

NEW JERSEY. STATE AUDITOR

Report of examination of the Motor
Vehicle Dept.

1910.

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REPORT OF EXAMINATION

OF THE

MOTOR VEHICLE DEPARTMENT

OF THE STATE OF NEW JERSEY

BY THE STATE AUDITOR

Together with letter of transmittal to the Secretary of State
by the Governor

APRIL 19th, 1910

STATE OF NEW JERSEY,
EXECUTIVE DEPARTMENT,

April 19th, 1910.

Col. Samuel D. Dickinson, Secretary of State, Trenton, N. J.:

DEAR SIR—On the twelfth day of March, last, the State Auditor delivered to me a copy of the examination made by him of the Motor Vehicle Department, which, under Chapter 113 of the Laws of 1906, is under the immediate supervision of your department or of officials who are in your department.

The report is such as to require, I think, action on your part. The Governor is without power to meet conditions such as these arising in any department of the State owing to the fact that up to this time no statutory or other authority has been given to him to take any action in such a case. He can only make such derelictions public, which is his clear duty.

It was my purpose to send this report to the Legislature, but after conference with Senators Frelinghuysen, Wakelee and Ackerman it was decided the remedy was entirely in the control of your department.

You have full authority in the case and the report is herewith referred to you for your consideration and action.

Yours very truly,

JOHN FRANKLIN FORT,
Governor.

STATE OF NEW JERSEY,
DEPARTMENT OF ACCOUNTS,
TRENTON, N. J., March 12th, 1910.

Hon. John Franklin Fort, Governor, Trenton, New Jersey:

DEAR SIR—Herewith I hand you a report of the audit of the accounts of the Motor Vehicle Department. This report covers a period of fifteen months, and includes the accounts of the Department in the State House and of thirty-six agencies in various parts of the State and in New York city and in Philadelphia. The work has required the entire force of the Department, and has been pursued with all the diligence possible. Owing to the lack of permanent records in the department and agencies, it has required more than the usual amount of time to perform the audit.

So far as the records show, and so far as we have been able to verify the records, the work has been honestly conducted. It has not, however, been conducted in an efficient and business-like manner.

Without duplicating the information contained in the report submitted herewith, made by our Mr. Brown, I desire to supplement his report in certain particulars, much of which does not come strictly within the scope of an audit, but would be included in an investigation. The line separating an examination and an audit from an investigation is not a very clearly defined line, and accountants do not agree as to where an examination and audit ends and an investigation begins.

I. The Motor Vehicle Act provides that the Chief Inspector of Motor Vehicles shall be the chief clerk of the Department. There is no evidence that the chief inspector performs any of the duties which would ordinarily be suggested by the title of chief clerk. The Act also provides that the chief inspector shall have practical knowledge of the mechanical arrangement and capabilities of all kinds of motor vehicles and be capable to pass upon the efficiency of motor vehicles and the competency of motor vehicle drivers. There is no evidence that the chief inspector possesses these qualifications. Prior to his appointment

as chief inspector he was employed in a clerical capacity in the office of the Secretary of State.

2. The Act provides that the Commissioner of Motor Vehicles may appoint not exceeding ten inspectors, who shall be chosen with special reference to their fitness for the work, and who shall be required to submit themselves to an examination. There is no evidence that this latter provision of the Act has been complied with.

3. The Act provides that the Commissioner of Motor Vehicles shall organize the inspector force and shall adopt such rules and regulations as shall appear desirable. There is no evidence of any organization, and we have been unable to secure a copy of rules and regulations governing the inspectors.

4. The Act provides that the compensation of these inspectors shall be as fixed by the Commissioner, but in no case shall exceed three dollars per day. All inspectors have been paid the maximum rate of three dollars per day, and in addition thereto have been paid their expenses, amounting for the fiscal year 1909 to \$2,493.01, exclusive of repairs to motor cycles. There is no provision in the Act for the payment of expenses of the inspectors, and the authority for such payment seems to be derived from the appropriation bill, which appropriates money for the expenses and equipment of the inspectors. It seems evident, therefore, that an appropriation has been made for purposes not explicitly called for by the statute.

5. The Act provides for the appointment of agents for the purpose of registering motor vehicles and for the examination of applicants for licenses to drive motor vehicles. Said agents are to be allowed a fee to be fixed by the Inspector of Motor Vehicles, and the same to be retained from the registration or license fees. In addition to the retention of fees by the agents for their services from the registration fees collected, they have also, in many cases, retained expenses for postage, telephone services, rent, etc., stating that this was done by direction of Commissioner of Motor Vehicles. It is also said that in some cases they do not know what fee will be allowed them until they are advised by the Commissioner of Motor Vehicles. In

certain agencies a fixed salary seems to be paid, instead of the fee as provided by the statute. It is only fair to say that in the case of the Camden agency the payment of a salary instead of a fee results in a profit to the State. The Act provides that the fee to be retained by the agent shall be fixed by the Inspector of Motor Vehicles, but the duty is performed by the Commissioner.

The agency in Jersey City seems to be more than an agency and really a branch of the Department. A stenographer is maintained there, the chief inspector seems to make his headquarters there, and the business is carried on much the same as it would be if it were really the office of the Department. The numerous agencies along the shore afford opportunities for defrauding the State. Mr. W. W. Beveridge, of Asbury Park, N. J., took out at the agency in Avon two registration cards at \$5 each, marked 29 horse-power, and one driver's license at \$4 for 60 horse-power. The discrepancy in horse-power suggests the possibility of deception and the reason for registering at the Avon agency instead of at home. There is evidence that complimentary registration cards have been issued. To what extent this is done we have no means of knowing. In a few instances we have found records marked D. H., which was explained to mean "Dead Head". A few registrations were also found "Gratis".

