervisor of Payroll by the Fleet Maintenance Coordinator. The value of the fringe benefit is reported as income on their W-2 form. For three of the five employees, the commuting rule is used. Each one-way commute is multiplied by \$1.50. For the other two employees, the lease value rule is used. That amount is determined by the fair market value and the corresponding annual lease amount using the annual lease value table published by the IRS. That lease value is then multiplied by the percentage of personal miles out of total miles driven by the employee.

SCOPE

The auditors (using a list prepared by the Fleet Maintenance Coordinator) compiled a list of all district vehicles owned during the 2017/2018 fiscal year. The list includes vehicles that were auctioned off during the fiscal year that were included for purposes of the audit. Auditors also reviewed the list of vehicles generated in Edumet for comparison. Auditors reviewed a sample of weekly vehicle logs and monthly repairs logs. The auditors also physically inspected 13 vehicles, approximately 18% of the fleet. The purpose of the inspection was to verify the year, make and model, Vehicle Identification number (VIN), license plate number, the department or location assigned, and to note the mileage at the time of inspection. In addition, the auditors also verified that the district maintains an up-to-date listing of the assigned drivers.

FINDINGS AND RECOMMENDATIONS

Finding 1: The auditors noted discrepancies between the Edumet fixed asset vehicle inventory maintained by the Business Office and the vehicle inventory maintained by the Transportation Services Department

Auditors compared the fixed asset vehicle report generated in Edumet by the Business Office to the vehicle database maintained by the Transportation Services Department as of June 30, 2018. Auditors noted the following:

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- The Edumet report detailed 103 vehicles with a total value of \$3,065,891. The Transportation Services Department database correctly listed 71 vehicles totaling \$2,463,807. Auditors noted that the Edumet report included vehicles sold in prior years and did not include current year purchases and disposals. Auditors were informed that Edumet is updated at the end of the fiscal year and is not "live". The vehicle asset value in the district financial statements would be overstated by \$602,084 due to these differences.
- The Edumet report contained errors including incomplete vehicle VIN numbers. The VIN number is a unique 17-digit number. Auditors identified 14 vehicles where the number in Edumet did not match the inventory provided by transportation services.
- The Edumet report lists purchase prices that do not agree to the database. Auditors noted 63 instances where the prices did not agree. Five of those differences are due to the fact that current year purchases do not yet appear on the Edumet report. The other differences were the result of incorrect purchase prices being entered into Edumet. The purchase price should be the total purchase price, including all applicable fees.
- The Edumet report lists purchase dates that do not agree to the database. Auditors noted 40 instances where the purchase dates did not agree. For example, the district purchased a total of 17 model year 2016 vehicles. There are three different purchase dates in Edumet (6/1/15, 9/21/15, 9/23/15) yet the database has the same date (1/26/16) for all 17. Auditors reviewed the invoice for all 17 vehicles. The purchase date in Edumet was incorrect for all 17. The database had the correct purchase date for three of the 17 vehicles.
- The Edumet report is missing one vehicle that was purchased in 2016. It was never recorded.

The following is a reconciliation between the Business Office vehicle inventory maintained in Edumet and actual vehicles owned by the district as of June 30, 2018:

Vehicle total per Edumet	Vehicles disposed in prior years	2016 Purchase never entered	Current year purchases not entered	Vehicles suctioned during current year	Actual Vehicle inventory as of June 30
103	-43	1	17	-7	71

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Recommendation:

The auditors recommend the district update and reconcile the Edumet database so that it accurately reflects the current inventory. All deficiencies noted above should be corrected. In the future, all purchases and disposals should be recorded correctly and timely, and records reconciled annually.

Finding 2: Vehicle logs were not always prepared as required by N.J.A.C. 6A:23A-6.12-2(e)

Pursuant to N.J.A.C. 6A:23A-6.12-2(e), "Vehicle use logs shall be maintained for all individual and pool assignments in order to accurately record all usage of each vehicle, including the driver, mileage, and starting and destination points". Auditors reviewed the weekly vehicle logs for September, December, April and June. Auditors noted that vehicle logs were not available for all vehicles for all periods. No vehicle logs were provided for 32 vehicles (20 from the facilities department) for the entire sample of September, December, April and June. Many vehicles had logs for some weeks and missing logs for other weeks. For example, auditors reviewed the logs of 28 vehicles for the month of April 2018, 61 weekly logs were not available.

