



**New Jersey State Legislature
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**Department of Transportation
Administration**

July 1, 2011 to March 1, 2013

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Department of Transportation, Administration for the period of July 1, 2011 to March 1, 2013. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
June 24, 2013

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Scope

We have completed an audit of the New Jersey Department of Transportation, Administration for the period July 1, 2011 to March 1, 2013. The audit included payroll expenditures on a department-wide basis. Our review included the general fund administrative expenditures and revenues which totaled \$243.2 million and \$89.2 million, in fiscal year 2012, respectively. Revenues were comprised primarily of the annual funding assessments imposed on the New Jersey Turnpike Authority, the New Jersey Expressway Authority, and the South Jersey Transportation Authority. The Bureau of Maintenance and Operations, the New Jersey Transit Corporation, and the New Jersey Transportation Trust Fund Authority expenditures and revenues were excluded from the scope of our audit. The department's mission is to provide a safe, reliable, and efficient multimodal transportation network which serves the mobility needs of residents, commerce, and visitors in a manner that promotes economic development and ensures environmental responsibility.

Objectives

The objectives of our audit were to determine whether the financial transactions were related to the department's programs, were reasonable, and were recorded properly in the accounting systems.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, 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, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the Department of Transportation. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the budget messages, reviewed financial trends, and interviewed department personnel to obtain an understanding of the programs and internal controls.

A statistical sample was used for payroll testing and a nonstatistical sampling approach was used for all other financial transactions. Our samples of financial transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Nonstatistical sample populations were sorted and transactions were judgmentally selected for testing.

Conclusions

We found the financial transactions included in our testing were related to the department's programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we identified areas where improvements can be made in overtime monitoring and inventory control meriting management's attention.

Overtime

Supervisory approved timesheets were not in compliance with the Department of Transportation's overtime policy.

We noted employees earned overtime on the same day leave time was charged and employees worked more than 16 hours in a 24-hour period. During fiscal year 2012, the department incurred \$14.7 million in overtime costs. The Department of Transportation's overtime policy states if an employee accepts an emergency overtime assignment while on vacation, administrative leave, compensatory time off, or paid leave bank days, their leave time will be restored and they will be paid straight time for their normal work day and an emergency overtime rate for time in excess of their normal work day. Employees who call out sick for their own personal illness are also not eligible for overtime on that day. Employees pre-approved for scheduled sick time for doctor appointments or therapy may earn overtime. Additionally, the policy states no employee may work in excess of 16 hours in a 24-hour period.

Our test of one pay period found 9 of 40 timesheets (23%) tested had overtime hours approved by supervisors which had leave charges and overtime charges for the same day, representing 10 percent of the 425 overtime hours tested. Overtime costs may have been reduced if the department's overtime policy was adhered to. The employees would have earned straight pay for hours worked instead of earning the overtime rate.

Additionally, 13 percent of the timesheets tested disclosed employees worked more than 16 hours in a 24-hour period. This issue was also noted in a Department of Transportation, Office of Internal Audit report issued on November 28, 2012. Working excessive hours subject employees to fatigue which creates a safety concern and is a direct violation of the department's policy.

Recommendation

We recommend the supervisors approving timesheets enforce the Department of Transportation's overtime policy. The department's Human Resources unit should consider applying edit checks to its Electronic Cost Accounting and Timesheet System (eCATS) to automatically prevent overtime from being charged on days leave time is taken. In addition, supervisors should enforce the 16 hour work limit.

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Inventory

The department does not record inventory timely or perform periodic physical inventory counts.

Nonexpendable inventory is tagged and recorded into the department asset inventory system when the asset is deployed and not when the asset is received. We performed a physical inventory count on April 8, 2013 and found 218 laptops in the department's warehouse that had not been tagged or recorded in the asset inventory system. The Transportation System Improvements unit received 200 laptops in November 2010 of which 23 were in our count and the Support Services and Physical Plant unit received 200 laptops in November 2012 of which 195 were in our count. We also found the department does not perform periodic physical inventory counts.

The department's nonexpendable inventory policy directs the Bureau of Records, Services, and Warehousing to tag and record nonexpendable inventory upon receipt of the asset. It also requires periodic inventory counts to be performed of assets of \$1,000 and more. The Department of the Treasury Circular Letter 11-19-OMB also requires an annual physical inventory count of assets of similar value. If acquisitions and dispositions are promptly recorded, the inventory system could be used to identify surplus assets for proper deployment or disposition, and comparisons to periodic inventory counts would alert management of any shortages timely.

Recommendation

We recommend nonexpendable inventory be tagged with a Department of Transportation identification number and recorded in the asset inventory system when acquired in compliance with its own policy. The department should also comply with its policy and the Department of the Treasury Circular Letter 11-19-OMB, and perform an annual physical inventory count of assets.





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June 20, 2013

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Subject: New Jersey Department of Transportation
Administration – OLS Audit (July 1, 2011 to March 1, 2013)
Auditee Response to Audit Recommendations

Dear Mr. Eells:

Staff in the Division of Administration has completed a review of the "Findings and Recommendations" identified in the above-referenced report. Those findings and recommendations are "**Overtime**" and "**Inventory**." Analyses have been conducted and the New Jersey Department of Transportation (hereafter "Department" or "NJDOT") offers the following responses to these specific recommendations.

Overtime: As an immediate remedy, the Department's Division of Human Resources will begin training supervisory staff in overtime policy application in order to ensure compliance with the Department of Transportation's overtime policy. However, until staffing increases to allow a second shift during emergency activations, the Department may have employees who work in excess of 16 hours in a 24-hour period.

The finding that employees received overtime compensation for hours worked on the same day that leave and/or benefit time was applied appears to be the result of ambiguous language in NJDOT's Overtime and Benefit Time/Leaves Policies (Nos. 508 and 539, respectively). Specifically, the intent of the policy is that time worked outside of the normal hours of work, which is defined as the employee's regularly assigned work shift (i.e. 8 am – 4 pm, 7 am – 3:30 pm, etc.), are to be compensated at the overtime rate. Therefore, it is possible that an employee may earn overtime on the same day that he/she utilizes sick, vacation, administrative leave and/or compensatory time. However, it is acknowledged that overtime and leave benefit time cannot be recorded for the same work hours. As a

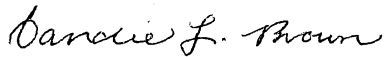
remedy, the Department's Division of Human Resources will adjust the referenced policies to clearly define hours of work.

Finally, it was recommended that an eCATS modification be requested to provide an edit where overtime and benefit time were being recorded on the same day. When presented to the eCATS user team, the request was denied for reasons of cost efficiency. It should be noted that with the State's determination to seek a new State-wide timekeeping system, eCATS modifications are being considered solely for those needs deemed critical. Notwithstanding, the Department will request that this functionality be part of any new timekeeping system being developed in the future.

Inventory: All items sitting in the Warehouse awaiting deployment have been properly tagged and entered into the Assetrac Inventory System. In addition, all items will be tagged and entered into the Inventory System upon receipt.

Finally, the Department's Division of Support Services has started and is currently in the process of performing a physical inventory of all items entered into the Assetrac Inventory System.

Sincerely,



Candie L. Brown
Assistant Commissioner
Administration

- c. Johanna Barba Jones
- Jeanne Victor
- Michele Shapiro
- Alemnesh Tessema