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Lt. Governor

LAMONT O. REPOLLET, Ed.D.
Commissioner

March 12, 2019

Mr. Roger Leon
District Superintendent
Newark Public Schools
765 Broad Street
Newark, New Jersey 07102

Dear Mr. Leon:

The Newark Internal Audit Unit has completed an audit of district vehicles. The attached report details our review, findings and recommendations.

The district is required, pursuant to N.J.A.C. 6A:23A-5.6, to publicly review and discuss the findings in this report at a public board meeting no later than 30 days after receipt of the report. Within 30 days of the public meeting, the board must adopt a resolution certifying that the findings were discussed in a public meeting and approving a corrective action plan which addresses the issues raised in the findings. A copy of the resolution and the approved corrective action plan must be sent to this office within 10 days of adoption. Direct your response to my attention.

Also, pursuant to N.J.A.C. 6A:23A-5.6(c), you must post the findings of the report and the corrective action plan on your district's website.

If you have any questions, please contact Steven Hoffmann via phone at (973) 621-2750 or via email at steven.hoffmann@doe.nj.gov.

Sincerely,

Christine A. Soto, Executive Legal Affairs Officer and
Acting Director Office of Fiscal Accountability and Compliance

c: Dr. Lamont Repollet
Robert Bumpus
Abdulsaleem Hasan
Steven Hoffmann
Clarence Joffrion

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

NEWARK INTERNAL AUDIT UNIT
INTERNAL AUDIT REPORT
DISTRICT VEHICLES
MARCH 2019

Confidential: This report is solely for management purposes and is not intended for any other use.

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NEWARK INTERNAL AUDIT UNIT
INTERNAL AUDIT REPORT
DISTRICT VEHICLES**

Distribution List of Final Audit Report

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**NEW JERSEY DEPARTMENT OF EDUCATION
NEWARK INTERNAL AUDIT UNIT
INTERNAL AUDIT REPORT
DISTRICT VEHICLES**

EXECUTIVE SUMMARY

The Newark 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*, 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:

- The District does not maintain complete vehicle use logs as required by N.J.A.C. 6A:23A-6.12-2(e) and District policy.
- The District does not maintain complete vehicles maintenance logs as required by N.J.A.C. 6A:23A-6.11-(a)3 and District policy.
- The District did not have an individual functioning as a vehicle coordinator as required by N.J.A.C. 6A:23A-6.
- The District does not maintain a complete driving record of operators as required by N.J.A.C. 6A:23A-6.11-(a)2 and District policy.
- The vehicle inventory maintained by the District did not include all information required by N.J.A.C. 6A:23A-6.11(a)1.
- The District does not have adequate internal controls over the distribution and use of vehicle fuel.
- The District is not reporting employees personal use of District vehicles as a taxable fringe benefit as required by Internal Revenue Service (IRS) regulations.

BACKGROUND

District records as of June 30, 2018 indicate a total of 123 vehicles in the Districts fleet. This includes 19 cars, 27 vans, 2 SUV's, 36 trucks, 8 wagons, 30 buses and one trailer. The Supervisor of Motor Pool is responsible for the maintenance, tracking and security of the vehicles. Vehicle maintenance is done by a combination of district staff working at the motor pool garage and outside vendors. Vehicles and drivers are insured by a commercial automobile policy obtained through Selective Insurance Company of America which covers all vehicles owned and operated by the District.

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SCOPE

The Auditors (using a vehicle inventory prepared by the Fixed Asset Department) selected 20 vehicles for testing. For each vehicle selected, the auditors requested weekly vehicle logs, vehicle maintenance logs, list of authorized drivers, and fuel usage records. Auditors also physically inspected 11 vehicles. 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, auditors reviewed insurance coverage and vehicle maintenance practices.

FINDINGS AND RECOMMENDATION

Finding 1: The District does not maintain complete vehicle use logs as required by N.J.A.C. 6A:23A-6.12-2(e) and District Policy - 3541.32

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". The District did not maintain complete vehicle use logs for all vehicles.

