New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Department of the Treasury
Division of Administration
Transportation Services
Central Motor Pool

July 1, 2005 to August 31, 2007

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porrini  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of the Treasury, Division of Administration, Transportation Services, Central Motor Pool for the period of July 1, 2005 to August 31, 2007. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
December 21, 2007
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Department of the Treasury
Division of Administration
Transportation Services
Central Motor Pool

Scope

We have completed an audit of the Department of the Treasury, Division of Administration, Transportation Services, Central Motor Pool for the period July 1, 2005 to August 31, 2007. The audit included financial activities accounted for in the revolving fund established for the Central Motor Pool (CMP) within the state’s General Fund. The prime responsibility of the CMP is vehicle purchasing, assignment, maintenance, repair, and fueling of a fleet consisting of approximately 7,600 vehicles. Total expenditures of the agency during the 26 month audit period were approximately $40 million. Our audit excluded administrative expenditures which were audited as part of our Department of the Treasury Administration audit.

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 conditions noted in our prior report dated October 20, 2000.

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 Department of the Treasury, and policies of the agency. Provisions that we
considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read budget messages, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the organization and its internal controls.

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 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.

We found that financial transactions included in our testing were related to the agency’s programs, were reasonable, and were recorded properly in the accounting systems. We also found that the CMP has resolved the significant issues noted in our prior report. In making these determinations, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.
Lack of preventive maintenance may impact vehicle performance, lifecycle and safety, and cause unnecessary repairs.

Preventive Maintenance

The Central Motor Pool (CMP) managed approximately 7,600 state vehicles during fiscal year 2007. A breakdown by department is illustrated in Graph 1. CMP policy requires state vehicles to be brought in for preventive maintenance every 7,500 miles or eight months. The assigned driver or the agency’s vehicle coordinator is responsible for the scheduled maintenance per Department of the Treasury Circular Letter 93-04a-DPP. Failure to submit a vehicle for preventive maintenance could result in the vehicle being recalled and the driver’s state vehicle driving privileges being suspended. As noted on Graph 2, 828 vehicles were overdue for service as of July 12, 2007. Forty vehicles were overdue for more than 18 months as shown in Graph 3.

Graph 1

Number of Vehicles
By Department

2,976
2,511
1,092
1,016

- Children & Families
- Corrections
- Human Services
- Other Departments
A vehicle’s performance and lifecycle may be adversely affected when scheduled preventive maintenance is not performed timely. The vehicle’s safety could also be compromised and unnecessary repairs may be necessary. We found no evidence of vehicles being recalled or employees’ state vehicle driving privileges being suspended by the CMP.
**Recommendation**

We recommend that the CMP be proactive in scheduling maintenance for all vehicles which have not been into a CMP facility since 2006. Vehicles overdue for longer periods should be prioritized. The CMP should also consider recalling vehicles or suspending the driver’s state vehicle driving privileges for continuous non-compliance.

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**Calculation of Surcharges**

Currently, the use of credit cards for non-emergency purchases, the purchase of fuel when a ward station (state or municipality-run facility) is within 10 miles, or the purchase of high octane or premium priced fuel results in the CMP calculating surcharges to the using agencies. This manual process is tedious and time consuming and usually requires two employees two weeks per month to complete the task. Meanwhile, a significant number of questionable transactions disclosed in our audit are not reviewed by the CMP. Examples of these transactions are noted below.

*Gas purchases that exceed vehicle tank capacity*

We matched vehicle tank capacities to both credit card and ward station transactions and found a significant number of gas purchases exceeding the tank capacity.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Greater than 2 gallons over tank capacity</th>
<th>Greater than 5 gallons over tank capacity</th>
</tr>
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<tbody>
<tr>
<td></td>
<td># of vehicles</td>
<td># of transactions</td>
</tr>
<tr>
<td>2006</td>
<td>227</td>
<td>723</td>
</tr>
<tr>
<td>2007</td>
<td>194</td>
<td>887</td>
</tr>
<tr>
<td>Total</td>
<td>421</td>
<td>1,610</td>
</tr>
</tbody>
</table>

* Included in 2 gallons or greater figures.
Same day fuel purchases.

We developed a report which disclosed that during fiscal year 2007 there were over 1200 same day ward and credit card fuel transactions. A scan of the report resulted in 344 transactions we considered questionable transactions. With minimal analysis, we identified 72 transactions which were unreasonable based on the time between transactions.

We developed another report that identified over 2000 same day ward or same day credit card transactions during our two-year audit period. We considered 255 transactions to be questionable.

The majority of the above questionable transactions involved two departments. Both agencies stated these transactions could be a result of card sharing. The CMP explained that ward cards could contain duplicate numbers. No one provided substantive proof that the transactions were proper.

Recommendation

We recommend that the CMP establish a flat billing rate which would be automatically applied to all credit card purchases that would cover their additional costs. The rate could be adjusted annually if necessary. CMP personnel would have additional time to identify and address questionable transactions.

Mileage Reporting

Department of the Treasury Circular Letter 88-30-GSA requires a vehicle driver/coordinate to submit a Vehicle Usage Report or VIC 104 to the Central Motor Pool (CMP) within five working days of the close of the reporting month. The
reports are needed to determine if the vehicle is meeting minimum mileage requirements. In addition, the CMP forecasts vehicle maintenance needs based on the reports and sends user agency vehicle coordinators reminders to schedule maintenance.

