Office of the State Auditor

Audit Report

Department of Transportation
Selected Programs

July 1, 1994 to March 31, 1996
# Department of Transportation

Selected Programs

## Audit Report

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We have completed an audit of the Department of Transportation - Selected Programs for the period July 1, 1994 to March 31, 1996. The programs selected for our review were: (1) management and administrative services, (2) access and use management and (3) physical plant and support services. Our audit included financial activities accounted for in the state's General Fund.

We found that the financial transactions included in our testing were related to the agency’s programs, were reasonable, and were recorded properly in the accounting systems. However, we did note areas where improvement is needed regarding the reporting and investigation of accidents involving department vehicles and equipment and the assignment and use of state vehicles. Details of the findings and recommendations are included in our report.
This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor
January 15, 1997
Department of Transportation  
Selected Programs  

Scope  

We have completed an audit of the Department of Transportation- Selected Programs for the period July 1, 1994 to March 31, 1996. The programs selected for our review were: (1) management and administrative services, (2) access and use management and (3) physical plant and support services. Our audit included financial activities accounted for in the state's General Fund.

Total expenditures of the selected programs during the 21 month audit period were $65.9 million. The responsibilities of the selected programs are: (1) to provide general, technical and administrative support services for the efficient operation of the department, (2) to coordinate with the various modal constituencies, administer the non-highway, non-transit capital programs and administer the department's regulatory programs, and (3) to maintain and repair physical plant to ensure safety, healthy working conditions and preclude unnecessary, costly deterioration of capital investment. Revenues of the selected programs totaled $62.3 million during our audit period. The major components of revenue were amounts received from the transportation authorities.

Beginning in fiscal year 1996 the Department of Transportation was expanded to include the Division of Motor Vehicles (DMV). Since an audit of the DMV was completed by the Office of the State Auditor in August 1995 their programs were excluded from the scope of our audit.

Our audit included internal control testing for payroll transactions on a department-wide basis excluding DMV. Passenger vehicles governed by central motor pool rules and regulations were reviewed on a department-wide basis including DMV.
Objectives

The objectives of our audit were to determine whether financial transactions were related to the agency’s programs, were reasonable and were recorded properly in the accounting systems. We also tested for resolution of significant issues noted in our prior report.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal control structure.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were stratified and large dollar transactions were examined. Other transactions were judgmentally selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the agency’s programs, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted certain significant internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.
We also found that the agency has resolved the significant issues noted in our prior report except for matters related to fixed assets. This issue has been updated and restated in our current report.

Details of our findings and recommendations follow.

**Accident Reporting and Investigation**

Drivers/operators involved in accidents with Department of Transportation (DOT) vehicles and equipment are not reporting these accidents to the Department of the Treasury within 72 hours as required by Department of the Treasury Circular Letter 93-04. Between July 1, 1994 and March 1, 1996, DOT employees reported 531 accidents. Our review of 53 reports disclosed that the reports were submitted between 1 and 171 days after the accident. On the average reports were submitted 23 days late. The untimely filing of accident reports could jeopardize the investigation and resolution of claims for and against the state.

Circular Letter 93-04 states that if a state vehicle is misused the driver’s state vehicle driving privileges may be suspended or revoked and additional disciplinary action may be taken. Accidents are not formally reviewed to ascertain whether the accidents were preventable and if the employee responsible should be subject to disciplinary action. Of the 53 accidents reviewed, we identified 29 which we considered to be preventable. Responses to our inquiry regarding review and disciplinary action disclosed that in 18 instances no action was taken. In eight other instances employees were only verbally counseled. The careless or negligent operation of vehicles and equipment exposes the state to unnecessary claims and losses.

In November 1991, the department abolished their accident review board. Since then the department has not established alternate procedures providing for the review and investigation of accidents.