Recommendation:

The district must comply with the requirements of N.J.A.C. 6A:23A-6.12-2(e) and maintain vehicle use logs for all district vehicles. Responsible drivers must be required to accurately track vehicle usage and submit logs timely. All departments should submit vehicle logs for each vehicle for each period to the Transportation Services Department. The Transportation Services Department should maintain a database of vehicle logs to ensure all logs are submitted. Vehicles not in use should submit a log stating such.

Finding 3: A sample of invoices reviewed from Fleetcard contained numerous erroneous odometer readings

When a district owned vehicle is refueled, the gas station attendant is supposed to record the odometer reading. Auditors noted numerous instances of entries on the invoices that were incorrect. For example, invoice number 409773 dated 5/1/18 lists a vehicle traveling only 22 miles using 14 gallons of gas, and the very next fill up traveling 402 miles using 11.7 gallons. Another entry showed a vehicle traveling 14,900 miles between fill ups. Accordingly, there were also errors on the individual gas receipts that were attached to the daily motor vehicle use and fuel log record forms. If management wishes to use this data for vehicle tracking it needs to be accurate.

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Recommendation:

The auditors recommend the district remind all employees they are responsible for verifying the accuracy of the odometer reading at the time of refueling.

Finding 4: District procedures for the timely removal of disposed vehicles from the Edumet inventory are not adequate

The current district policy (7650 and R7650) does not address the steps and procedures for the public sale of obsolete vehicles. Auditors noted that vehicles sold were not always being removed from the Edumet inventory. After interviewing various district staff there is an apparent disconnect regarding the process for notifying the Business Office to remove the vehicle (s) from district inventory once sold.

Recommendation:

The auditors recommend the district revise the existing procedures to include the process and individual (s) responsible for notifying the Business Office to remove the vehicle (s) from the Edumet inventory in a timely fashion.

Finding 5: Vehicle logs did not always contain all required information

N.J.A.C. 6A:23A-6.12-2(e) requires that vehicle logs including the following information be maintained for all district vehicles: Driver name, Mileage, Starting point, and Destination point.

A review of a sample of vehicle logs revealed that all required information was not always entered. Auditor noted logs missing starting point, destination point, total miles, signatures, etc. In addition, some vehicle logs were illegible and others had mathematical errors.

Recommendation:

District drivers should be instructed that vehicle logs must include all required information and be mathematically accurate. The Transportation Services Department should review vehicle logs when submitted, any incomplete forms should be returned to the preparer for correction. The district could consider developing a vehicle log in an electronic format with formulas to avoid mathematical errors. Electronic logs could be prepared by each department and forwarded to the Transportation Services Department weekly.

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OBSERVATIONS

- Auditors noted 22 fuel receipts totaling \$899.79 for the month of April that were submitted but not attached to a vehicle log. Receipts did not provide any vehicle data such as license plate or VIN, making it difficult to determine which vehicle the fuel was purchased for.
- Auditors noted instances where the incorrect license plate number was listed on the daily motor vehicle use and fuel log record. Electronic vehicle logs would help to eliminate these errors.
- Auditors noted that in some cases premium or mid-grade gasoline was purchased. The District should consult the vehicle owner's manuals to see if that is required and use the proper grade of gasoline, as a cost savings measure.
- During interviews of district staff, it was mentioned that district employees drive (and in some instances, wait for) various board members to various locations.
- Auditors noted several district vehicles with very low usage during the fiscal year. For example, one vehicle from the Food Service Department was driven for a total of 239 miles during a 10-month period. Auditors could not verify the 10-month total mileage for all vehicles due to missing vehicle logs.

Recommendations:

The auditors recommend that the district ensure that all fuel receipts are attached to daily motor vehicle use and fuel log record. The district should ensure that all the information on the daily motor vehicle use and fuel log record is correct. In addition, the district should investigate whether or not premium or mid-grade fuel should be used.

The district should evaluate the practice of using district staff to drive board members to various locations and consider revising that practice. The district may wish to consider having board members use their own vehicles and reimburse for business miles. Another alternative is temporarily assigning vehicles to board members as needed for authorized purposes as authorized by N.J.A.C. 6A:23A-6.12-2(c).

The District should review current vehicle inventory and dispose of any excess vehicles.

The District should consider the feasibility of purchasing and installing GPS tracking devices in pool vehicles to better track vehicle usage.