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 to be reviewed monthly. The Vehicle Coordinator should maintain a data base of vehicle logs to ensure all logs are submitted. A log should be submitted for all vehicles, even those not in use.

Finding 2: The District does not maintain complete vehicle maintenance logs as required by N.J.A.C. 6A:23A-6.11 (a)3 and District Policy - 3541.32

Pursuant to N.J.A.C. 6A:23A-6.11-(a)3 each board of education is required to maintain "A record of maintenance, repair, and body work for each district vehicle including":

- I. The vehicle make, model, and year;
- II. The vehicle identification numbers (VIN);
- III. The original purchase price;
- IV. The date purchased;
- V. The license plate number;

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- VI. The usage category such as regular business, maintenance, security, or pupil transportation;
- VII. The manufacturer's routine maintenance schedule;
- VIII. The category of work performed (routine maintenance, repair, or body work);
- IX. The purchase order number;
- X. The date work the was performed;
- XI. A detailed description of the work performed;
- XII. The mileage on the date work was performed; and
- XIII. The cost of the work performed.

The District did not maintain complete vehicle maintenance records with the required information.

Recommendation:

The District must comply with N.J.A.C. 6A:23A-6.11 (a)3 and implement maintenance logs for each District vehicle containing all of the required information.

Finding 3: The District did not have an individual functioning as a vehicle coordinator as required by N.J.A.C. 6A:23A-6.12 and District Policy - 3541.32

Pursuant to N.J.A.C. 6A:23A-6.12-(b)2((d) through (r)) each district shall ensure an employee, such as the School Business Administrator, insurance or risk management staff member, head of facilities services, or other appropriate employee is assigned the functions of district vehicle coordinator. District policy 3541.32 (D) states that "The Director of Transportation shall be designated District vehicle coordinator for school busses and student transportation, while the Supervisor of Motor Pool shall be designated District vehicle coordinator for all other vehicles and non-student transportation". However, the current Supervisor of Motor Pool was unaware that he was appointed vehicle coordinator or of the responsibilities of the position as required by code. The tasks specifically assigned to the vehicle coordinator by code include:

- Ensure routine maintenance is done in accordance with the manufacturers schedule;
- Obtain written reports of any accidents;
- File any insurance claims;
- Overall compliance with state statute and District policy.

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Recommendation:

The District should ensure that the individual appointed vehicle coordinator is aware of all vehicle record requirements pursuant to N.J.A.C. 6A:23A-6.11-12 as well as current District policy.

Finding 4: The District does not maintain a complete driving record of operators as required by N.J.A.C. 6A:23A-6.11-(a)2 and District Policy -3541.32

Pursuant to N.J.A.C. 6A:23A-6.11-(a)2 the District must maintain a driving record of the operators of school district vehicles, including:

- I. The name of the driver;
- II. The driver license number and expiration date;
- III. The insurer and policy number of person assigned;
- IV. Motor vehicle code violations;
- V. Incidents of improper or non-business usage;
- VI. Accidents; and
- VII. Other relevant information.

The District does maintain logs of District vehicle drivers. However, the logs did not contain all required information. The log of truck drivers did not contain driver license numbers. No logs contained the insurer and policy number of the driver, motor vehicle code violations or accident history. In addition, many of the driver's licenses listed were expired.

Recommendation:

The District must update driver logs to comply with N.J.A.C. 6A:23A-6.11-(a)2 and ensure that driver license information is current.

Finding 5: The vehicle inventory maintained by the District did not include all information required by N.J.A.C. 6A:23A-6.11(a)1

Pursuant to N.J.A.C. 6A:23A-6.11-(a)1 the District must maintain a vehicle inventory control record, including:

- I. The vehicle make, model, and year;
- II. The vehicle identification numbers (VIN);
- III. The original purchase price;
- IV. The date purchased;
- V. The license plate number;

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- VI. The person assigned or the pool if not individually assigned;
- VII. The driver license number of the person assigned and the expiration date;
- VIII. The insurer and policy number of the person assigned, and;
- IX. The usage category such as regular business, maintenance, security, or pupil transportation.