During fiscal year 2007, the CMP fleet consisted of approximately 7,600 vehicles of which 250 specialty vehicles were not required to report mileage. The VIC 104 reports for 7,193 (98%) vehicles were not submitted on a monthly basis. Mileage reports for 217 vehicles were not filed with the CMP during the entire fiscal year 2007. If reports are not filed in the year, the CMP automatically charges each vehicle with the highest billing rate within its vehicle class in the following year. The circular letter further states that a vehicle is considered not utilized for the month a report is not submitted and three months of non-utilization in a year could subject the vehicle to recall. As illustrated in the following chart, 6,396 vehicles failed to file monthly mileage reports with the CMP for three or more months during fiscal year 2007. However, no vehicles were recalled.

\[\text{Mileage Reporting Chart}\]

\[\text{Recommendation}\]

We recommend the CMP take appropriate action against agencies failing to comply with the mileage report requirements.
December 11, 2007

Mr. Richard L. Fair  
State Auditor  
Office of the State Auditor  
125 South Warren Street  
PO Box 067  
Trenton NJ 08625-0067

Dear Mr. Fair:

I am in receipt of the Office of Legislative Services audit of the Department of the Treasury's Central Motor Pool.

The following summarizes comments and the corrective action plan for each of the three findings.

- **Preventive Maintenance**

The Department is in agreement with the finding that some of the 7,600 vehicles that are maintained by Transportation Services technical staff are overdue for their preventive maintenance service. As a matter of policy, Transportation Services sends out to each vehicle coordinator at the beginning of every month the CMP-410 report. This report lists the State vehicles that are overdue for service based on Transportation Services' maintenance schedule of 7,500 miles or 8 months whichever occurs first. The coordinators are then asked to contact the driver and have service scheduled at the earliest opportunity. Unfortunately, some drivers do not comply and it is difficult for Transportation Services to force them to comply. Compliance is in great part the responsibility of the driver or agency, since they are in physical possession of the vehicle.

As part of the Corrective Action Plan to address this situation, Transportation Services will, in addition to the procedure outlined above, track vehicles that do not comply with the overdue service notice. Vehicles that do not comply will be identified and a list sent to the Director of Administration of the assigned Department. If the vehicle is still not serviced, a recommendation will be made by the Central Motor Pool to recall the vehicle.
• **Mileage Reporting**

Auditor's found that in violation of the Circular Letter on mileage reporting, many departments and drivers were not submitting their mileage reports monthly. In addition, auditor's found that Treasury had not recalled any vehicles as could have been done as per the circular.

Transportation Services collects mileage three ways; 1) via the VIC-104 monthly mileage card, 2) data diskette, 3) workorders. Mileage collection previously included mileage submitted when a fuel transaction occurred at a State fueling site. The belief had always been that once the fueling system was setup, mileage submission via the cards and diskettes could be stopped. However, many drivers were incorrectly entering information into the fuel system and mileage collection in this manner had to be stopped in order to protect the preventative maintenance forecaster which is extremely important to fleet maintenance.

The Correction Action Plan to address this will include follow-up letters identifying the non-reporting vehicles to the Directors of Administration at the Departments. If the vehicle mileage report is still not provided, a recommendation will be made by the Central Motor Pool, for the recall of the vehicle as per the Circular Letter.

It should be noted that Treasury is exploring a new fueling system in cooperation with DOT and the State Police which will include the collection of the mileage data from the vehicle electronically each time the vehicle fuels. The mileage collected will be 100% accurate as its input requires no employee interaction.

• **Calculation of Surcharges**

Auditors found that two staff members spend an inordinate amount of time auditing the monthly commercial fuel billing to ensure that usage is in accordance with Transportation Services circulars. When violations are identified the cost of the fuel is charged back to the agency. Auditors suggest that a new differential rate is developed for the use of the commercial credit cards to compensate for the cost of the chargebacks. Staff would then have time to investigate questionable transactions. The Department agrees with the recommendation to develop a new differential chargeback rate.

Auditors also found that there were questionable fuel transactions which occurred on the Ward and commercial fuel systems. Auditors found same day transactions to the same vehicles and transactions to the same vehicle in an unreasonable amount of time. During FY 2007, 1200 same day Ward transactions occurred with 344 considered questionable. It should be noted that approximately 50,000 transactions occur each month with a total of over 600,000 per year. Multiple
transactions to the same vehicle on the same day, or the same vehicle in a short period of time usually indicates that State drivers are sharing fuel cards to fuel State vehicles because a fuel card is not working or lost and they borrow a co-workers card. Suspicious transactions are investigated and if theft is likely, the case is turned over to the proper law enforcement agency.

The Corrective Action Plan will include closer scrutiny of questionable transactions. These transactions will be brought to the attention of the agency, and the agency will have 60 days to respond or the recall of the vehicle will be recommended. This change is possible since manpower dedicated to charging for commercial fuel usage will be allocated to auditing questionable transactions.

In addition, the new fuel system that Treasury is exploring will eliminate fuel card sharing and theft, as the equipment that activates the pump will be attached and hard wired to the vehicle. The only way for the pump to be activated is for that particular vehicle to be at the pump.

As always the Department of the Treasury appreciates the constructive recommendations provided by the Office of the State Auditor.

Sincerely,

[Signature]

Michellene Davis
Acting State Treasurer