6. The statute provides that the Commissioner of Motor Vehicles shall keep a record of all his official accounts, copies of all decisions, rules and orders, and shall adopt an official seal. We have been unable to find any such record.

7. It is a general complaint among the agents that they have not been furnished with instructions by the Commissioner, and have not been provided with records or with books. The result of this is that some agents have no records except upon slips of paper, others use books of their own design, and there is about every variety imaginable. Agents in some cases deposit their receipts in their personal accounts, and the money belonging to the State and to the agent cannot be separated. In other cases, the receipts are deposited to the credit of the Commissioner and are drawn on by him without reference to the agents.

I would also call your attention to the irregularity in the matter of deposits by the Department, all of which is fully explained in Mr. Brown's report.

8. As regards the number of agencies, I think the number could be greatly reduced. The maintenance of so many agencies in New York City and in Philadelphia and along the coast is not necessary for the conduct of the business. While it may be a convenience for the motor vehicle owner, every agency established results in an expense to the State and the consequent loss of available income. The agencies in Philadelphia, for instance, take the business which would naturally come to the Camden office. The agencies in New York City take the business which would otherwise come to Jersey City or other State agencies.

9. No record of the expenses of the Department for which an appropriation is made has been kept. In common with the other Departments, we supplied about a year ago a form for an expense ledger in which all expenses incurred should have been entered. A study of the State Treasurer's report shows gross receipts for the fiscal year ended October 31, 1909, of \$259,249.45. The gross expenses (disbursements) were \$50,639.50, or approximately twenty per cent. of the receipts. It also shows there has been considerable shifting of names on the pay-roll from the Secretary of State's office proper to the Motor Vehicle Department. The records do not show whether there was an actual transfer of services or merely a transfer of names. It is stated that these transfers were made during a rush of business, and were made for the purpose of keeping a regular corps of clerks throughout the year. There is evidence also that although certain clerks were paid as employees of the Motor Vehicle Department, the major part of their service was not in the Motor Vehicle Department.

10. It is evident that the cash received at the Department in the State House has been used for personal purposes. This matter is gone into very fully in Mr. Brown's report, and I will not duplicate what he has therein said, but simply call your attention to it.

11. It will be observed from Mr. Brown's report that the Department is defective in organization, lacking in executive man-

agement; that the relations of the head office to the agencies are not properly correlated; that there is no adequate system of charging when sending to the agencies supplies of registration certificates, etc.; no proper returns made of the certificates issued, and that from the records of the Department and agencies it is impossible to know what supplies were delivered to the agent, what and how many registrations were received and fees collected, what registration cards and other supplies were on hand at any given time, and, therefore, it cannot be told whether all certificates issued have been paid for. Agents do not make returns at any time of the stock on hand, and when the year expires, instead of returning to the Department the unused certificates and numbers on hand, they are instructed to destroy the same.

The necessity for a complete reorganization of the Department and the placing of it under the charge and direction of an officer who would give it personal and undivided attention is manifested clearly.

Very truly yours,

WM. E. DRAKE,
Auditor of Accounts.

DEPARTMENT OF ACCOUNTS, STATE OF NEW JERSEY.

AUDIT OF DEPARTMENT OF MOTOR VEHICLES, STATE HOUSE,
AND THIRTY-SIX BRANCH AGENCIES.

From Oct. 2, 1908-Jan. 1, 1910.

D. R. BROWN, Auditor in Charge; Assisted by A. B. BISHOP, WM. J. SCHMAUDER.

Hon. William E. Drake, Auditor of Accounts, Trenton, N. J.:

DEAR SIR—I herewith hand you report of the examination of the books and reports of agents of the Department of Motor Vehicle Registration, office of Secretary of State, for fifteen months from October 2d, 1908, to January 1st, 1910.

CASH DRAWER.

Having been introduced by you to Commissioner of Motor Vehicles, J. B. R. Smith, and Mr. Smith having introduced me to and referred me to the cashier and bookkeeper of the Department, Mr. Otto Dahl, I immediately asked for access to the cash drawer for the purpose of making a memorandum of the cash on hand at the beginning of my examination.

Mr. Dahl showed embarrassment, and left me standing by the cash drawer while he went into Mr. Smith's office. When he returned he opened the drawer and I made a memorandum of its contents. I append this list:

Slip of Paper marked "Due Drawer,"	\$6 00
Check, Grace A. Gilchell,	1 00
Slip of paper marked "Protested Check, H. Clay Waldeman, Jr.,"...	1 00
Check dated Soon after Jan. 1, 1909, signed by J. B. R. Smith,	30 00
Check dated "November 14, 1909, Pay to the order of Cash," signed by J. B. R. Smith,	60 00
	<hr/> \$98 00

I questioned the cashier as to the history of the six-dollar and one-dollar slips and the one-dollar check, and his explanations were reasonably satisfactory. I asked for an explanation of the J. B. R. Smith check for \$30, now nearly a year old. Mr. Dahl replied the check for \$30 was to cover a shortage of twelve months previous. This check had been counted as cash for the entire year. I asked the cashier how the shortage occurred. He explained that Conrad Walvogel, Justice of the Peace, had remitted \$30 early in the autumn of 1908, the money being a fine collected for a violation of the Motor Vehicle Law; that the money was received in currency inclosed in a letter; the letter was opened by some person now unknown, and the letter and the cash laid on Mr. Smith's desk. Subsequently, the cash disappeared, and, in spite of the most diligent search, it was never found.