**Recommendation**

We recommend that department management emphasize to employees the importance of filing complete accident reports in a timely manner. We also recommend that management establish a system providing for a formal review of accidents and appropriate disciplinary action when warranted.
State Vehicle Assignment and Use

Vehicle mileage records are not being reviewed to identify vehicles which are not meeting the mileage requirements noted in the Department of the Treasury Circular Letter 93-04. Individually assigned vehicles are to be utilized a minimum of 1600 business miles per month. For pool vehicles the minimum is 1000 miles a month. Exceptions to this policy are granted on a case-by-case basis. Of the 471 passenger vehicles operated by the DOT, 125 (26 percent) of the vehicles did not satisfy these requirements during the period July 1, 1995 and December 31, 1995. The department could lower operating costs by approximately $67,000 by reducing the number of vehicles and reimbursing employees the standard mileage rate for official business miles.

Information pertaining to assigned drivers and type of assignment (individual/pool) recorded on the department’s vehicle records differed from the Department of the Treasury, Bureau of Transportation Services’ records for 30 (25 percent) out of 119 assignments reviewed. This results because changes to vehicle assignments are not reported within 10 working days as required by Circular Letter 93-04. Accurate and complete records would provide (1) a data base for future management decisions and (2) evidence that state resources are used in an economical and efficient manner consistent with state policy.

Recommendation

We recommend that department management review and monitor vehicle assignments to ensure that drivers are adhering to the mileage requirements and are submitting monthly mileage reports. We also recommend that all changes to vehicle assignments be reported to the Bureau of Transportation Services, as required.
Monitoring of Cellular Phone Usage

Management control over cellular phone usage is not adequate to ensure that phones are not misused or abused. Billings are not properly reviewed or monitored to determine if calls were business related and that any personal phone calls were reimbursed.

Employees assigned cellular phones are required to certify calls that were business related. Personal phone calls are to be reimbursed and phone bills returned to the Division of Support Services for filing. The Division of Support Services does not follow up on phone bills not returned. Of the 30 phone bills requested for the months of October 1995 and January 1996, 23 were unavailable for our review. While scanning available billings we noted that one supervisor certified the phone bills as business related when the phones were used by other employees. In some cases these bills included calls to the employees’ residences which could be considered personal. Another employee made 65 phone calls to his home totaling $110 between October 1995 and February 1996, yet indicated that all calls were business related.

Department of the Treasury Circular Letter 93-11 requires each department to establish internal procedures to govern the assignment and use of cellular phones and to monitor compliance with such procedures.

Recommendation

We recommend that the department establish procedures governing the assignment and use of cellular phones in compliance with the circular letter.

Fixed Assets

The department is not complying with Department of the Treasury Circular Letter 91-32 regarding the establishment and maintenance of a fixed asset system. Periodic physical inventories were not performed to verify the accuracy and completeness of the fixed asset records and existence of the assets. We selected 61 pieces of equipment and tested for physical existence at seven locations. We were unable to locate 21 items with an original cost of $74,299, as follows:

<table>
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<th>Item Description</th>
<th>Cost</th>
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<tr>
<td>12 computers</td>
<td>$27,925</td>
</tr>
<tr>
<td>1 intergraph</td>
<td>27,000</td>
</tr>
<tr>
<td>5 printers</td>
<td>15,384</td>
</tr>
<tr>
<td>2 facsimile machines</td>
<td>2,758</td>
</tr>
<tr>
<td>1 modem</td>
<td>1,232</td>
</tr>
<tr>
<td>21</td>
<td>74,299</td>
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In addition, 53 of 60 items observed during our visits were incorrectly recorded on the fixed assets records.

**Recommendation**

We recommend that management comply with the circular letter by conducting periodic physical inventories of their fixed assets and adjusting their records accordingly.
The following Departmental response was received subsequent to the issuance of the audit report. We have included the response as an addendum to the report.
January 21, 1997

Richard J. Fair  
State Auditor  
Office Of the State Auditor  
CN-067  
Trenton, NJ 08625-0067  

Re: Response to Audit of Department of Transportation - Selected Programs, 7/1/94 to 3/31/96

Dear Mr. Fair:

The New Jersey Department of Transportation (NJDOT) is pleased that your audit found financial transactions of our programs to be in order. We will take steps to strengthen our controls in those areas where you have recommended additional action. Our specific comments are presented below.

