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July 16, 2024

State Audit Report Cites Nebraska Department of Transportation for Lax Monitoring of State Vehicle Usage and Fuel Consumption as well as Extraordinary Overtime Expenses

Nebraska State Auditor Mike Foley released an extensive report today detailing numerous findings that resulted from his office's recent audit of the Nebraska Department of Transportation (NDOT). That report documents not only extraordinary overtime expenses incurred by many of the agency's 2,000 employees but also many millions of dollars of questionable expenditures for the operation of its fleet of over 2,100 vehicles.

Commenting on these startling audit revelations, Foley stated, "For those working to reign in the cost of State government operations, this agency is the land of opportunity. The spate of excessive and unexplained spending here is stunning."

To start, over the course of one year, 71% of all NDOT employees booked overtime hours at a total cost to taxpayers in excess of \$6.5 million. The report identifies 37 NDOT employees who increased their annual salaries by 40% or more by working overtime hours. The employee who claimed the most overtime hours boosted his annual salary by an astounding 62%, taking it from roughly \$76,000 to nearly \$123,000.

The audit report takes aim at a quirk in the agency's accounting practices resulting in the pervasive problem of NDOT personnel being paid out for unused leave which typically only gets paid out upon termination of employment. This leave was recorded in the agency's timekeeping system as hours worked despite the personnel already working a full 40 hour week. The audit team believes that more than \$770,000 may have been overpaid to NDOT personnel due alone to this flaw in the agency's timekeeping system when this leave should have been adjusted back to the employee's leave balance.

More disturbing yet, the audit revealed that NDOT has 3,583 active "Voyager" credit cards, issued by US Bank, along with approximately 500 State procurement credit cards also issued by US Bank, for roughly 2,000 employees. "NDOT has more than twice as many credit cards as employees," Foley pointed out. "With the agency's accounting controls as weak as the recent audit work has shown them to be, that's a sure-fire recipe for trouble and abuse."

NDOT maintains a fleet of roughly 2,100 vehicles, as well as approximately 1,500 pieces of motorized equipment, for which fuel is purchased with the agency's credit cards. The audit report cites the failure to monitor the hundreds of thousands of miles that NDOT personnel drive annually – always at taxpayer expense but often with little, if any, accountability.

The report documents 479 instances over the past year, as calculated by Foley's audit team, when hundreds of NDOT employees, working in a wide variety of positions, drove between 480 to 946 miles during a single workday. As a point of reference, the distance between Omaha and Scottsbluff is approximately 400 miles, which illustrates the implausibility of those claims.

For much NDOT vehicle usage, the travel destination, the reason for the trip, and the accuracy of the mileage claimed remain uncertain because agency employees did not properly complete mandatory vehicle log reports and were not required to specify the purpose of travel. Additionally, without any documentation or other support whatsoever, certain employees were able to revise travel reports after the fact and did so over 7,000 times during the course of the year.

The extraordinary number of inexplicable miles driven by NDOT employees is complicated further by the enormous amounts of fuel purchased and consumed for or during, the agency appears to have assumed credulously, their work-related travel.

NDOT employees could use any of the agency's more than 4,000 credit cards to buy gasoline or diesel not only at government fuel pumps but also from hundreds of commercial vendors throughout the State and beyond. The audit team noted, however, that fuel purchases with the cards were not reviewed or monitored to ensure that the transactions were legitimate and made only for NDOT vehicles and equipment.

On two separate occasions, for example, one NDOT vehicle supposedly fueled twice at the same State-owned facility on the same day. The first time, one purchase of 7.15 gallons was followed only seven minutes later by another purchase of 55.88 gallons. The following week, only 20 minutes elapsed between the purchases of 41.82 gallons of fuel and then another 38.82 gallons. NDOT could not explain why the same vehicle would require such frequent – within literally minutes apart – refueling.

Similarly, three purchases of fuel on a single agency credit card occurred at a commercial facility within nine minutes of each other on the same day. Unfortunately, NDOT lacked the records needed to identify the agency vehicle for which the purchases were supposedly made, effectively thwarting any meaningful inquiry into the validity of those expenditures.

Additionally, the auditors identified almost two dozen fuel purchases, totaling thousands of dollars, for specific NDOT vehicles on days when those automobiles were not even in service. On a far broader scale yet, as noted in the report's exhibits, 8,496 fuel transactions by agency employees did not tie to any travel log – making the legitimacy of those expenditures impossible to verify.

There were 733 occurrences, moreover, when the quantity of fuel purchased for a NDOT vehicle exceeded the fuel tank capacity of that particular vehicle. Likewise, the audit report reveals hundreds of incidents of the fuel type (diesel or gasoline) bought not matching the fuel requirement of the agency vehicle reported to have been filled.

Foley's office found also that NDOT failed consistently to enforce its own regulations requiring agency vehicles to be refueled, whenever practical, at one of 95 State-owned fuel pumps located across Nebraska. The audit report documents over 3,500 separate purchases at commercial pumps, totaling 85,000 gallons of fuel, which likely would have cost as much as eighty-five cents per gallon less at a State-owned pump.

For instance, per NDOT regulations, agency vehicles operating during business hours in Lincoln must be refueled at one of the State-owned gas pumps in that city; however, the auditors found that over 240 fuel purchases during normal business hours in Lincoln had been made at commercial pumps and not at any of their State-owned counterparts as is explicitly required.

Exacerbating even further an already dreadful lack of oversight, the audit report explains, NDOT required its employees to log the odometer reading each time an agency vehicle was refueled; however, no effort was made to review any of those records, much less to confirm their accuracy. The auditors identified over 10,200 fuel transactions for which NDOT employees recorded odometer readings that were inaccurate by 1,000 miles or more. Some of those odometer inaccuracies were inexplicitly amiss by tens of thousands of miles.

In all, NDOT spent over \$3 million in taxpayer funds at commercial pumps statewide during the year reviewed. Additionally, another \$6 million for other vehicle-related costs was charged on the agency's credit cards at over 2,000 merchants.

The disconcerting trifecta of loose fuel purchasing practices, sloppy-to-nonexistent record keeping, and glaringly inadequate oversight led the auditors to surmise that fuel obtained with NDOT credit cards could have been diverted quite readily – perhaps in appallingly large volumes – to personal vehicles.

Foley's blunt conclusion is, "With over 4,000 government credit cards active and in play at the agency under shockingly weak accounting controls and thousands of purchases transacted at privately-owned commercial gas pumps sprinkled across Nebraska, how can NDOT possibly know whose vehicles are really getting all that fuel? The simple truth is, they don't."

To help remedy the serious findings identified during the audit, Foley's report recommends subjecting all future overtime claims by NDOT employees to a thorough and proper review, formally approving only those hours determined to be both necessary and cost effective. Of particular importance is the urgent need, the report makes painfully clear, not only to provide essential oversight for agency credit cards but also to overhaul the travel, mileage, and fuel accounting controls for employee vehicle use.

"Without such drastic and immediate measures," Foley concluded, "NDOT remains ripe for potential unrestrained financial fraud and abuse – with the taxpayers left footing the bill."

A copy of the full NDOT audit report is located on the State Auditor's web site:

<https://auditors.nebraska.gov/>