The cash account had been debited with this \$30 and later on Mr. Dahl called Mr. Smith's attention to the fact that his cash was short that amount and asked what was going to be done about it. He put the matter before Mr. Smith several times and

finally Mr. Smith, shortly after January 1st, 1909, gave him a check for \$30. I asked Mr. Dahl why he failed to promptly deposit the check and he replied that when Mr. Smith handed him the check, he instructed him to "hold it." Dahl held it.

I inquired for the history of Mr. Smith's check for \$60, which was dated November 14th, 1909. Mr. Dahl stated that Mr. Smith had taken the money from the cash drawer and had left the check in lieu thereof. Immediately after, I found a discrepancy of \$15, and it was then stated that Mr. Smith had taken \$45 from the drawer and was going to take \$15 additional. This check was being treated as cash.

I think it was the next day that I discovered that Leo J. McAuley had the custody of currency and checks which he received in payment of registrations made and licenses granted to persons applying therefor at the office in the State House. I felt that my ignorance of this fact had led me to make a poor start, and on the second or third day I made an examination of the contents of both drawers.

In Mr. Dahl's drawer, the \$30 check was gone and in place of it was \$30 in currency. In Mr. McAuley's drawer, under date of December 9th, I found checks, money orders and cash aggregating \$511.00, among which was a check of Commissioner J. B. R. Smith, for \$30, dated December 9th, 1909. Apparently a new check had been given to McAuley in exchange for cash and \$30 given to Dahl for his drawer and the old check destroyed.

I said to the cashier that it was his duty to promptly deposit all checks for money belonging to the State and suggested that he promptly deposit said checks, which he did.

This deposit, \$83, was made on December 9th, 1909.

CUSTODY OF CASH.

The money and checks in the custody of the cashier are kept in the safe, to which three persons have keys. The cashier has no key to the safe. Three persons have access to his cash. I strongly disapprove of this condition. The cashier should be held responsible for the cash, and it should be in his custody in

a manner rendering it impossible for anyone else to have access to it, save by the methods of a burglar.

I disapprove of the action of Commissioner Smith in taking money belonging to the State from the cash drawer for his personal use and placing his personal check therein to be held and counted as cash by his subordinate.

ORGANIZATION OF THE DEPARTMENT.

The organization of the Motor Vehicle Department of the office of the Secretary of State comprises the following groups of employees:

1. The office force in the State House.
2. The agents in various localities in New Jersey and adjoining States, who register motor vehicles and license drivers.
3. The eight paid inspectors who assist in the enforcement of the Act.

The Assistant Secretary of State is the Commissioner of Motor Vehicles, having personal charge and supervision of the enforcement of the provisions of the Motor Vehicle Act, but, in practice, he does not appear to bear any close relation to the business administration of the office.

The Act makes it the duty of the Commissioner to appoint a Chief Inspector of Motor Vehicles, "who shall be chief clerk of the department," and Mr. Edward Johnson was appointed Chief Inspector.

The Act was approved to take effect on or before July 1st, 1906, and although three and two-thirds years have since elapsed, my observation of the office and my scrutiny of its methods and records, compel me to say that the Commissioner and the Chief Clerk have failed to organize the department for the accurate, prompt and lawful transaction of business, and have failed to establish efficient checks against incompetency and possible dishonesty.

In my examination of the records and reports of the Department and of its business methods, I have discovered that there were no duplicate pay rolls on file in the Department and no record of absenteeism; no proper and clear charge of supplies

shipped to agents and no lists or invoices rendered to agents for such shipments of supplies; no proper care of the storeroom and its contents, any person being at liberty to enter and help himself without supervision; no discipline among the agents; no proper organization of the office.

Mr. Edward Johnson, Chief Inspector and Chief Clerk, appears at the office on Tuesdays. The rest of his time is spent at an office of the Department in Jersey City. So far as my observation goes, I judge he might just as well also spend his Tuesdays in Jersey City.

Commissioner Smith explained that last spring he had transferred Johnson to Jersey City as an experiment, as the North Jersey inspectors were practically without supervision; they were so far away they were not in touch with the Department, and he was trying the plan of keeping Johnson in Jersey City to look after them more closely. I asked which were most important, Johnson's duties as Inspector or as Chief Clerk. Mr. Smith replied his duties as Inspector were much the more important.

The office has need of a Chief Clerk of business experience and familiar with business methods and organization, who should be clothed with authority and power over the office force and over office administration and agents of the Department.

OPENING THE MAIL.

Mail for the Secretary of State is delivered in the Corporation office, to Chief Clerk Transue. He sorts it, placing in a basket the mail addressed to the Motor Vehicle Department, which basket of mail is delivered to the Motor Vehicle office by the office boy.

Many of these letters contain currency as well as checks.

There is no one person whose duty it is to open this mail and dispose of it. Sometimes it is opened by one man, sometimes by another, and occasionally by a third.

The handling of the mail in this manner makes possible grave errors and serious embarrassment. I disapprove of Mr. Smith's

arrangement, or lack of arrangement, for the disposal of the mail in a safe and businesslike manner. No letter register is kept by the Department.

CASH RECEIPTS FOR THE PERIOD.

A monthly report of registrations made and licenses granted is made, or supposed to be made, by each one of the thirty-eight agents, with a remittance of the sum received for the month as shown by the report, and the agents are directed to make such reports and remittances before the fifth day of the following month.