Accident Reporting and Investigation

NJDOT manages its pool of fleet vehicles separate from the Department of Treasury Central Motor Pool. Similar to Treasury Circular Letter 93-04, NJDOT does have a formal policy and procedure for the reporting of accidents (NJDOT 1.4042-F). That policy requires the immediate reporting of accidents to supervisors and the submission of an accident report to the Bureau Of Equipment within 48 hours. The Department recognizes the importance of this policy and is taking immediate steps to ensure more timely compliance by all Departmental vehicle operators.

We also have a formal process for determining whether accidents are preventable and for imposing discipline and fines where necessary. After an employee submits an accident report to his or her supervisor, the supervisor is required to review the report and determine whether the accident was preventable. If it is found to be preventable, the Department Policy and Procedure for Employee Discipline (NJDOT 2.108-C) is to be followed. That policy has specific guidelines for progressive discipline for preventable accidents under the section "Operating A Vehicle In A Negligent Manner." Discipline for that offense ranges from verbal counseling with fines to dismissal for gross negligence.

As a result of your findings, we will look at several different alternatives for ensuring that our accident review policy is being implemented in a more consistent manner throughout the Department. Some of the alternatives we intend to look at include strengthening the existing process through better management oversight and compliance monitoring, recreating the Department's Accident Review Board to review each accident and make recommendations, and transferring the accident review process to the Department of Treasury Accident Review Board if that would provide additional benefits.
State Vehicle Assignment and Use

NJDOT has an agreement with the Treasury Central Motor Pool to allow additional vehicle assignments to be made based on functional needs as opposed to the standard minimum mileage criteria. All vehicle assignments are currently submitted to the Department of Treasury for approval with justifications for those that do not meet the mileage criteria. An example of vehicles that may not meet the mileage criteria are pool cars that we use when other vehicles are being repaired, to support our "snow spotter" program, or other purposes where employee's personal vehicles are not a feasible alternative. Notwithstanding these authorized exceptions, NJDOT will take steps to more closely monitor vehicle assignments for compliance with Treasury guidelines.

Regarding the reporting of vehicle assignment changes, NJDOT is issuing a reminder to all employees assigned a State vehicle to strongly reaffirm the necessity for them to provide the required assignment and transfer documentation to the Coordinator of Personnel Transportation in a timely manner so that information can be passed on to Treasury.

Monitoring Of Cellular Phone Usage

NJDOT utilizes and follows Treasury's GSA guidelines for the assignment of cellular phones. We assign cellular phones on a very restricted basis and all assignments are reviewed by NJDOT's Division of Support Services and then by the Department Of Treasury. As you suggested, we will formalize that procedure for requesting and approving cellular phones by including it in the Department's Policy and Procedure Manual. We do have a formal policy and procedure regarding personal telephone calls (NJDOT 1.3031-E) that requires all employees to identify personal phone calls and pay for them. We do circulate all bills when they are received by OTIS and ask employees to identify personal calls. As a result of your findings, the Bureau Of Facilities Management and Operations is currently following up on cellular phone bills that have not been returned in a timely manner. We intend to institute further controls to ensure employees and managers are complying with the personal call policy.
Fixed Assets

Of the $74,299 in historical cost of equipment not located by the auditors, $58,872 worth has since been located and inventory records adjusted accordingly. Management recognizes and agrees with the need to monitor fixed assets and, accordingly, has scheduled an internal audit of NJDOT inventory systems as part of the Fiscal Year 1997 Audit Plan. The audit will review existing fixed asset systems and make practical recommendations for identified weaknesses to assure an optimal balance of risks and benefits for these assets.

We appreciate the opportunity to comment on these issues and we welcome your evaluations of our operating practices.

Sincerely,

[Signature]

John J. Hale, Jr.
Acting Commissioner

bcc: Sharon L. Landers
David M. Mortimer
Brian P. Scantlebury
Albert B. Ari
Russell Tong
Edward Klarman
Ronald Bersch