

### **3. CLOSING PACKAGE OPERATING LEASE AS LESSOR**

Our testing of 25 of the operating leases in which the Department is the lessor disclosed that four vehicle lease records could not be located. Also, two of the vehicles did not have matching vehicle identification numbers and ten vehicles that are no longer under a lease agreement are still in the possession of the transportation providers. These ten vehicles resulted in an overstatement of \$198,136 on the closing package. It was also noted that 19 other vehicles had paperwork filled out as if they were turned into surplus, but two vehicles were never turned in. It appears that these two vehicles are still in the possession of the transportation providers.

Section 3.20 of the GAAP Closing Procedure Manual states the agency is responsible for providing detail information and supporting workpapers on a lease-by-lease basis for audit purposes. Good controls also require that proper records be maintained for all assets owned by the Department.

We recommend that lease records on all vehicles be maintained by the Department. Care should be taken when recording vehicle identification numbers so assets can be properly traced. When a vehicle lease expires or terminates, procedures should be implemented to ensure that the vehicles are returned to the Department to be sold as surplus or for lease agreements to be negotiated or signed. Also, procedures should be implemented to properly account for vehicles which are reported as surplus.

### **4. EXPENDITURE CLASSIFICATIONS**

Our review of personnel service costs and employer contributions disclosed that the Department was allocating non-personal service cost allocation variances to the personal services accounts causing personal service cost and other operating expenditures to be overstated or understated by fund.

Generally accepted accounting principles require only salary type cost allocation variances to be recorded as personal service costs.

We recommend the Department revise its procedures to ensure that all costs are properly allocated and classified correctly.