I have checked these monthly reports with the corresponding cash book entries for a period of fifteen months from October 2d, 1908, to January 1st, 1910, and have compared the cash receipts as shown by the cash book with the amounts deposited in the Mechanics' National Bank of Trenton, and with the amounts paid to the Treasurer.

On October 2, 1908, the cash balance brought forward was,	\$1,474 28
Including this balance, the cash-book shows a debit for 15 months,	272,611 73
The bank-book shows deposits for this period of,	272,611 73
Cancelled checks bearing the endorsement of the State Treasurer show that during this period he received,	\$264,063 45
On January 1, 1910, the bank balance was,	8,474 53
Making receipts by the Treasurer and balance in bank equal,	\$272,537 98
For duplicate markers, H. E. Fine was paid,	73 75
	<hr/> \$272,611 73

I commenced my examination on October 2d, 1908, because both cash book and bank book were balanced on that date, and were not balanced again during October, November or December, 1908.

In a letter to me Mr. Smith makes the receipts, including fines and interest for the twelve months of 1909

\$247,424 21

From registration and licenses.....	\$240,880 50	
From fines	6,397 90	
From interest	145 81	
	<hr/>	\$247,424 21
I make the receipts for the same period as per cash book		\$247,418 25
	<hr/>	
Difference (see below)		\$5 96

CASH BOOK.

The cash book and bank book had been balanced seven times in fifteen months at irregular intervals, and being dissatisfied with conditions, I determined to balance the cash book monthly for the period.

I balanced the cash in each instance immediately following the entry of the monthly payment to the State Treasurer. The result of this monthly balancing of the cash book was as follows:

Oct, 9, 1908,	Cash balance not remitted to State Treasurer,.....	\$161 28
Nov. 10, 1908,	" " " " " " " "	161 28
Dec. 10, 1908,	" " " " " " " "	161 28
Jan. 8, 1909,	" " " " " " " "	181 74
Feb. 10, 1909,	" " " " " " " "	93 99
Mar. 9, 1909,	" " " " " " " "	175 78
April 8, 1909,	" " " " " " " "	178 03
May 10, 1909,	" " " " " " " "	175 78
June 9, 1909,	" " " " " " " "	1,564 93
July 10, 1909,	" " " " " " " "	175 78
Aug. 10, 1909,	" " " " " " " "	194 53
Sept. 9, 1909,	" " " " " " " "	184 68
Oct. 11, 1909,	" " " " " " " "	175 78
Nov. 10, 1909,	" " " " " " " "	176 28
Dec. 10, 1909,	" " " " " " " "	175 28

Failures to remit "all moneys collected" to the Treasurer every month, before the tenth, constitute a violation of Section 2, Chapter 288, Laws of 1907.

I asked the cashier, Mr. Dahl, where this balance of \$175.78 came from. He said \$43.75 was interest on bank balances for

period from June 30th, 1906, to December 31st, 1908; \$23 was remitted by an agent in excess of the amount called for by his monthly report, and when written to for a corrected report he failed to furnish it and the money was deposited; another agent remitted an excess of \$2, making a total of \$68.75. He did not know where the balance, \$107.03, came from.

In November, 1908, the Trenton office did a business of \$100 registering cars and granting licenses, and all of the money was received before November 11th. Of this amount, \$83 was debited to cash, that is, was entered in cash book, on November 25th, fourteen days after the money was in hand; \$17 was entered on December 9th, twenty-eight days after its receipt. When I inquired the reason for this delay, I could get no satisfactory answer.

Agent Frank Riegelman, Seabright, did a net business during November, 1908, of \$24.50, and he received the last payment on November 25th. This amount was entered in cash book on January 8th, 1909, forty-five days after Riegelman received the last payment and thirty-seven days after the Department received or should have received the amount. When I asked the reason, the answer was, "Don't know."

Agent Riegelman's report for January, 1909, shows a business of \$469.49. The last receipt was on January 29th. The amount was entered in cash book on February 17th.

Stanley L. Reed, agent at Elizabeth, reported his January, 1909, business as \$426.00, his report being dated February 1st. The amount was entered in cash book on March 4th, and remitted to the State Treasurer on March 9th, thirty-six days after its receipt from the agent.

Of Agent F. L. Martin's November, 1908, business, \$95 was entered in cash book on January 8th, 1909; \$192.50 was entered on February 9th.

The remittance of William L. Evans on account of his January, 1909, business of \$124.25 was entered in cash book on February 17th, instead of being entered, deposited and remitted to State Treasurer on February 10th.

Agent W. J. Morgan's remittance for January, 1909, was entered in cash book on February 17th.

Agent S. Boyer Davis reported his January, 1909, business as \$297.25. The final transaction was on January 29th. The amount was entered in cash book on February 17th.

Mr. Morgan reports for August, 1909, a business of \$848.00. This amount was entered in cash book on October 6th, 1909. Mr. Dahl says Morgan's August remittance was not mailed to him on August 31st, the date of the report. He cannot say on what day it was mailed or received here. Mr. Morgan's September, 1909, business amounted to \$383.00, and this amount was deposited on October 6th, the same day the August remittance was deposited.

Before I had determined to balance the cash book each month for the period under consideration, the results of which appear on a former page, I decided to examine several months of the Trenton business transacted in this office, by a memorandum account, debiting the amount of business done as shown by the monthly report and crediting by the amounts debited to cash in the cash book. The result of such examination is shown below:

TRENTON OFFICE

November, 1908.