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Auditors:

**Janeth Molina
Daniel Sackner**

Approved by:



**Steven Hoffmann, Director
State Operated Audit Unit**

CORRECTIVE ACTION PLAN

Name of School: **Paterson Public Schools**
 Type of Audit: **Office of Fiscal Accountability and Compliance**
 Date of Board Meeting: **October 10, 2018**
 Contact Person: **Richard L. Matthews, School Business Administrator**
 Telephone Number: **973-321-0703**

County: Passaic

AUDIT FINDINGS AND RECOMMENDATION	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
<p>INTERNAL AUDIT OF DISTRICT VEHICLES</p> <p>1.-Finding: The auditors noted discrepancies between the Edumet fixed asset vehicle inventory maintained by the Transportation Services Department.</p> <p>Recommendation: The auditors recommend the district update and reconcile the Edumet database so that it accurately reflects the current inventory. All deficiencies noted should be corrected. In the future, all purchases and disposals should be recorded correctly and timely, and records reconciled annually.</p>	<p>The Fleet Maintenance Coordinator(s) will work closely with the Manager of Central Stores to keep him apprised of any changes to the district vehicle list via public disposal or purchase. The Central Stores Manager will be immediately notified to adjust the Edumet database accordingly.</p>	<p>The Fleet Maintenance Coordinator(s) will provide the Manager of Central Stores with the respective purchase order copies for vehicles being added to the Edumet database or he will provide a copy of the resolution approving the sale and disposal of vehicles being removed from the Edumet database. Upon tagging of vehicles by Central Stores, which require said documents, the Manager of Central Stores will immediately make the necessary changes in the Edumet database to reflect the proper additions or deletions. Once entered in Edumet, the Manager of Central Stores will send physical verification of the respective changes to the Fleet Maintenance Coordinator(s).</p>	<p>Business Administrator Fleet Coordinator(s) Manager of Central Stores</p>	<p>November 2018</p>
<p>2.-Finding: Vehicle logs were not always prepared as required by 6A:23A-6.12.2 (e).</p> <p>Recommendation: Vehicle logs must contain all the required information. Responsible drivers must be required to accurately track vehicle usage and submit logs timely. The Business Office should maintain a database of vehicle logs to ensure all logs are submitted. Vehicles not in use should submit a log stating such.</p>	<p>Vehicle logs will contain all required information according to 6A:23A-6.12.2(e) and vehicles not in use will have logs reflecting such.</p>	<p>The Fleet Coordinator(s) will schedule to have all vehicles at 90 Delaware for a thorough inspection annually. The inventory will be performed on all district vehicles; Vehicle Plate #, VIN #, mileage, year, make, model, color, and person vehicle assigned to will be validated at the physical inspection.</p> <p>Fleet Coordinator(s) will ensure all employees who drive district vehicles in all locations keep up-to-date with their daily log requirement. A district employee at each location will be required to maintain daily logs for their location and submit them to the Fleet Coordinator(s). Logs will now be accepted in paper format or electronically. Each person that drives a district owned vehicle will have to sign and receive a Fleet Management procedural manual, which will include consequences for non-compliance of vehicle log submission protocols.</p> <p>Fleet Coordinator(s) will monitor log submittals and verify the information recorded is in accordance with 6A:23A-6.12.2(e). An electronic file database will be maintained to accurately archive district vehicle logs.</p>	<p>Fleet Coordinator(s) District Drivers</p>	<p>November 30, 2018</p> <p>January 1, 2019</p>

