

**STATE OF NEW JERSEY**  
**DEPARTMENT OF EDUCATION**

**PATERSON INTERNAL AUDIT UNIT**

**INTERNAL REVIEW REPORT**

**DISTRICT VEHICLES**

**NOVEMBER 2008**

**NEW JERSEY DEPARTMENT OF EDUCATION  
PATERSON INTERNAL AUDIT UNIT  
INTERNAL REVIEW REPORT  
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**Distribution List of Final Audit Report**

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New Jersey Department of Education

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Paterson Public Schools

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**REVIEW SUMMARY**

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

**BACKGROUND**

The fleet maintenance coordinator in the Transportation Services Department maintains the database for the 67 vehicles owned and operated by the district. The database includes the following:

- license plate number
- vehicle identification number (VIN)
- year, make and model
- mileage at the time the list was prepared
- name of the driver and vehicle location
- whether or not the vehicle is a commuter vehicle

Fuel for the vehicles is obtained via the use of a credit card issued by Gulf Oil Limited Partnership. Each vehicle has a card assigned to it which contains the VIN number that should be verified by the gas attendant. When filling up, the driver is required to fill out a form (gasoline/diesel log sheet) which includes license plate #, year, make, model, date, odometer reading, and the total charge for fuel. The credit card receipt is attached to the form and 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 Gulf Oil.

Insurance is provided via commercial automobile policy and covers all vehicles owned and operated by the district.

Several drivers use the vehicle for commuting purposes. 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 at the end of the year on their W-2 form. The amount is calculated by multiplying the prevailing IRS mileage rate by the number of days worked times the number of round trip commuter miles.

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**SCOPE**

The auditors reviewed the applicable invoices for fuel for the month of June 2008. The auditors verified whether or not a receipt was obtained for each charge on the invoice. The auditors also inspected 43 vehicles, approximately 64% of the fleet. The purpose of the inspection was to verify the license plate number, make and model, and VIN number to the list that was prepared by the district. The auditors also verified the terms of the automobile insurance policy to confirm coverage. In addition, the auditors verified that the district maintains an up-to-date listing of the assigned drivers.

**FINDINGS**

As a result of the review, the auditors noted the following deficiencies:

- The district is non compliant with N.J.A.C. 6A:23A-6.12 (e) which states that vehicle use logs shall be maintained for all individual and pool assignments in order to accurately record all usage for each vehicle, including the driver, mileage, and starting and destination points.
- 44 gas receipts (totaling \$3,228.05) out of 122 (totaling \$10,368.04) were missing from the June 2008 invoice. Several departments including security and facilities failed to submit the required gasoline/diesel log sheet and receipts. The auditors could not verify the accuracy of the invoice when the receipt was not available.
- The district is improperly applying IRS rules when calculating the taxable fringe benefit amount for automobile use. The district is using the Cents-Per-Mile Rule; however, that method cannot be used if the value of the vehicle when first made available to any employee for personal use is more than (for 2008) \$15,400 for a passenger automobile or \$16,700 for a truck or van. Additional IRS rules pertaining to business use and mileage may further limit the use of this method.

**RECOMMENDATION**

The auditors recommend that in order to fully comply with N.J.A.C. 6A:23A-6.12 (e), the district should ensure that vehicle logs are maintained for all vehicles. The auditors also recommend that the district ensure that all gas receipts are promptly submitted and

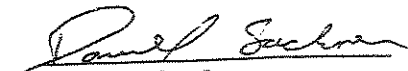
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reviewed prior to payment. Copies of the missing June receipts should be provided to auditors. The auditors also recommend that district review and ensure that they are in compliance with the terms of the IRS regulations regarding reporting the taxable fringe benefit for automobile use.

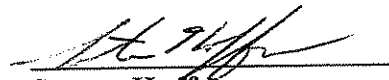
**Auditors:**

**Jessenia Kan  
Nahid Nipa**

**Submitted by:**

  
**Daniel Sackner  
Supervising Auditor**

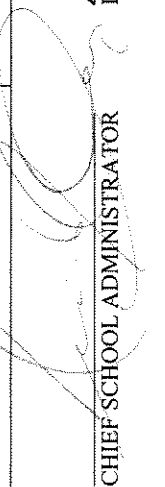
**Approved by:**

  
**Steven Hoffmann  
Coordinating Auditor**

CORRECTIVE ACTION PLAN

Name of School: **Paterson Public School** County: Passaic  
 Type of Audit: **Internal Review Report – District Vehicles- Department of Transportation**  
 Date of Board Meeting: **December 3, 2008**  
 Contact Person: **Frances Finkelstein, School Business Administrator**  
 Telephone Number: **973-321-0896**

I/A FINDINGS AND RECOMMENDATION	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
<p>District is non compliant with NJAC 6A:23A – 6.12(e) which states that vehicle use logs shall be maintained for all individual and pool assignments in order to accurately record all usage for each vehicle including the driver mileage, and starting and destination points</p>	<p>Revise current vehicle use logs to properly record all to and from usage of district owned vehicles.</p>	<p>Received sample mileage/fuel log form from the State Department of Education which can be formatted and used by the Paterson School District for compliancy. The new mileage/fuel log form will identify daily mileage use from all starting and destination points. Will inform all district assigned drivers, via memo, in addition to updating vehicle procedure manual.</p>	<p>Supervisor of Transportation</p>	<p>January 2009.</p>
<p>44 gas receipts (totaling \$3,228.05) out of 122 (totaling 10,368.04) were missing from the June 2008 invoice. Several dept.'s including security and facilities failed to submit the required gasoline/diesel log sheets and receipts. The auditors could not verify the accuracy of the invoice when the receipt was not available.</p>	<p>Establish specific deadlines for submission of fuel/log receipts and enforce consequences for not adhering to policy and procedures.</p>	<p>If missing receipts are not obtained, responsible employees will be advised of consequences. Will establish a deadline for the submission of <u>all</u> fuel and mileage log forms. These forms will be maintained and recorded as received weekly. Not submitting them within the deadline may temporarily suspend or forfeit district vehicle driving privileges. This requirement will be provided to all district assigned drivers via memo, in addition to updating the vehicle procedure manual.</p>	<p>Supervisor of Transportation</p>	<p>January 2009.</p>
<p>The district is improperly applying IRS rules when calculating the fringe benefit amount for automobile use. The district is using the Cents-Per-Mile Rule; however, that method cannot be used if the value of the vehicle when first made available to any employee for personal use is more than (2008) \$15,400 for a passenger automobile or \$16,700 for a truck or van. Additional IRS rules pertaining to business use and mileage may further limit the use of this method.</p>	<p>Correct existing procedure to ensure compliance according to NJAC 6A:23A-6.12 and IRS Publication 15-B (Employers Tax Guide to Fringe Benefits).</p>	<p>Will establish clear and concise policy and procedure in correlation to the IRS Fringe Benefit vehicle valuation and allocation rules. We will work collectively with the Transportation Department in obtaining the vehicle log records to appropriately calculate the taxable fringe benefits amount for personal use of the district vehicle.</p>	<p>Accounting Manager</p>	<p>December 2008</p>

  
 CHIEF SCHOOL ADMINISTRATOR  
 DATE: 12/3/08  
 SCHOOL BUSINESS ADMINISTRATOR /DATE  
Frances Finkelstein - 12/3/08