Monthly Report,	\$100 00	Cash Book—	
		Nov. 25, 1908,	\$83 00
		Dec. 9, 1908,	17 00
	<u>\$100 00</u>		<u>\$100 00</u>

December, 1908.

Monthly Report,	\$12,578 00	Cash Book—	
		Dec. 14,	\$2,035 00
		14,	1,059 75
		18,	818 00
		19,	3,113 00
		19,	1,765 00
		19,	1,494 00
		31,	809 00
		Jan. 2, 1909,	1,474 25
	<u>\$12,578 00</u>		<u>\$12,568 00</u>
Overage,	5 96	Justice Carver, fine, ...	15 96
	<u>\$12,583 96</u>		<u>\$12,583 96</u>

January, 1909.

Monthly Report,	\$7,565 00	Overage br't forward, ...	\$5 96
		Cash Book—	
		Jan. 8,	2,527 00
		14,	1,563 00
		23,	1,449 00
		Feb. 2,	1,210 00
		4,	730 00
		Shortage,	80 04
	<u>\$7,565 00</u>		<u>\$7,565 00</u>

February, 1909.

January shortage,	\$80 04	Cash Book—	
Monthly Report,	2,059 00	February, 16,	\$930 00
		March 4,	1,150 79
		No data given,	58 25
	<u>\$2,139 04</u>		<u>\$2,139 04</u>

When I first asked the cashier why the cash for January was short \$80.04, he hesitated and indicated he did not know. Recently, I pressed him for an explanation of that large shortage in the January cash. After a little, I turned suddenly toward him and said, "Mr. Dahl, you know how that shortage occurred." He smiled and said "Perhaps an envelope in McAuley's drawer was overlooked." McAuley places cash and checks received during each day in an envelope before leaving the office at evening and puts it in the safe.

Of course the suggestion that \$80.04 was "overlooked" in a monthly balance of cash is absurd. A reasonable inference is that someone was using this cash through January, 1909, and replaced it before March 10th, the date on which the payment of the February receipts were due to State Treasurer.

Indeed, in one of my conversations with the cashier, Mr. Dahl, over this shortage, he broke out with an exclamation, "I told Johnson and Smith that the auditor would come around some day, and that this thing would all come out," or words to that effect. Mr. Dahl was under some pressure when he said this and I don't think he realized what an admission it was, as

he had carefully refrained from mentioning anybody's name except when it could not be avoided, as in the case of the Smith checks in the cash drawer.

In illustrating the failure of the Department to promptly enter cash receipts in the cash book and to promptly remit cash receipts to the State Treasurer as required by law, on pages eight and nine of this report, I omitted a striking example of the unbusiness-like and unlawful methods of the Department.

C. H. Crisman, of Branchville, was appointed agent shortly after its organization in 1906. During the forty months of his agency, up to December 31st, 1909, Mr. Crisman had made but two remittances.

In December, 1906,	\$220 75
" October 8, 1909,	1,274 50

I said to Commissioner J. B. R. Smith that Crisman had made but two remittances during his term as agent, covering a period of forty months to December 31st, 1909, and asked why such an unbusinesslike condition was allowed. Mr. Smith replied that Crisman was a well-to-do resident of his native place; that Crisman knew nothing of bookkeeping; that he (Smith) knew he was good for what he owed, and so on and so forth, *ad infinitum*, but gave no reason justifying him in permitting Crisman to hold money belonging to the State of New Jersey in his private bank account for years, in violation of the rules of his own Department and in violation of the law of the State.

I asked Mr. Dahl, the cashier, why he failed to get monthly reports and remittances from Mr. Crisman, and he replied he had repeatedly called Mr. Smith's attention to Crisman's account, and Mr. Smith had always replied that *he* would look after Crisman.

Through all this period the Department continued to ship supplies to Mr. Crisman.

John Thomson, of Avon, N. J., reported a business of \$49.50 for September, 1909. The receipt of this money was not recorded in the cash book until November 8th, at least thirty-three

days after the set time for its receipt by the Department. It is a fair presumption, with Thomson's report on file showing that he reported a business of \$49.50 for the month of September, that he remitted the money with the report on or before October 5th, in accordance with the rules of the Department.

The question arises in respect to this money from Thomson, and in respect to all the other instances of like kind mentioned above, what use were these moneys put to. Did the Commissioner or the Chief Inspector have any good reason for permitting such a condition? I am unable to gain any light on this interesting subject.

CHECK BOOK.

There are dollar and cent rulings on both the front and back of the check book stubs, but the bookkeeper does not use these rulings for entering his deposits and therefrom deducting the checks, thus showing his daily balance.

I was surprised to observe that neither Commissioner Smith nor Chief Clerk Johnson had directed the check book stubs and checks to be numbered. It is generally a rule to number checks, and I think such rule should prevail in this office.

INTEREST ON DAILY BANK BALANCES.

In debiting the cash account with the six months' interest on daily balances paid by the banks, the name of the bank paying such interest is not recorded.

I disapprove of this omission.

AGENTS.

Section 10 of Part 3 of the Motor Vehicle Law authorizes the Commissioner to appoint agents "for the registering of Motor Vehicles and issuing registration certificates and for the examining of applicants to drive motor vehicles, and the granting of licenses to said applicant."

The latest printed list gives the names of thirty-eight agents of the Department; eight of these agencies are located in New York city; three are located in Philadelphia.

COMPENSATION OF AGENTS.

Section 10 of Part 3 of the law above referred to provides as follows: "The fee allowed such agent for registration certificates so issued by him, and for every license so granted by him, shall be fixed by the Inspector of Motor Vehicles, the same to be retained from the registration fee or the license fee paid to him."