Auditors requested the District's inventory control records as of June 30, 2018. The District did provide a vehicle inventory; however, it was missing several components required by code. Specifically, purchase dates, person assigned, the insurer and policy number of the person assigned. Purchase prices were provided for 87 percent of the vehicles.

Recommendation:

The District must update the inventory control records to comply with N.J.A.C. 6A:23A-6.11-(a)1 and ensure that the required information is included, current, and accurate.

Finding 6: The District does not have adequate internal controls over the distribution and use of vehicle fuel.

During FY 2017/2018 the District purchased 36,420 gallons of fuel at a cost of \$70,548. Gasoline is dispensed from a pump located at the District motor pool. Per the Supervisor of Motor Pool, a security guard located at the motor pool ensures that fuel is only provided to District owned vehicles. In addition, a manual log of fuel dispensed is maintained. Auditor's requested, but were not provided with copies of the fuel logs. Without vehicle logs (Finding #1) auditors could not determine if the fuel usage by vehicle was reasonable.

Recommendation:

Auditors recommend that the current controls over the dispensing/use of vehicle fuel be enhanced. The District should review technologies currently available that track the use of fuel by vehicle. These include card-based fuel management systems, on-site management systems, and comprehensive fleet management systems. Comprehensive systems can include tracking of fuel use by vehicle and driver, scheduled maintenance reminders, maintenance history, and vehicle tracking including usage logs.

Finding 7: The District is not reporting employees personal use of District vehicles as a taxable fringe benefit as required by Internal Revenue Service (IRS) regulations.

IRS Publication 15-B, *Employers Tax Guide to Fringe Benefits*, requires that the personal commuting use of District vehicles be recorded as a taxable fringe benefit on the employees' W-2 form using one of several acceptable methods outlined in the Publication.

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Auditors noted several employees using vehicles for commuting purposes. Taxable benefits were not included on their W-2's.

Recommendation:

The District must report the taxable benefit in accordance with IRS regulations for all employees using District vehicles for personal use. The District should consider issuing a corrected W-2 form for calendar year 2018 and ensure that procedures are in place to record the benefit cost for calendar year 2019 and beyond.


OBSERVATIONS

- N.J.A.C. 6A:23A-6.12-(b)2 requires that district pool vehicles be used for more than an average of 750 miles per month on official school business. Due to the lack of vehicle logs as noted in finding #1, auditors were not able to verify compliance with this code requirement.
- The District motor pool maintains an inventory of parts. No perpetual inventory of parts on hand was available to auditors. Auditors did note parts such as brake pads and shoes, brake drums and rotors, along with oil filters, bulbs, mirrors and windshield wipers and an alternator, were being pulled from inventory.

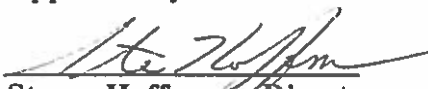
Recommendations:

- The District should review current vehicle inventory and dispose of any excess or inoperable vehicles in accordance with state and district policies and procedures.
- Auditors recommend that the parts inventory maintained by the motor pool be kept to a minimum and include common lower cost items such as oil, fluids, filters and belts. Major parts should be purchased as needed. A listing of all parts on hand should be kept by vehicle type, quantity and dollar value. A work order system should be put in place to record the purchase of parts and services for all district vehicles that will provide analytical information on the maintenance and repair costs of vehicles to the district. It would further operational capability of the districts fleet and productivity of the staff in the performance of their daily work.
- The District should investigate the feasibility of purchasing and installing GPS tracking devices in all pool vehicles to better track vehicle usage. This can be done as part of a comprehensive fleet management system.

Submitted by:


Clarence Joffrion
Supervising Auditor

Approved by:


Steven Hoffmann, Director
State Operated Audit Unit