<p>3.-Finding: A sample of invoices reviewed from Fleetcard contained numerous erroneous odometer readings.</p> <p>Recommendation: Remind all employees they are responsible for verifying the accuracy of the odometer reading at the time of refueling.</p>	<p>Drivers will be responsible, per the new procedural manual, to verify odometer reading at each refueling occurrence. Drivers will correctly note the odometer reading on the gas receipt.</p>	<p>Personnel will have to sign and receive procedural manual and consequences for not complying. The employee will verify at the time of refueling the accuracy of the odometer reading. At the end of the employee work schedule, he/she enters the information on the district gas log and will attach the receipt showing the correct odometer reading to the log. The Fleet Coordinators will verify compliance.</p>	<p>Fleet Coordinator(s) District Drivers</p>	<p>January 1, 2019</p>
<p>4. Finding: District procedures for the timely removal of disposed vehicles from the Edumet inventory are not adequate</p> <p>Recommendation: The auditors recommend the district revise the existing procedures to include the process and individual(s) responsible for notifying the Business Office to remove the vehicle(s) from the Edumet inventory in a timely fashion.</p>	<p>The Fleet Maintenance Coordinator(s) will work closely with the Manager of Central Stores to keep him apprised of any changes to the district vehicle list via public disposal. The Central Stores Manager will be immediately notified to adjust the Edumet database accordingly.</p>	<p>The Fleet Maintenance Coordinator(s) will provide the Manager of Central Stores with a copy of the resolution approving the sale and disposal of vehicles being removed from the Edumet database. Upon receipt of the approved board resolution, the Manager of Central Stores will immediately make the necessary deletions in the Edumet fixed asset database. Once the asset is removed from Edumet, the Manager of Central Stores will send physical verification of the respective changes to the Fleet Coordinator(s). Physical verification will be kept on file for reconciliation at the end of the fiscal year.</p>	<p>Fleet Coordinator(s) Manager of Central Stores</p>	<p>January 1, 2019</p>
<p>5. Finding: Vehicle logs do not always contain the required information.</p> <p>Recommendation: Drivers be instructed on what information would be required to submit for the electronic log sheet.</p>	<p>Vehicle logs were missing the required information on several sheets.</p>	<p>Fleet Coordinator(s) will develop a new vehicle mileage and gas log to reflect the necessary information according to 6A:23A-6.12.2(e) and district policy 7650. One person in each department will be assigned to electronically submit vehicle and gas logs to Fleet Management on a weekly basis. Fleet Coordinator(s) will review logs for accuracy and legibility. All district drivers will have to sign and receive a Fleet Management procedural manual which explains possible consequences for non-compliance of vehicle log submission.</p>	<p>Fleet Coordinator(s) Department Administrators All District Drivers</p>	<p>October 18, 2018- January 1, 2019</p>
<p>Observation- (22) fuel receipts totaling \$899.79 to determine vehicle information</p>	<p>(22) fuel receipts totaling \$899.79 to determine vehicle information.</p>	<p>All available information regarding these (22) receipts have been provided to OFAC.</p>	<p>Business Administrator</p>	<p>Completed</p>
<p>Recommendation-Continue practice of disposal of any excess vehicles.</p>	<p>Continue practice of disposal of any excess vehicles.</p>	<p>The practice of constantly evaluating the fleet and recommendations to the Board of Education for removal will continue.</p>	<p>Business Administrator</p>	<p>October 18, 2018</p>
<p>Recommendation- Provide options for Board members that need transportation to various locations</p>	<p>Include practice of using district staff to drive Board members to various locations, reimbursement, taxi cab and Board members driving themselves in district owned vehicles.</p>	<p>Implement the practice of monetary reimbursement through a purchase order for business miles to Board members that utilize their own vehicle for district purposes. Alternatively as authorized under 6A:23A-6.12 (c), the Superintendent may temporarily authorize use of district vehicles for Board members for authorized purposes.</p>	<p>Business Administrator</p>	<p>October 18, 2018</p>

<p>Recommendation- Feasibility of purchasing and installing GPS tracking devices for pool vehicles.</p>	<p>Feasibility of purchasing and installing GPS tracking devices for pool vehicles.</p>	<p>Feasibility study will be performed. The study of top GPS fleet solutions will be conducted by the Business Office in time to deploy the new software in all district vehicles during the Holiday break, pending budget availability.</p> <p>Each district owned vehicle will be branded with a Paterson Public Schools decal.</p> <p>District staff members individually assigned a vehicle to take home are as follows: Superintendent, Deputy Superintendent, Business Administrator, Head of Facilities Services, Head of Security Services, Head of Technology.</p> <p>With the exception of approved district responsibilities, use of a district vehicle to transport any person, family member, or child shall result in suspension or revocation of driving privileges. Additional disciplinary action may be taken as appropriate.</p> <p>Title 6A:23A-6.12.2 of the Fiscal Accountability regulations defines permanent assignment of a pool vehicle to a unit:</p> <p>"A unit may be permanently assigned one or more district pool vehicles only if employees of the unit will collectively use the vehicle or each vehicle for more than an average of 750 miles per month on official district business."</p> <p>With the exception of vehicle used only for inclement weather (snow fleet), all vehicles that do not meet the 750 mile threshold shall be assigned to a district level pool of vehicles.</p>	<p>Fleet Coordinator(s)</p> <p>Fleet Coordinator(s)</p>	<p>January 1, 2019</p> <p>December 1, 2018</p>
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Seena S. [Signature]
 CHIEF SCHOOL ADMINISTRATOR

DATE 11/2/18

Richard J. [Signature]
 SCHOOL BUSINESS ADMINISTRATOR

DATE 11.2.18