The provision of law here quoted is the only provision contained in the law dealing with the compensation of agents of the Department. Presumably it contemplates the payment of the agents by fees and gives no authority to the Commissioner to pay salaries to agents.

Notwithstanding this provision of the law, Agents Joseph H. Forsyth, of Camden; A. B. Le Massena, of Newark; W. J. Morgan, of New York, stated to the Auditor that they received their compensation in salaries. Mr. Forsyth stated he was receiving \$83.33 per month; Mr. Le Massena stated he was receiving \$100 per month; Mr. Morgan's representative stated that Mr. Morgan was receiving \$75 per month, out of which he pays all his own expenses, and Mr. Vanderburg, Terminal Building, New York, stated he was to receive \$50 per month salary and an allowance of \$25 per month for expenses from January 1st, 1910.

In December, 1909, Agent John C. Kaiser, of Jersey City, refused to inform the Auditor what his compensation was.

Mr. Kaiser's report for December, 1909, on file here in the Trenton office, shows a deduction from his gross receipts for the month of \$310. Of this amount, I am informed by the cashier, \$100 is for salary, which shows a disbursement of \$210 for expenses. I asked for the duplicate vouchers for these expenditures and was informed there were none.

So far as I can ascertain, no bills were rendered to the Department for this expenditure, but Mr. Kaiser took out the \$310 from the gross receipts and deposited the balance in bank to the credit of J. B. R. Smith.

The Motor Vehicle Law provides that the Secretary of State shall approve "all bills for disbursement of money under *any* of

the provisions of this Act, which shall be paid by the State Treasurer, upon the warrant of the Comptroller, out of any appropriation made therefor."

I respectfully suggest whether the payment of bills after the manner above described is not a violation of law as to method of payment and a misappropriation of funds, inasmuch as money is being expended that was not appropriated by the Legislature.

During the seven months of his incumbency up to December 31st, 1909, Agent Kaiser has taken out of his gross receipts \$1,831.63 in the manner above described.

The December, 1909, report of A. B. LeMassena, of Newark, on file in the Department, shows a deduction of \$215 from the gross receipts for the month on account of salary and expenses. I was informed \$100 of this amount was salary for the month and the balance was paid out of expense account, with no bills rendered for the same.

During the twelve months of 1909 Mr. LeMassena deducted from his gross receipts \$2,403.00.

The December, 1909, report of Joseph H. Forsyth, of Camden, on file in the Department, shows a deduction of \$116.07 from the gross receipts for the month: for Mr. Forsyth's salary, \$83.37; for clerk hire, \$30; for expense, \$2.70, with no vouchers for clerk hire and expense, but a memorandum on the bottom of the report that the \$2.70 was for a cash-book. During the twelve months of 1909 Mr. Forsyth received or deducted from his gross receipts \$1,381.00.

The December, 1909, report of W. J. Morgan, of New York, shows a deduction of \$75 from the gross receipts for the month. I was informed this amount covers both salary and expense, with no bills for expense submitted. Previous to July 1st Mr. Morgan deducted \$50 per month. During the year 1909 Mr. Morgan deducted \$750.00 from his gross receipts.

The monthly reports of T. B. Nisbit, of New York, on file in the Department, show deductions from his gross receipts of "Commissions and Expenses." He deducted \$230.95 for December, 1909, of which I estimate that \$212.30 was on account of commissions and \$18.65 was on account of expenses. No bills

were rendered for the expenses. This monthly allowance for expenses seems to have taken effect on September 1st, 1909.

I asked the cashier to explain this arrangement, and he could not do so. It seems to be left to the agent to deduct for expense what he thinks best.

NO BILLS ON FILE FOR AGENTS' EXPENSES.

In checking the monthly reports of the agents, I noted that large sums were in some instances deducted from the gross receipts for the month.

On some of T. B. Nisbet's reports there was written "Commissions and Expenses." On other reports was written "Salary and Expenses," and on other reports a deduction was made with no explanatory words.

I asked the cashier, Mr. Dahl, for duplicate bills for these expenses. He said there were no such bills in the Department. Later on I discovered that not only were there no duplicate bills for the expenses, but no bills for the Comptroller were submitted by the agent. No bills whatever were rendered for large expenditures. For example, on the monthly report of A. B. LeMassena for December, 1909, \$215 was deducted from the gross receipts for "Salary and Expenses." \$100 was for salary and \$115 for expenses. There is no bill for these expenses in this Department nor in the agency.

I could give you a great many examples of this method of doing business, were it necessary.

PERCENTAGE OF AMOUNT COLLECTED USED FOR EXPENSE.

The percentage of the amount collected by each agent, retained for fees and other expenses at the agencies, is stated below for the period from January 1, 1909, to December 31, 1909:

<i>Name.</i>	<i>Address.</i>	<i>Per cent.</i>
Joseph H. Forsyth,	Camden, .....	.0430
Kenneth H. Slocum,	New York, .....	.0466
W. J. Morgan,	New York, .....	.0469
S. B. Davis,	Philadelphia, .....	.0470
S. M. Butler,	New York, .....	.05
A. L. Westgard,	New York, .....	.0503
A. Harris,	New York, .....	.0532
T. B. Nisbet,	New York, .....	.0539
L. Vanderburg,	New York, .....	.0570
G. de Figianiere,	Philadelphia, .....	.06
James Madden,	Paterson, .....	.06
Geo. W. Meredith,	Atlantic City, .....	.06
C. R. Zacharias,	Asbury Park, .....	.06
A. B. LeMassena,	Newark, .....	.0611
L. P. Baurhenn,	Edgewater, .....	.0610
John L. Brock,	Trenton, .....	.0630
W. C. O'Leary,	Lakewood, .....	.0630
W. M. Floersch,	Perth Amboy, .....	.0648
Stanley Reed,	Elizabeth, .....	.0657
F. L. C. Martin,	Plainfield, .....	.0658
John Thomson,	Avon, .....	.0660
F. Riegelman,	Sea Bright, .....	.0670
Clark Clayton,	Spring Lake, .....	.0672
Willis Dutton,	Morristown, .....	.0684
Henry Vanderveer,	Somerville, .....	.0690
H. A. Darling,	Philadelphia, .....	.0694
Edward Von Kattengell,	Red Bank, .....	.0711
A. White,	Freehold, .....	.0721
W. D. Newman,	Hackensack, .....	.0745
F. H. Elliott,	New York, .....	.0767
Special Agents, .....		.0780
H. B. Bonhoff,	Millville, .....	.0820
H. A. Walls,	Vineland, .....	.0821
C. H. Crisman,	Branchville, .....	.0940
David Smith,	Phillipsburg, .....	.0977
Daniel Focer,	Cape May, .....	.1127
J. C. Kaiser,	} Jersey City, .....	.1270
Mr. Gallagher,		

I respectfully suggest that those agents, the sum of whose expenses are a high percentage of their gross receipts, should be discontinued, or the agency should be reorganized and placed on a better business basis.

DO AGENTS COLLECT THE PROPER FEES?

A review of the work of the agents of the Motor Vehicle Department as set forth in the records gives ground for the suspicion that they may, in some instances, fail to exact a fee from the applicant for registration and license commensurate with the horse-power. The agent receives the same commission whether he collects three dollars for a first class registration or ten dollars for a third class; his commission is the same whether he collects two dollars for a first class driver's license or four dollars for a second class.

AGENTS' COMMISSION ON BASIS OF PERCENTAGE.

I respectfully suggest that the fee of the agent be fixed on a percentage basis. This would lead him to collect the highest registration fee and the highest license fee consistent with the Motor Vehicle Law.

A fee to the agent of five per cent. of his gross receipts, with no allowance for expenses of any kind, would probably be a sufficient inducement to enable the Department to secure efficient agents.

NO RECORD OF COMMISSIONER SMITH'S RELATION TO HIS AGENTS.

I asked Mr. Dahl for the file containing the agreements with agents, but he knew nothing of any such file or agreements.

I approached Mr. Smith and stated that I had found that his business arrangements with his agents were not uniform. I said to Mr. Smith, "You do not seem to have any record or writing setting forth your relations to the agents as to compensation or allowances." He said, "No, the arrangements with the agents are all verbal." "But," I said again, "your relation to the agents is not uniform, and there being many of them I should think there must be in your archives some record or memoranda of the compensation and allowances made to each of the agents." "No," he said, "you can get these facts by reading the reports of the agents."

I asked for a copy of the commission issued to an agent constituting him as agent, but none could be had.

IS IT LAWFUL TO PAY EXPENSES OF AGENTS?

On a previous page I called your attention to the unlawful manner of payment of the expenses incurred by the agents.

I now respectfully invite your attention to the question as to the legality of the payment of the expenses of the agents by the Department. The law provides for the fixing of a fee for the agent, to be retained by him from the amount collected, but it does not seem to authorize the payment of agents' expenses nor is there any appropriation made by the Legislature for such payment.

SHIPMENT OF SUPPLIES TO AGENTS.

During the period under consideration, the supplies shipped to agents were not charged to them. Shipments of envelopes of different sizes and qualities, of writing paper, of blanks and cards, of various sorts of markers, together with postage stamps, have been shipped to agents with no bill stating the quantities shipped, nor the cost of each article, nor the total value of the invoice. Nor is there any such invoice entered in a book in this Department giving the itemized total values of the shipments to agents. Hence, no one knows just what the cost of maintaining each agency is.

I insist that every item shipped to an agent should be charged to said agent in a book, with the value stated, and an invoice should go to him in regular form, which he should be required to file until audited.

It should then be possible to ascertain accurately the expense of each agency and also to put a check upon wasteful agents.

BONDS.

The chief inspector, Edward Johnson, the cashier and book-keeper, Otto Dahl, and the clerk, Leo J. MacAuley, are bonded; Johnson and Dahl in the sum of \$1,000 each, and MacAuley in the sum of \$500.

All of the agents are bonded save J. B. Rue, of Red Bank, and F. H. Elliott, of New York. Mr. Dahl expressed surprise when I called his attention to the fact that Rue and Elliott were not bonded. The amount of these bonds is \$500 each, except in the case of John C. Kaiser, of Jersey City; A. B. LeMassena, of Newark; Joseph H. Forsyth, of Camden, and Wm. J. Morgan, of New York, who are bonded in the sum of \$1,000 each.

I consider that the bond of Leo J. McAuley is inadequate and should be increased to \$1,500.

I am disposed to think that the bonds of Messrs. Kaiser, LeMassena, Forsyth and Morgan should be increased.

CONTRACTS.

Advertisement was made by the Commissioner of Motor Vehicles for sealed proposals to furnish 41,800 pieces of automobile identification markers, said proposals to be received at his office on October 26th, 1908, and the successful bidder, Horace E. Fine, agreed to furnish the 40,000 markers known as No. 1 for the sum of \$8,498, this being at the rate of .4066 cents per pair; he also agreed to furnish 200 sets of markers for manufacturers and dealers for \$360 or at the rate of 40 cents per pair.

The contract aggregates \$8,858.

Provision is made for additional markers at the same rate, but there is no provision for the supply of duplicate markers to take the place of lost markers.

The contract is regular in form and execution, the specifications are carefully and clearly set forth and a bond is given with Elwood L. Fine and Hadaram M. Fine as sureties. Neither of these sureties make affidavit as to their worth.

EXPENSES OF INSPECTORS.

The Motor Vehicle Law provides that the Commissioner shall fix the compensation of inspectors at a rate not to exceed three dollars per day. The law does not authorize the payment of the expenses of the inspectors.

The Legislature of 1908 made an appropriation "for expenses and equipment of inspectors" notwithstanding the absence of a provision for such payment from the Motor Vehicle Act.

I asked Mr. Dahl for the duplicate bills rendered by the inspectors for their expenses. He replied that he had seen no such bills and knew nothing of them. Subsequently, I asked Commissioner Smith for these duplicate bills and he said he thought Johnson must have them. I asked if Johnson would have these bills in Jersey City instead of their being filed here in the Department. He ignored the latter part of this query and said he thought Johnson had them and that he had told Mr. Dahl to tell Johnson to get those bills for me (Brown) even if he had to go to the Comptroller for them.

INSPECTORS.

There are eight inspectors in the employ of the Department. I asked Mr. Smith whether he had time reports from the inspectors on file, showing when and where they rendered service. He said that matter was all fixed up by the affidavit of each inspector attached to the bill rendered to the Comptroller. He evidently has no information concerning the movements or work of these men.

PAYROLLS.

There are no payrolls on file in this Department, and no record of absenteeism. An examination of the payrolls for the fiscal year ending October 31st, 1909, on file in the Comptroller's office, shows that the employes of the Motor Vehicle Department and the employes of the corporation side of the Secretary of State's office all appear on one payroll, with the name of the Department written opposite the name of each person.

Among those charged against the Motor Vehicle Department for the entire fiscal year I found the name of Elizabeth E. Fisher. I had not seen any such person in the Motor Vehicle office. I casually asked the cashier, Mr. Dahl, in which Department of the Secretary of State's office Miss Fisher worked. He replied in the Corporation Department. I asked if she had

worked in that Department for the entire year, and he replied yes.

Later I asked Mr. Smith where she had worked for the past year, and he replied in the Corporation Department.

I respectfully suggest that the payrolls of the Motor Vehicle Department be made up separate and distinct from the other Department.

INSPECTORS' BILLS FOR EXPENSES.

In the Comptroller's office I scrutinized the bill of Chief Inspector Edward Johnson for expenses incurred during the month of September, 1909. The bill is made out in the following form:

THE STATE OF NEW JERSEY,

To EDWARD JOHNSON, Dr.

Expenses as Chief Inspector of Motor Vehicles.

1909.			
Sept.	1,	Carfare, etc.,	\$3 50
	2,	"	1 10
	3,	"	1 25
	4,	"	1 10
	6,	"	1 00
	7,	"	1 50
	8,	"	1 35
	9,	"	1 50
	10,	"	95
	11,	"	80
	13,	"	6 25
	14,	"	1 00
	15,	"	3 40
	16,	"	1 25
	17,	"	2 25
	18,	"	2 50
	20,	"	1 00
	21,	"	1 85
	22,	"	95
	23,	"	2 00
	24,	"	1 00
	25,	"	2 50
	27,	"	1 25
	28,	"	1 00
	29,	"	1 25
	30,	"	1 00

\$44 50

Please note the charge of \$6.25 on September 13th. It will be observed that this large sum, \$44.50, is paid out on a bill not itemized, with no specifications as to distance traveled or from what town to what town, mentioned on the bill. It is impossible to audit such a bill. For these reasons, I disapprove this bill.

The bill of Anderson Shinn for September, 1909, amounts to \$69.56, and is in form as follows:

To ANDERSON SHINN, Dr.

Expense Account.	Inspector, Dept. of Autos.
Sept. 1, Trenton, carfare, dinner,	\$1 70
2, Salem, carfare, hotel,	5 10
3, Salem, tel. bill, dinner,	4 70
4, Phila., carfare, dinner,	1 20

This bill contains items for every day in the month, as above illustrated. The bill should be itemized, specifying amounts paid for carfare from point to point and amount paid for dinner and for other items. For these reasons I disapprove this bill.

The bills of A. J. Ackerman, \$69.75; J. W. Baldwin, \$28.40; C. D. Pedigree, \$29.82; Frank Boutillier, \$22.00; D. B. Sawyer, \$20.15; G. W. Thompson, \$47.45, and Wm. Kincaid, \$31.67, for September, 1909, are defective in the same respects as Mr. Shinn's bills, and are disapproved for the same reasons. The bills of all the inspectors are in better form than the bills of the chief inspector, Mr. Edward Johnson.

STORE ROOM OF SUPPLIES.

There is a store room in which supplies for the Motor Vehicle Department are stored, together with supplies for all the other departments under the jurisdiction of the Secretary of State.

Nominally the contents of this store room are under the care of a clerk, but other duties take him away from the room, and, the door always being open, anyone may enter and help himself to what he finds there.

There is no fixed hour when supplies for the day are given out and no regular method in their issuance.

I disapprove of the loose methods prevailing in ordering, caring for and issuing supplies.

Respectfully submitted,

D. R. BROWN.